Dispatchable Wind Resource LOC

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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 on May 9, 2011
• MIC endorsed the IRTF proposal on July 12, 2011
  – 90 in favor, 45 opposed, 5 abstentions
• MRC endorsed the IRTF proposal on November 16, 2011
  – Sector-weighted vote 4.52 in-favor, 0.48 against
• MC approved the IRTF proposal through consent on November 22, 2011
Next Steps

- FERC filing with implementation Q1, 2012
- New wind LOC metric added to MIC Markets Report
• 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

- **Actual Operating Point**
- **Forecasted Max Capability**
- **Economic Operating Point (Max, LMP Desired MWh)**

- **Lost Opportunity Cost**
- **Reliability Reduction**

- **Cost @ Actual Operating Point**

- **$/MWh**
- **LMP**

- **MWh**