



DRAFT MINUTES
Day-Ahead Reliability and Reactive Cost Allocation (8th Meeting)
Conference Call
August 19, 2013
9:30 a.m. – 12:00 p.m.

IN ATTENDANCE

Ciabattoni, Joe	PJM Interconnection, LLC	Not Applicable
Coyne, Suzanne	PJM Interconnection, LLC	Not Applicable
Fabiano, Janell	PJM Interconnection, LLC	Not Applicable
Hauske, Thomas	PJM Interconnection, LLC	Not Applicable
Luna, Joel	Monitoring Analytics	Not Applicable
Stotesbury, Christina (Secretary)	PJM Interconnection, LLC	Not Applicable
Walter, Laura (Facilitator)	PJM Interconnection, LLC	Not Applicable

ATTENDED VIA PHONE

Bassett, Jeffrey	BP Energy Company	Other Supplier
Dean, Kevin	McNees Wallace & Nurick LLC	Not Applicable
Filomena, Guy	Customized Energy Solutions, Ltd.*	Not Applicable
Hoatson, Tom	Riverside Generating, LLC	Other Supplier
Horstmann, John	Dayton Power & Light Company (The)	Transmission Owner
Huffman, Dan	FirstEnergy Solutions Corp.	Transmission Owner
Lieberman, Steven	Old Dominion Electric Cooperative	Electric Distributor
Norton, Chris	American Municipal Power, Inc.	Electric Distributor
Philips, Marjorie	Hess Corporation	Other Supplier
Rajan, Abhijit	Dominion Resources	Not Applicable
Slade Jr., Louis	Virginia Electric & Power Company	Transmission Owner
Wadsworth, Joseph	Vitol Inc.	Other Supplier

1. Administration

Ms. Walter, PJM, reviewed the Anti-Trust Policy, Code of Conduct and the Media Participation Policy. Roll call was performed, and Minutes from the June 17, 2013 meeting were approved by acclamation.

2. Review Goals

Ms. Walter reviewed the DARRCA problem statement, the purpose of the group, the current work plan and timeline for completion. She referenced the chart below which breaks down the two issues in the problem statement, as well as the goal for today's meeting to begin creating packages and start building consensus among the members. A correction in the date for the next meeting was noted, which will be held on Monday, September 30 from 1:30 to 4 p.m.

	Allocation of Day Ahead operating reserve costs for units called on for reliability	Allocation of costs for units providing Reactive Services in real time
Market	Day Ahead	Real Time
Impacted	Charges	Charges
Tasks	Determine if allocation filed with FERC on 11/30/13 is valid	Consider start and no load cost allocation
How it got here	PJM made a change to commit Reliability Units in DAM on 9/13/12. PJM filed to allocated the costs for Reactive, Black Start and Interface control as it is allocated in RT	IMM believes start and no load costs for units providing reactive services should not be paid by BOR but instead allocated to Reactive Services
Why are we looking at this	FERC requested a stakeholder process to review allocation changes	Requested by the Market Monitor

3. History of Education

Ms. Walter presented a [document](#) which compiles the information and materials provided at each DARRCA meeting to date, as well as a FAQ section to highlight common questions and concerns identified during previous education sessions. Ms. Walter recapped the last meeting which reviewed status quos, proposed solutions, allocation of units called on for reliability, LMP in the Day Ahead Market, voltage control and Real Time Reactive Services allocation.

4. Reactive Services Credits

Mr. Luna, Monitoring Analytics, presented the calculation of make-whole payments for Reactive Services performed in Real Time and the allocation of start and no load cost to Balancing Operating Reserves. The IMM believes that all costs attributable to Reactive Services, including start and no load should be allocated to Reactive Services. Ms. Walter clarified that currently BOR credits are calculated in segments, and are calculated based on the entire incremental offer curve however currently Reactive credits (except for start and no load) are calculated hourly, and only are calculated on a point in the curve. Mr. Luna noted that he believes Reactive Services should be calculated like BOR to eliminate inconsistent hourly calculations.

