

Executive Summary – Dominion Phase 2 EMUSTF Package (K)

Dominion's package K proposal is very similar to PJM's package H proposal in that it preserves the status quo while making several targeted improvements to the cost allocation construct. The primary difference is Dominion's proposed enhancements to the allocation methodology for Balancing Operating Reserve and Lost Opportunity Cost credits. Dominion is also supportive of PJM's proposal to include UTCs as deviations in the allocation of Balancing Operating Reserve charges.

In summary, Dominion's package differs from PJM's package H within the following design components:

14: BOR Allocation: Region

Dominion advocates allocating Balancing Operating Reserve Credits ('Regional RA BOR Credits for Reliability' and 'Regional RT BOR Credits for Reliability') on a zonal instead of regional basis. The rationale for this proposal is that the benefitting zone or zones, to the extent that they can be identified, should bear the cost of this uplift, rather than an entire region. In the current construct, an unconstrained zone nested within a region could end up subsidizing another zone's reliability need by paying a portion of uplift charges related to running out of merit generation. The threshold for determining zonal allocated charges would be less than 500 kW. In addition to the benefits described above, this measure would increase transparency by making it easier for market participants to identify the general location of constraint(s) that cause out of merit generation dispatch, and would enhance consistency of settlements, given that reactive charge allocations are determined in similar manner.

15: LOC allocation: Resource/transaction

For the same reasons outlined within '14: BOR Allocation: Region' above, Dominion advocates adopting the same approach in determining allocation of uplift charges related to LOCs.

23: Generators netting

Dominion's package modifies the current netting methodology applied to generators to allow full netting of deviations under scenarios where a resource that is replacing another is following PJM dispatch instructions. The intent of this proposal is to allow a generator the ability to hedge against being short during the Operating Day without being allocated a portion of balancing operating reserve charges if following PJM instructions.