

Spinning Reserve Cost Checking

Per request, PJM has added heat rate and VOM rate fields to the Spinning Offers page in eMKT. Currently these fields are optional and no checking is done but as of December 1, 2004, these fields will become mandatory. Since all varieties of units participate in the Spinning Reserve Markets, there are certain guidelines that need to be followed when entering cost data for a generator.

Non-condensing units:

Non-condensing units that wish to participate in the Western or Mid-Atlantic Spinning Reserve Zones must enter a VOM Rate, Reduced Load Heat Rate (Reduced Heat Rate) and Full Load Heat Rate (Full Heat Rate) along with a MW offer and a price offer. The Full Load Heat Rate entered in eMKT will correspond to the unit's Default Economic Max and the Reduced Load Heat Rate will correspond to the unit's Default Economic Max minus the spinning offer MW. Both heat rate fields will be entered in [Btu/kWh]. The VOM Rate for a non-condensing unit will be entered in [\$/MBtu].

Using the heat rates and VOM rates entered, PJM will calculate the cost of the unit to spin for an hour. This calculation is described in the CDTF guidelines (Manual M-15). In addition to the actual cost of for a unit to spin, PJM has set a margin adder of \$7.50 that may be added to the bid price so that a profit can be made in the market.

Condensing units (CTs and hydro):

Condensing units participating in the spinning markets will only be required to enter a VOM Rate along with a price and MW offer since heat rates for spinning reserve units in condensing modes should not apply. The VOM Rate entered by condensing units will be entered in [\$/Hr].

Using calculations set forth by the CDTF in Manual M-15, the true cost of a condensing unit will be calculated. The \$7.50 margin adder will again be considered in the PJM offer cost calculation of the unit to assure that the bid has remained within its cost plus the set forth profit margin.

Notes:

Offer checking will occur by PJM via the eMKT application. In the case that an offer exceeds the maximum allowed, eMKT will display an error as well as a maximum cost calculated that the offer must not exceed.

Any unit with a current standing Spinning Reserve offer will not be subject to enter cost data until the offer is changed. Once the submission of a new offer is made, the new offer will be checked against the entered cost data.

If there are any issues regarding offer entry or general questions about the cost checking, please call the PJM Markets Hotline at 610-666-8998. If you have questions regarding the calculation of the cost, please refer to Manual M-15.