Mr. Luna presented two sets of graphs that detail the current reactive services calculation which compensate the reactive make whole payment based hourly segments, and the proposed solution to segment BOR. A stakeholder asked what happens if a unit trips under the current BOR make whole method. Mr. Luna assured the unit would be made whole, including startup and no load, until it trips, when it is no longer eligible for BOR. A stakeholder asked if a unit is scheduled Day-Ahead and trips two hours into Real-time run, will segmented payments prove a disadvantage to the current hourly payments? Mr. Luna replied that if scheduled in Day-Ahead for reliability, the make whole payment will be calculated in Day-Ahead. Any deviation in Real-time will make the unit not eligible for BOR payments. Mr. Luna provided a summary of the impacts from this proposal, which include a reduction in make whole payments for units providing reactive service in Real-time, as well as the shift in allocation from BOR to Reactive. The make whole reduction is due to changing from hourly to segmented make whole as well as changing the calculation from a point on the offer curve to using the entire offer curve. Mr. Luna provided an example of the impact of this change. From October 2013 through May 2013 all units that provided reactive service, would have experienced an RTO wide average increase of \$0.009 per MWh to Real-time load, although each zone will have a different impact. A stakeholder noted this proposal financially impacts the generators even though it may conceptually be the right decision.



5. Design Component Development

The group continued to develop design components, and came to consensus to allocate units called on for Day Ahead reliability to Real-Time Load plus exports (status quo is simply RT load).

Ms. Walter, PJM, made the suggestion to add some additional design components around the Real-time incremental cost; using a point on the curve versus the entire offer curve, as well as the calculation for segmented versus hourly payments. A stakeholder indicated no further decisions can be made without seeing numbers i.e. who gets paid more/less; who pays more/less. Stakeholders also requested the impact to the RTO versus their specific zones to determine who if they would be charged more. Although that information is market sensitive and cannot be provided to the large group, the FAQ document provided reviews overall cost impacts. Some stakeholders shared the concern of financial uncertainty which gives load less confidence in hedging costs, and therefore is leaning towards status quo. A stakeholder noted the Energy Market Uplift Senior Task Force (EMUSTF) group is looking specifically at Balancing Operating Reserves and suggested these DARRCA decisions may be premature pending the EMUSTF group's findings. Some further suggestions to look at the timeline for completion, potentially postpone packaging solutions, and/or decide not to make a decision were mentioned. A stakeholder requested if any information regarding reactive service issues are specific to a unit(s) or randomly distributed throughout a certain zone or region can be provided. Mr. Ciabattone referenced a list of reactive problems that is posted on the website quarterly and typically ranges from one-off issues, to scheduled transmission outages, as well as some reoccurring issues.

Ms. Walter concluded the meeting noting a survey would be sent to the group to gauge their interests and concerns. Survey results and next steps will be discussed at the next meeting on September 30. Any additional education requests should be sent to waltel@pjm.com.

6. Future Agenda Items

No agenda items were requested.

7. Future meeting dates

September 30, 2013 1:30 – 4:00 p.m.

Author: Christina Stotesbury
DM #: 763211, v1

Anti-trust:

You may not discuss any topics that violate, or that might appear to violate, the antitrust laws including but not limited to agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition. If any of these items are discussed the chair will re-direct the conversation. If the conversation still persists, parties will be asked to leave the meeting or the meeting will be adjourned.

Code of Conduct:

As a mandatory condition of attendance at today's meeting, attendees agree to adhere to the PJM Code of Conduct as detailed in PJM Manual M-34 section 4.5, including, but not limited to, participants' responsibilities and rules regarding the dissemination of meeting discussion and materials.

Public Meetings/Media Participation:

Unless otherwise noted, PJM stakeholder meetings are open to the public and to members of the media. Members of the media are asked to announce their attendance at all PJM stakeholder meetings at the beginning of the meeting or at the point they join a meeting already in progress. Members of the Media are reminded that speakers at PJM meetings cannot be quoted without explicit permission from the speaker. PJM Members are reminded that "detailed transcriptional meeting notes" and white board notes from "brainstorming sessions" shall not be disseminated. PJM Members are also not allowed to create audio, video or online recordings of PJM meetings.