

# Global Power Report

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## PJM files tariff changes at FERC aimed at blocking marginal loss gaming

The PJM Interconnection has submitted a filing with the Federal Energy Regulatory Commission, asking it to approve a set of tariff changes aiming at preventing further gaming of the marginal loss surplus allocation methodology in PJM.

According to the filing, several unnamed participants submitted financial up-to congestion transactions, reserving cheap non-firm transmission services for this purpose, which made them eligible for a portion of the marginal loss surplus allocation. The allocation exceeded the non-firm transmission cost by about \$1.18/MWh, PJM said in the filing, which was the profit the participants made for each MWh scheduled.

As a result, these participants generated a total profit of almost \$19 million, PJM said.

The marginal loss surplus is a credit given to some market participants for the system losses that occur when power is moved from one point to another across the transmission system. PJM collects the charges associated with these losses from load serving entities and credits some eligible members according to an allocation formula.

"PJM believes that these ... trades were undertaken with the intent of manipulating PJM market rules so as to gain ... surplus revenue without any corresponding usage of the transmission system," PJM said in its August 18 filing, adding that market participants should not be permitted to reap the financial benefit of such intentional manipulation.

To remedy the problem, PJM proposed a two-fold set of tariff changes, which will change the method of marginal loss surplus distribution to eligible members and eliminate the requirement that transmission service be obtained for purely financial transactions in the day-ahead market. PJM also informed FERC that in its opinion, the alternative proposal to fix the gaming issue, which was put forward by the PJM market monitor, could be deemed discriminatory to some customers.

At a stakeholder meeting last week, members voted in support of the PJM proposal despite some concerns from the market monitor that eliminating the transmission service requirement would open the door for spread bidding activity in the market, a concept that was rejected by PJM members in the past.

PJM asked FERC to issue an order on an expedited basis by September 17 and shorten the period for comments on the proposed changes to September 2. If approved, the proposed tariff changes will become effective on September 17. "Absent the requested waiver [expedited treatment], market participants may seek to continue to submit those inappropriate transactions... and garner a financial windfall," PJM said.

PJM did not ask that the profits these unnamed companies made be refunded back to PJM and its members.

"The purpose of the filing is to change the rules to prevent the behavior. Gaming implies someone is doing something that may be within the rules in order to achieve a benefit that the rules did not intend," PJM spokesman Ray Dotter said in response to the question why PJM is not asking for a refund.

— Milena Yordanova-Kline