

# Emergency Operating Instruction Compensation

In the event that PJM issues an Operating Instruction<sup>1</sup>, resulting from, either emergency conditions or conservative operations associated with gas-pipeline contingency analysis (PJM Operating Instruction), that instructs a generator to make certain operational changes, normally made at the discretion of the generation owner, there is a potential that generator may incur costs, arising from complying with PJM Operating Instructions. Currently, some of these costs are not covered in the PJM governing documents. There is a concern that generators may not have a means to recover their costs incurred by following a PJM Operating Instruction. A generator should not be forced to choose between incurring unrecoverable costs or potential penalties associated with the Operating Agreement/NERC compliance violations.

## Issue Source

During discussions in various stakeholder committees about operationalizing gas contingencies, it was identified that there could be costs associated with the identified PJM Operating Instructions that have not been discussed with all, potentially, impacted PJM Stakeholders. It was also identified that, under the current PJM Tariff, Operating Agreement, and PJM manuals, there may not be a mechanism to compensate generators for costs associated with following those actions.

## Stakeholder Group Assignment

To be worked either directly in the Market Information Committee (MIC) or in special sessions of the MIC, as is deemed most effective by stakeholders.

## Key Work Activities

It is recommended the MIC complete the following key work activities:

1. Discuss generators' obligation to follow a PJM Operating Instruction to make operational changes (e.g. switch to alternative pipelines or fuel), normally made at the discretion of the generator owner.
2. Provide education on NERC standards that grant PJM the authority to instruct a generator owner to make operational changes (e.g. switch to alternative pipelines or fuel), normally made at the discretion of the generator owner.
3. Discuss the conditions, such as electric or gas infrastructure constraints or in response to an external cyber or physical threat, under which a generator would be given a PJM Operating Instruction to make operational changes, and the protocols for generator owners to implement such Operating Instructions.
4. Identify the types of PJM Operating Instructions, such as switching to an alternate fuel or to an alternate gas pipeline, which may result in uncompensated costs.
5. Discuss the costs that could be incurred as a result of following PJM Operating Instructions and the methods used to quantify them.
6. Discuss if and how these identified costs should be recovered and allocated.
7. If appropriate, propose updates to the PJM Manuals, Operating Agreement, and Tariff to reflect changes to include moving appropriate manual language to the Tariff.

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<sup>1</sup> Operating Instruction as defined by NERC: A command by operating personnel responsible for the Real-time operation of the interconnected Bulk Electric System to change or preserve the state, status, output, or input of an Element of the Bulk Electric System or Facility of the Bulk Electric System. (A discussion of general information and of potential options or alternatives to resolve Bulk Electric System operating concerns is not a command and is not considered an Operating Instruction.)

[https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary\\_of\\_Terms.pdf](https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf)

The following areas are considered out of scope:

1. Discussing compensation for attributes that allow generators to respond to PJM Operating Instructions.
2. NERC penalties associated with generator actions.
3. Emission waiver requests that may be required by a generator following a PJM Operating Instruction; and/or potential non-compliance with a permit condition.
4. Modifications to cost-based offers and fuel cost policies that are beyond the scope of this problem statement.

### **Expected Deliverables**

1. Provide education of NERC standards that grant PJM the authority to instruct a generator owner to make operational changes, normally made at the discretion of the generator owner. Potential addition of language in the PJM Tariff and / or Operating Agreement to clarify this authority.
2. Identification of the types of PJM Operating Instructions which may result in compensated and uncompensated generator costs.
3. Identification of the costs that could be realized as a result of following PJM Operating Instructions.
4. If stakeholders determine costs should be recovered, updated PJM Manuals Operating Agreement, and Tariff to reflect changes.
5. Determination of the documentation required to be submitted by the impacted generators to PJM and the IMM to support costs.

### **Expected Overall Duration of Work**

It is anticipated it will take six months duration to work through the key work activities and develop the expected deliverables.

### **Decision-Making Method**

Tier 1, consensus (unanimity) on a single proposal (preferred default option) is desirable.