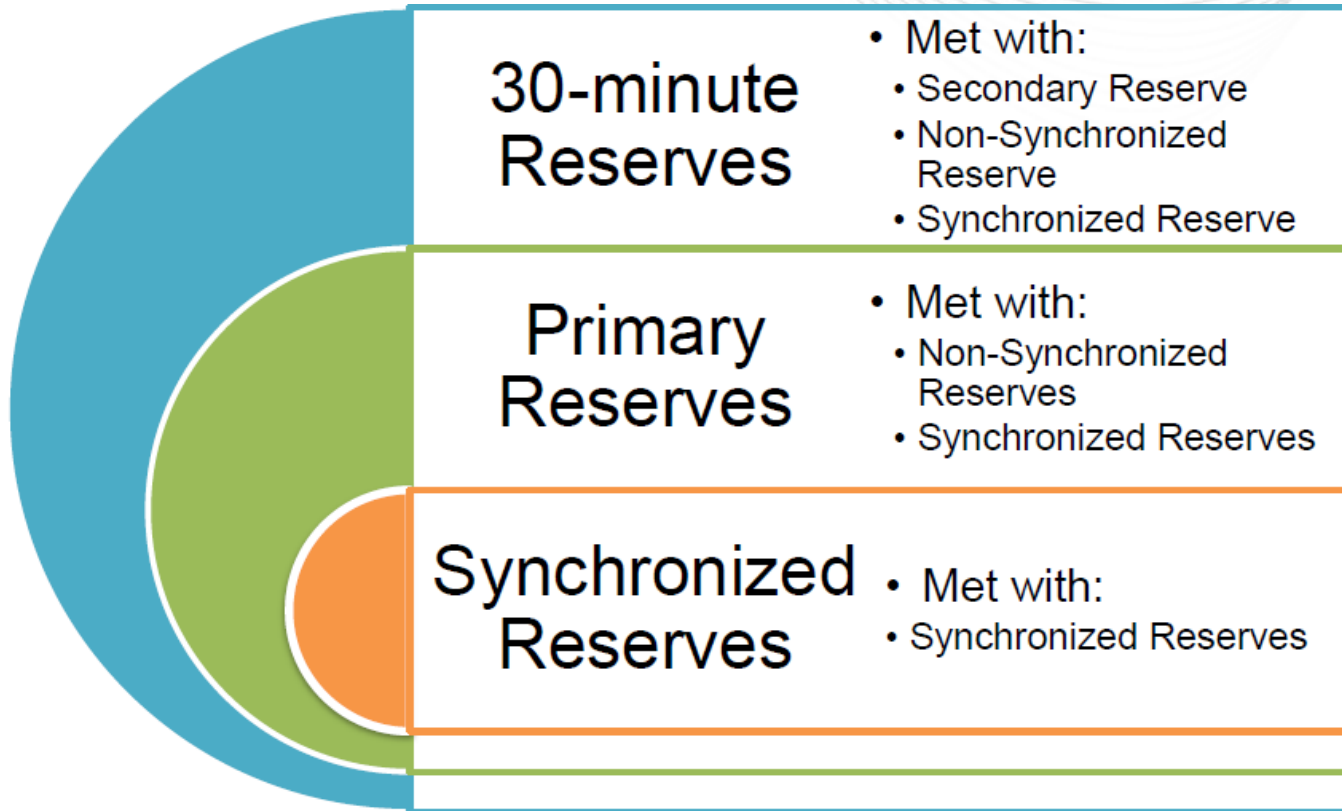


Reserve Price Formation Order

High Level Impacts for Demand Response



- 30-minute Reserve: reserve capability of resources that can be converted fully into energy within 30 mins
- Primary Reserve: reserve capability of resources that can be fully converted into energy within 10 mins (can be Synch or Non-Synch)
- Secondary Reserve: reserve capability of resources that can be fully converted into energy within 30 mins less Primary Reserve capability

- Tier 1 and Tier 2 Synchronized Reserve to be collapsed into one market
 - Both Day Ahead and Real Time offers/clearing for Synchronized Reserve
 - 10 minute Synch Reserves adder will change from \$7.50 to the expected value of the penalty (estimated to be \$0.02)
 - Penalty structure similar to current Tier 2 structure
- Change from Day Ahead Scheduling Reserve to Day Ahead Secondary Reserve and addition of Real Time Secondary Reserve market to align with Day Ahead
 - Offer price will no longer be submitted
 - Day Ahead Secondary Reserve assignment is balanced out with Real Time Secondary Reserve assignment in Settlements
- Cap on the percentage of the Minimum Reserve Requirement (MRR) that can be met by demand resources is removed

- Secondary Reserves for Demand Resources are the amount of MW that can be reduced within 30 minutes minus the amount of MW that can be reduced in 10 minutes
 - Reduce load up to Economic Min within 30 minutes
- Must have a Confirmed economic DR Registration/Dispatch Group
- Need to have one minute meter data available for measurement & verification
- Must be available for Real Time energy in order to be eligible for Secondary Reserves in Real Time
 - In order to provide Secondary Reserves, a valid Real Time energy offer must be submitted for the same MW amount
 - Cannot clear total reduction capability in DA energy market
- Must have a lead time less than or equal to 30 minutes
- Energy min downtime must be less than or equal to 2 hours
 - This ensures that resources can be dispatched for energy in Real Time if needed

Availability	Offer MW	Offer Price
<ul style="list-style-type: none"> • Must be available for energy in order to be eligible to clear for Secondary Reserves • Reflect availability for Secondary Reserves in Secondary Reserve Offer MW value 	<ul style="list-style-type: none"> • Consistent with treatment for Synchronized Reserves, Demand Resources will have the ability to specify an offer MW • Secondary reserves offer MW must be equal to the energy offer MW • Cannot be greater than the total load reduction capability • Offer MW = 0 indicates that resource is unavailable for Secondary Reserves • No must offer requirement 	<ul style="list-style-type: none"> • Secondary Reserve is a cost-based market • No offer margin allowed • Each resource's cost to provide Secondary Reserves is based solely on lost opportunity cost, which for Demand Resources is zero