



Clarification of RCSTF Proposed Penalty Changes for DR/DER Aggregation Resources

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April 29, 2024

- We are currently advancing two, limited solution packages for a vote following the June RCSTF:
 - Changes to how synchronized reserves are deployed during a spin event
 - Changes to the reserve requirements
- The two packages target reforms we expect to be able to implement before Winter 2024/2025.
- Discussions on changes to penalties, make-whole payments and performance evaluation have been deferred.

Improve communication and stream-line deployment during spin events

- Reserve deployment instructions to generators will be transmitted as an update to basepoints in addition to the All-Call
- Increase dispatchers ability to deploy less than 100% of spinning reserves
- Deployment for demand response resources will continue to happen through DR Hub as it does in status quo

A Focus on Reforms for Winter 2024/2025

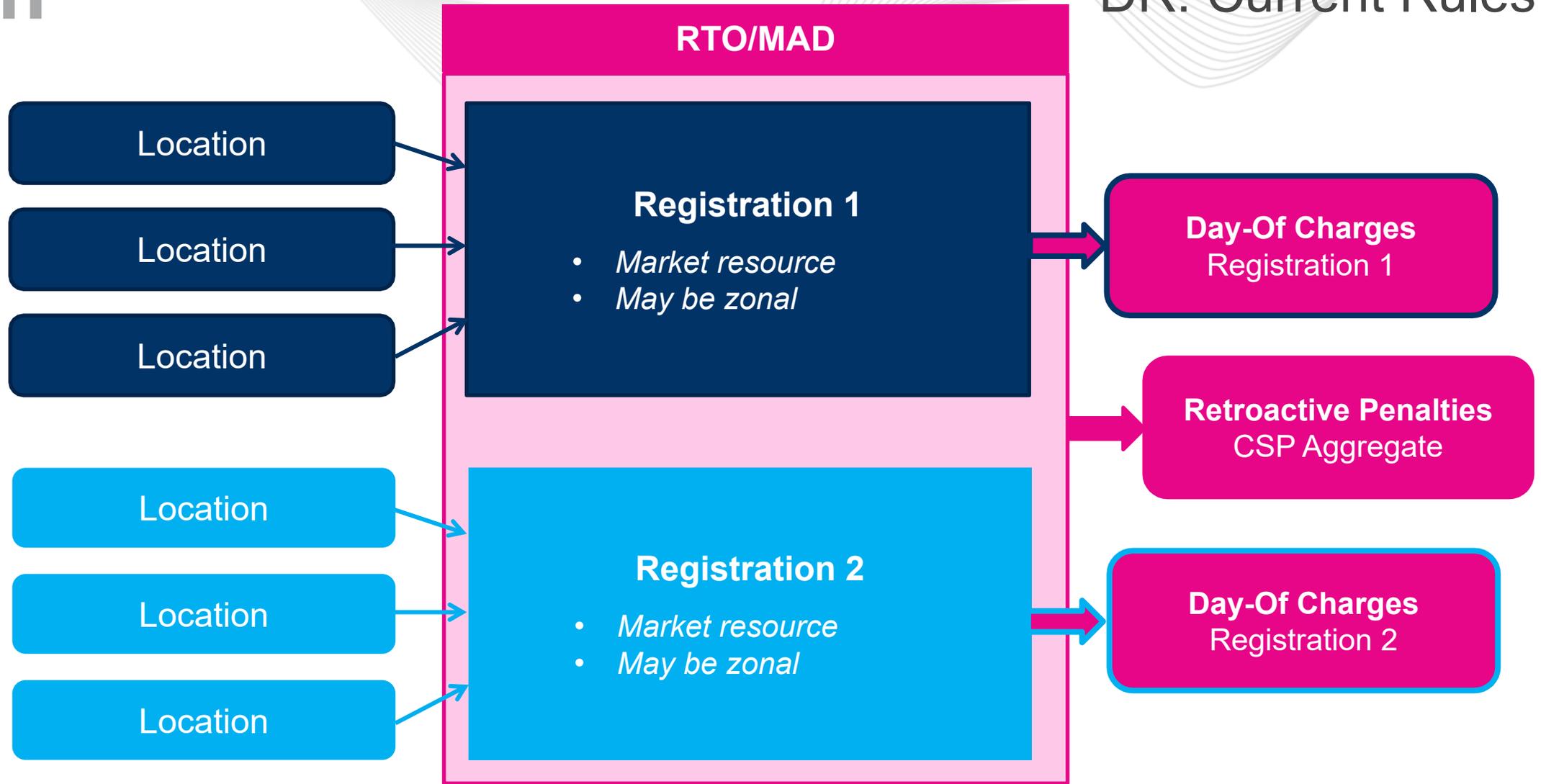
Better reflect operational needs in the reserve market

- Revise the 30-Minute Reliability Requirement to incorporate the average load forecast error and average forced outage rate and thereby better the capture operational uncertainty that PJM Dispatch needs to address
- Update PJM Manuals to clarify that each extended reserve requirement can be extended independently. Product substitution and nesting rules will continue to apply as they do in status quo.

