Section 2: Capacity Emergencies

2.2 Reserve Requirements

PJM schedules reserves on a day-ahead basis in order to ensure that differences in forecasted loads and forced generator outages does not negatively impact the reliable operation of the PJM Transmission System. PJM operates in real-time to ensure Contingency/Primary (10 minute) and Synchronized/Spinning reserve requirements are always maintained. Day Ahead Scheduling Reserves (Operating), Contingency (Primary) and Synchronized/Spinning Reserve Requirements are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Ancillary Service Market Area</th>
<th>Day-ahead Scheduling (Operating)</th>
<th>Contingency (Primary)</th>
<th>Synchronized Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTO</td>
<td>Annual %</td>
<td>150% Largest Single Contingency</td>
<td>Largest Single Contingency</td>
<td></td>
</tr>
<tr>
<td>Mid-Atlantic &amp; Dominion</td>
<td>N/A</td>
<td>1700 MW</td>
<td>Largest Single Contingency</td>
<td></td>
</tr>
<tr>
<td>SERC</td>
<td>Dominion</td>
<td>VACAR ARS%</td>
<td>VACAR ARS%</td>
<td>VACAR ARS%</td>
</tr>
</tbody>
</table>

The Day-ahead Scheduling Reserves for RFC are calculated on an annual basis. This calculation considers variables that adversely impact system reliability, specifically, Underforecasted Load Forecast Error (LFE) and Generator Forced Outage Rates (FOR).

\[
\text{Day-ahead Scheduling Reserves} = \text{Underforecasted LFE} + \text{FOR}
\]

Load Forecast Error Component

The LFE component is based on a 3 year average of Underforecasted LFE. PJM focuses on only underforecasted Load Forecast errors because underforecasted loads result can result in a capacity deficiency. PJM computes the Underforecasted LFE based on the 80th percentile of a rolling three year underforecast average.

Effective January 1, 2014 the LFE error component of the Day-ahead Scheduling Reserve is 2.112.15%.

Forced Outage Rate Component

The FOR component is based on a rolling three year average of forced outages that occur from 18:00 the scheduling day (day – 1) through the operating day at 20:00. This duration covers the timeframe after the Reserve Adequacy Run through the evening peak period for which the system is scheduled. Forced outages that occur prior to 18:00 of the scheduling day are accounted for in the commitment plan. PJM dispatch still has the ability to schedule additional reserves if a Hot Weather / Cold Weather Alert is issued since FOR are typically higher during such timeframes.

Effective January 1, 2014 the FOR error component of the Day-ahead Scheduling Reserve is 4.163.78%.

PJM Performance Staff performs Day-ahead Scheduling Reserve Requirement calculations every year during the month of November. The calculations cover the 3 year window from November 1st (year – 3) through October 31st (current year). The results are communicated.
Effective January 1, 2014-2015 the Day-ahead Scheduling Reserve for RFC and EKPC regions of PJM is 6.275.93% times Peak Load Forecast for RFC plus EKPC.

Dominion Day-ahead Scheduling Reserve is based on their share of the VACAR Reserve Sharing agreement and is set annually.

The RFC, EKPC and Dominion Day-ahead Scheduling Reserve Requirements are added together to form a RTO Day-ahead Scheduling Reserve Requirement.

**Note 1:** PJM must schedule sufficient Regulating Reserves to satisfy control standards. Regulating reserves shall be made up of not less than 75% spinning reserves, and resources allocated to regulating reserves shall not be included as part of Contingency Reserves.

**Note 2:** PJM must schedule sufficient Contingency Reserves to satisfy the ReliabilityFirst (RFC) requirements. Contingency Reserves shall not be less than the largest contingency. Contingency Reserves must be made up of at least 50% Spinning Reserves. No more than 25% of Contingency Reserves should be interruptible load. (Standard BAL-002-0, BAL-002-RFC-02)

**Note 3:** PJM triggers the Contingency (Primary) Reserve Emergency Procedures on the Mid-Atlantic Control Zone based on a Contingency/Primary Reserve Requirement of 1700 MW due to potential deliverability issues. Contingency (Primary) Reserve Requirements for the RFC portion of the PJM footprint is 150% of the largest generators.

**Note 4:** The Regulation Requirement for the PJM RTO is defined in section 4 of Manual 12, Balancing Operations.

**Note 5:** RFC and VACAR Contingency and Synchronized Reserve requirements are set on an annual basis.

**Note 6:** For Dominion Control Zone, SERC Reserve Requirements, as outlined in the SERC Contingency Reserve Policy, are maintained. Dominion-VP load is subject to the SERC requirements based on the VACAR Reserve Sharing Agreement which is set annually. For non Dominion-VP load in the Dominion Control Zone, SERC reserve requirements (non-reserve sharing group) are applicable to the Balancing Authority (PJM). There are sufficient reserves in the RTO to surpass these SERC requirements through the existing reserve methodology.

PJM schedules Day-ahead Scheduling reserves on a day-ahead basis as a single market in the RTO. Primary and Synchronized Reserves are maintained in real-time based on the locational requirements identified above, recognizing transmission constraints while scheduling sufficient localized reserves on a control zone basis to satisfy reserve sharing agreements. The cost of capacity or energy is allocated among the Market Buyers as described in the PJM Manual for Operating Agreement Accounting (M-28).

PJM commits generation real-time on an economic basis, considering resource characteristics (start-up, min run, starts per day) and anticipated system changes (load curve, interchange, must-run generation) while honoring system constraints.
PJM issues capacity emergencies across the entire PJM RTO except for PJM Load Dump Warnings/Actions, which are solely issued on a Control Zone basis. However, transmission constraints may force Emergency Procedure warnings/actions to be issued on a Control Zone or a subset of a Control Zone. For example, if known transmission constraints would prohibit delivery of Maximum Emergency Generation capacity from one Control Zone to another, a Maximum Generation Alert would not be issued for the Control Zone with undeliverable energy.