



Operating Reserve Clarifications: CT Rule Removal

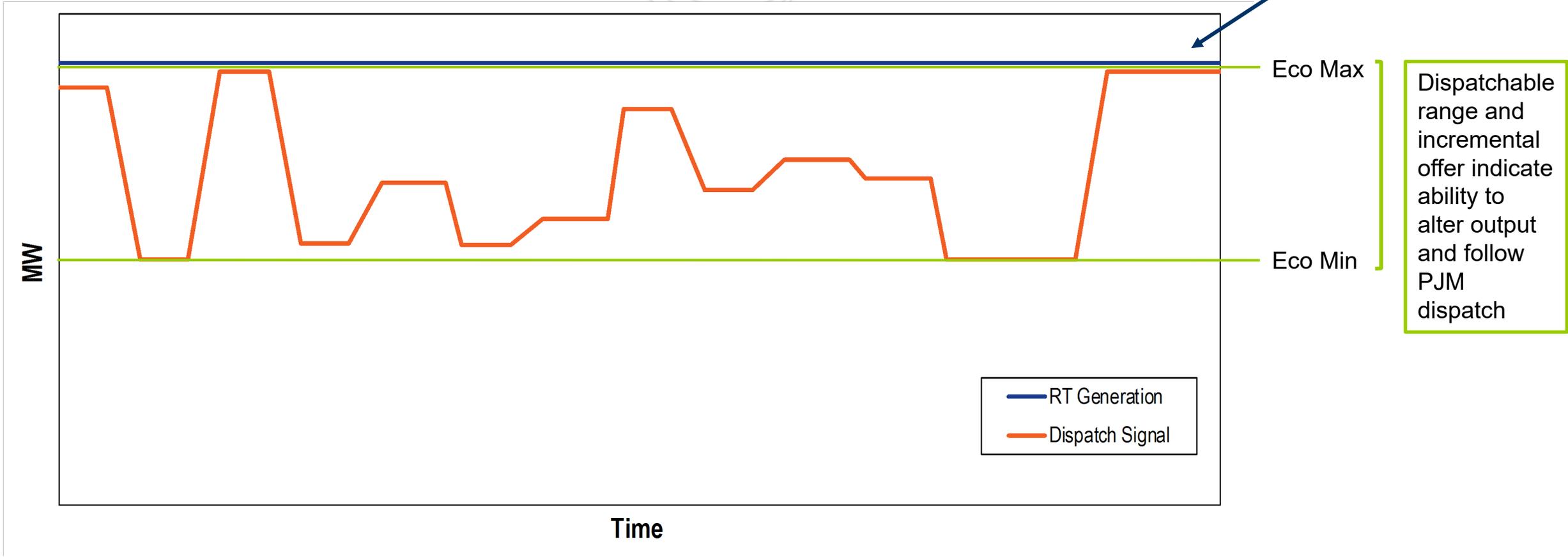
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Markets and Reliability Committee
September 21, 2022

- In March 2022, the MIC approved an issue charge addressing clarifications and potential enhancements to the rules for paying Operating Reserve credits to resources operating as requested by PJM.
- The committee has completed education on this item and is currently working the CBIR matrix.
- The committee identified one narrowly-scoped rule change that can proceed in advance of the remainder of the work on this issue charge: Removal of the “CT Rule”.

- Resources are made whole to the lesser of their Actual MW or Desired MW via Balancing Operating Reserve Credits. CTs are the exception to this rule.
- CTs are always made whole to their actual MW, regardless of how well they follow dispatch (the “CT Rule”).
 - While this special treatment made sense at the time of implementation, it is no longer warranted. CTs now have sufficient flexibility to be treated in the same manner as other resources.

PJM and the IMM propose removing the CT Rule, such that CTs will be treated the same as all other resource types in the make whole credit calculation.

The CT is automatically made whole to its RT output despite generating above the MW desired by the dispatch signal



- Removing the CT Rule will further strengthen incentives for CTs to follow PJM's dispatch signal – a core principle in the approved issue charge.
 - They will no longer be guaranteed cost recovery for any MW produced in excess of what is desired by PJM.
 - They will become subject to deviation charges for any output that deviates from the Desired MW.
- Simulations show the CT Rule has a significant impact on the level of uplift payments
 - Uplift payments to CTs were a total of \$1.3M or ~10% lower over the 8 highest CT uplift days in the summer of 2021 when recalculated without the CT Rule.

- The removal of the CT Rule is a targeted change that can be quickly and easily implemented.
 - The CT Rule is codified in a single sentence in Manual 28.
 - It is a simple change in the Settlements system.

Remove the following sentence from Manual 28, Section 5.2.1:

For Combustion Turbine units, operating at PJM direction, the actual five minute interval real-time output is used as the Operating Reserve Desired MW value.

PJM and the IMM recommend moving forward with the Manual 28 revisions to remove the CT Rule in advance of this winter.

September 2022	MIC and MRC First Reads
October 2022	MIC endorsement, MRC approval
November 2022	Implementation

The remaining work under this issue charge will be continued at the MIC as time allows until special sessions begin in January.

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**Operating Reserve Clarifications:
CT Rule Removal**



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