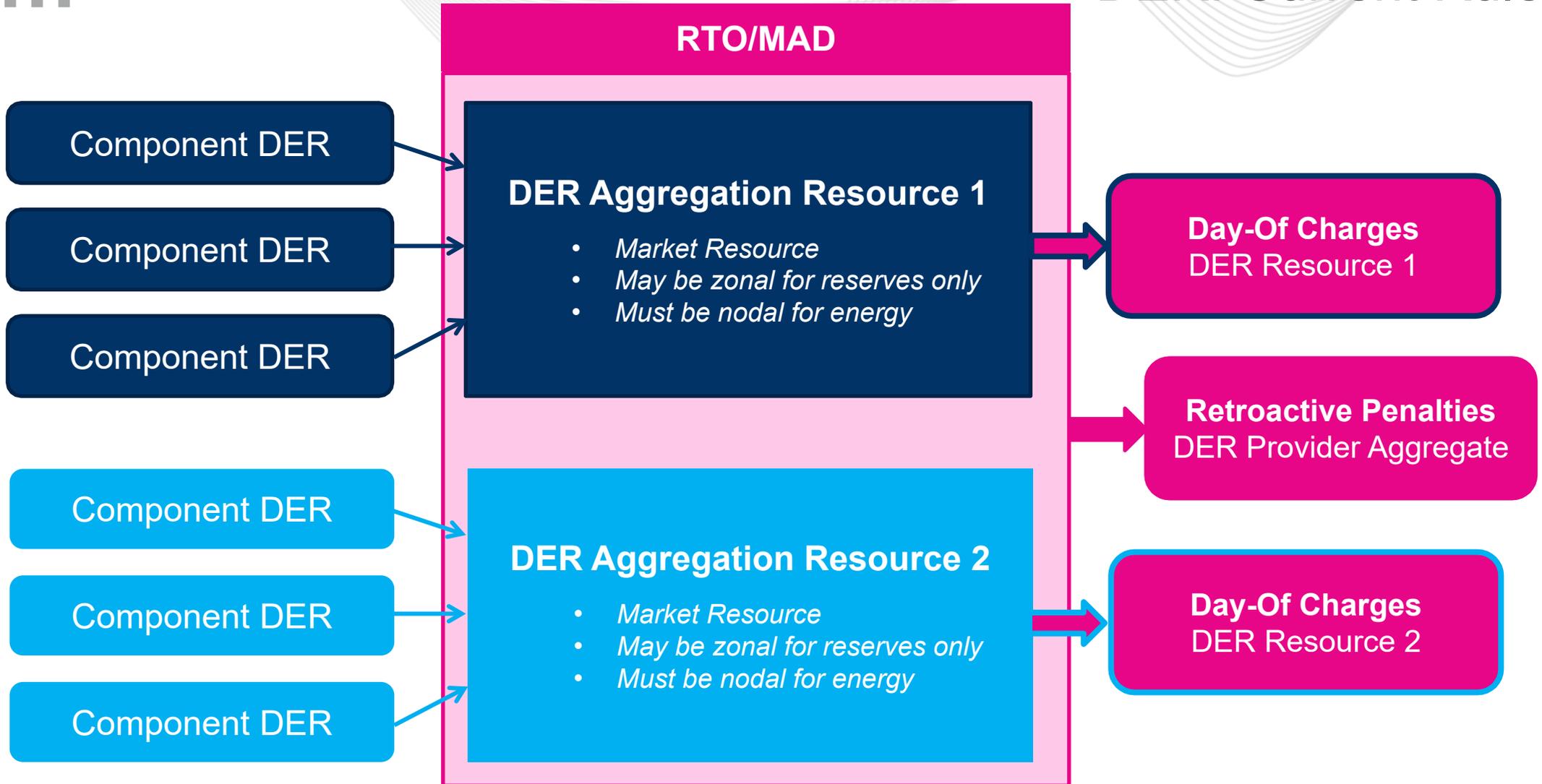
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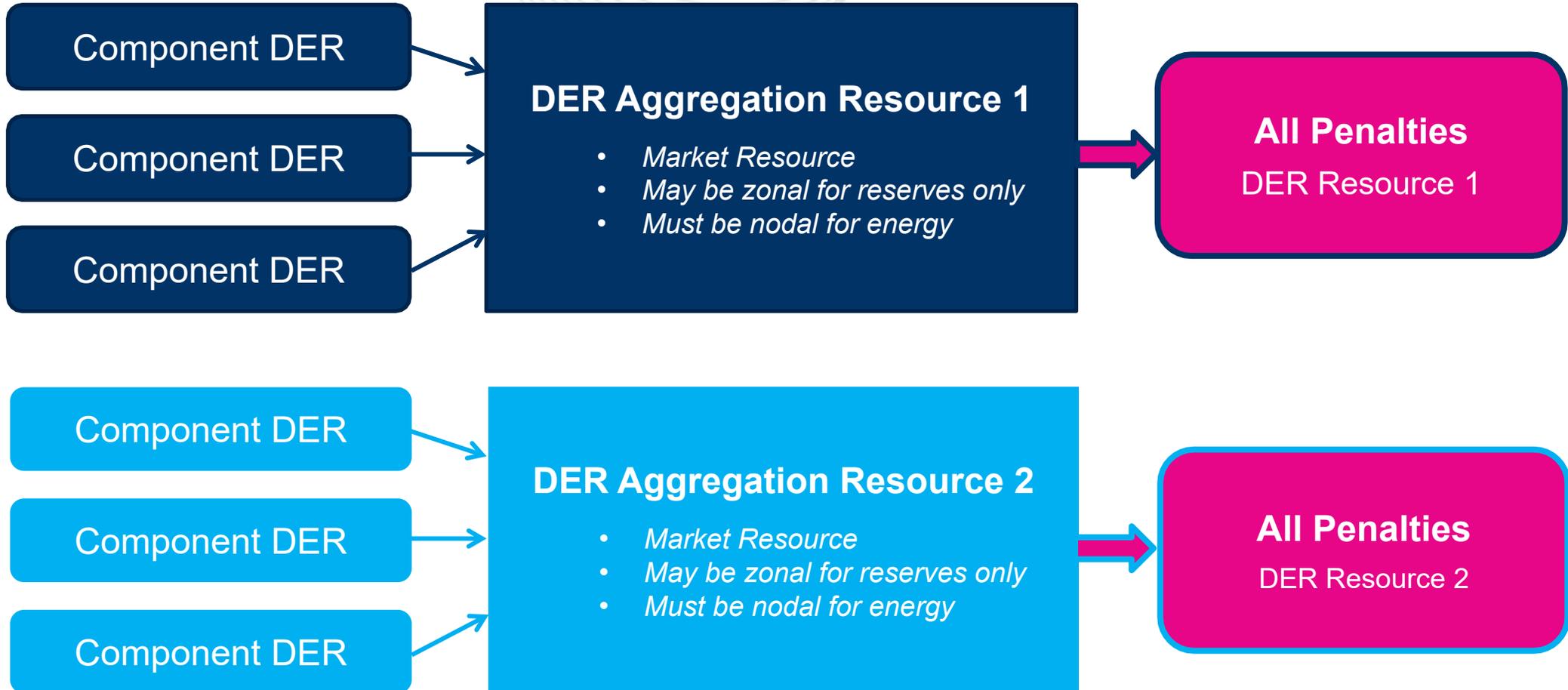
Market participants that fail to respond to a reserve event with their assigned or self-scheduled amount of reserves have an obligation to repay all or a portion of the credits received on both:

- The day-of the event (including five-minute intervals outside of the event). Performance is assessed and penalties are incurred at the market resource level.
 - *No changes are proposed.*
- Over the immediate past interval, which is equal to the lesser of: 1) the average number of days between events OR 2) the number of days since resource's last non-performance. Performance is assessed at the market resource level, but is then aggregated to the CSP in order to assign penalties.
 - *Proposal is to transition to a fixed \$/MW penalty rate and levy penalties at the market resource level, aligning this new penalty with the manner in which the day-of penalty is levied.*









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RCSTF Update and DER/DR Penalty Clarification



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