

## Operating Reserve Clarification for Resources Operating as Requested by PJM

### Issue Source

PJM and the Independent Market Monitor have raised this issue.

### Issue Content

This issue stems from opportunities to clarify and/or enhance rules governing the calculation of Balancing Operating Reserve credits paid to supply resources determined to be operating as requested by PJM and how such determination is made. As part of this effort, there are also opportunities to strengthen incentives for supply resources to operate consistent with PJM's directions.

### Key Work Activities and Scope

1. Provide education on the following topics:
  - a) Current Tariff, Operating Agreement and Manual requirements regarding calculation of Balancing Operating Reserve Credits, specifically as it relates to eligibility for Balancing Operating Reserve Credits and the MW level to which resources are made whole.
  - b) The incentives and requirements that currently exist in the PJM market for resources to operate as requested by PJM, including the assessment of balancing operating reserve deviation charges and how such charges are calculated.
  - c) Examples of situations where resources do not follow dispatch and receive uplift under the current rules.
  - d) How other ISOs/RTOs provide incentives for resources to operate at their direction.
2. Determine a definition of "operating as requested by PJM" as it relates to payment of Balancing Operating Reserve Credits. This includes but is not limited to:
  - a) How closely all resource types must follow PJM's real-time dispatch signal in order to be considered operating as requested by PJM.
  - b) How the determination of whether resources are coming on line and going offline, consistent with PJM's operating instructions, is made.
  - c) How Combustion Turbines (CTs) that do and do not have a dispatchable range are treated in this definition.
  - d) How intermittent resources are treated in this definition with respect to dispatch MW and/or forecast MW.
  - e) How the use of the Fixed Gen flag impacts the determination of whether a resource is considered to be operating as requested by PJM or not.

e) Ways in which the definition of “operating as requested by PJM” as it pertains to the calculation of Balancing Operating Reserve Credits may differ from the definition of “following dispatch” that is used for the purpose of calculating Balancing Operating Reserve Deviation Charges.

3. Establish alternative rules addressing the MW level to which Balancing Operating Reserve Credits, and related forms of uplift credits, should be paid to resources found not to be closely following PJM’s commitment and dispatch instructions (where needed in order to create strong incentives for resources to operate consistent with such instructions).
4. Clarify the rules and process to disqualify resources from Balancing Operating Reserve Credits when they operate outside of their unit specific parameters and such operation was not the result of an actual constraint.<sup>[1]</sup>

### Expected Deliverables

1. Education and analysis as needed concerning items identified in the scope of work.
2. Proposed revisions to PJM’s Tariff and the Operating Agreement, resulting in a FERC filing.
3. Proposed revisions to PJM Business Practice Manuals.

### Out of Scope:

Other topics related to definition and calculation of Operating Reserve charges and credits beyond those needed for consistency with the work in this Issue Charge.

### Decision-Making Method

Tier 1, consensus (unanimity) on a single proposal will be sought.

### Stakeholder Group Assignment

This issue will be worked at the Market Implementation Committee, with the potential for special purpose MIC meetings to be scheduled as needed.

### Expected Duration of Work Timeline

It is expected that this work will begin in ~~March~~ April 2022, and be completed in approximately nine months.

| Start Date                  | Priority Level  | Timing   | Meeting Frequency  |
|-----------------------------|---|--|--|
| Click here to enter a date. | <input checked="" type="checkbox"/> High<br><input type="checkbox"/> Medium<br><input type="checkbox"/> Low | <input checked="" type="checkbox"/> Immediate<br><input type="checkbox"/> Near Term<br><input type="checkbox"/> Far Term | <input type="checkbox"/> Weekly<br><input checked="" type="checkbox"/> Monthly<br><input type="checkbox"/> Quarterly |

<sup>[1]</sup> OA Schedule 1 Section 3.2.3 (e) Second Paragraph.

**Charter**

*(check one box)*

|                                     |  |
|-------------------------------------|--|
| <input type="checkbox"/>            | This document will serve as the Charter for a new group created by its approval.                 |
| <input checked="" type="checkbox"/> | This work will be handled in an existing group with its own Charter (and applicable amendments). |

*More detail available in M34; Section 6*