Dominion’s package preserves many components of the current (status quo) Operating Reserve (Day Ahead and Balancing) construct and in many cases it conforms to the PJM package(s).

Our proposed package includes explicit language relative to revenues that are included or excluded from the specific OR credit calculation (4, 4a and 1c).

Our proposed package preserves the current LOC construct for units scheduled in DA but not dispatched in real time (currently referred to as CT LOC). The rationale for preserving status quo relative to CT LOC is that the PJM proposed package leaves these types of generators without an incentive to follow PJM direction while still exposing them to intra-day gas balancing risks.

Our proposed package also includes intra-hour LOC’s, as the status quo penalizes a CT that synchronizes marginally ahead of the top of an hour in response to a PJM directive. For example, if a CT with an award starting 8AM is given directive to come online at 11AM, and it synchronizes to the grid at 10:55AM, it currently receives zero LOCs between 10AM and 11AM.

Our proposed package preserves the current method for compensating a unit dispatched upward in opposition to SCED. Currently such compensation occurs only if a unit is eligible for operating reserve credits.

Our proposed package eliminates the ‘other’ category for sync reserve compensation. Neither PJM, the MMU nor any stakeholder could provide any form of justification for retaining this category.

And, while we do not strongly oppose PJM’s proposed package to eliminate DAOR (package 2), we are concerned that it could result in the unintended consequence of encouraging generators to submit price offers at some level above their cost (in order to hedge risk/insure margin), especially when they are close to being on the margin.