Dispatchable Wind Resource LOC

Alex Ma
Real – Time Market Operations
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Issue History

- Wind LOC issue was raised in Q4 2010
  - Wind LOC compensation is currently not comparable to traditional dispatchable resources
- Problem statement was drafted and Tariff changes were required
- IRTF updated its charter to accommodate the issue
- 5 IRTF meetings occurred to discuss wind LOC with consensus around PJM proposal
- MIC endorsed the IRTF proposal on July 12, 2011
  - 90 in favor, 45 opposed, 5 abstentions
• MRC reviewed IRTF proposal with conforming change for reduced compensation while failing to operate according to governing agreements

• Based on stakeholder feedback, reduced compensation discussion is a separate issue. Discussions held at September MIC on:
  – Wind LOC
  – Reduced compensation for failure to operate consistent with governing agreements
Wind LOC Timeline

• 9/13 MIC: Present and discuss all concerns
• 9/15 MRC: Further discussion as-needed
• 9/19: Post final OA and Tariff language – for 10 business days stakeholder comment period
• 9/22 MC: Further discussion as-needed
• 9/30: Stakeholder comment period closed
• 10/4 MIC: Vote (if not voted at 9/13 MIC meeting)
• 10/5: Post final OA and Tariff language (incorporating comments) for 10/12 MRC
• 10/12 MRC: Vote
• 10/13: Post for 10/20 MC
• 10/20 MC: Vote
• The new methodology from IRTF is analogous to what is done for traditional dispatchable resources

• Provides correct market incentives to follow dispatch instructions to mitigate reliability issues on the infrequent occurrence that LMP is not set correctly

• The calculation will be the same except PJM will use the lesser of the forecasted capability or economic max or desired MW to determine the maximum output of the wind resource

• The forecasted capability will be determined by PJM using its own wind forecasting tool
• In the event of a technical issue resulting in an erroneous forecast, PJM and market participant will determine a mutually agreeable settlement value. Guidelines published in PJM Manual 28

• The calculation is the difference between the actual operating cost based on the offer curve and the LMP times the reduced MWs

• LOC payments contingent on compliance with applicable requirements in Tariff, Operating Agreement and PJM Manuals as outlined in PJM Manual 28
Graphical Representation – Dispatchable Wind Resource

- Lost Opportunity Cost
- Reliability Reduction
- Cost @ Actual Operating Point
- Economic Operating Point (Max, LMP Desired MWh)

$/MWh $/MWh

Actual Operating Point

Forecasted Max Capability

MWh