



Effective Date	12/1/2014
Impacted Manual #(s)/Manual Title(s):	
M11: Energy and Ancillary Service Market Operations M28: Operating Agreement Accounting Regional Practices	
Conforming Order(s):	
N/A	
Associated Issue Tracking Title:	Energy Reserve Pricing and Interchange Volatility
Committee Approval Path - What committee(s) have already seen these changes?	
ERPIV Special Sessions of the MIC	
MRC 1st read date:	9/18/2014
MRC voting date:	10/30/2014
Impacted Manual sections:	
<p>Manual 11:</p> <ul style="list-style-type: none"> - 2.3.6 – Added commitment of long lead resources in the day-ahead market - 2.5 – Added details on second step on Synchronized Reserve and Primary Reserve demand curves (becomes effective only after approval of associated FERC filing) - 2.8 – Clarified first step on demand curve is used in pricing when in voltage reduction / load dump action - 2.9 – Clarified first step on demand curve is used when calculating max possible energy price - 4.2.2 – Added business rules on the increase to the Synchronized Reserve and Primary Reserve Requirements - 4b.2.2 – updated reference to single step demand curve - 7 – added interchange cap business rules - Other clean up changes related to ExSchedule implementation - 11.2.1 - Added business rules on the increase to the DASR Requirement - 11.2.3 – Updates to the calculation of the DASR Offer quantity - 11.2.8 – Referenced separate cost allocation for the base and additional DASR quantities (becomes effective only after approval of associated FERC filing) - Other minor revisions to clean up formatting and references to retired applications 	

Regional Practices:

- Section 2.1.2.2 – updated submission timeline for real time with price transactions to 18:00 day-ahead
- Section 2.1.2.6 – new section to reference interchange cap rules in M11.

Manual 28:

- Section 19 – Added DASR cost allocation changes (becomes effective only after approval of associated FERC filing)

Reason for change:

These changes support the proposals developed by the Energy and Reserve Pricing & Interchange Volatility special sessions of the MIC.

The proposals address incorporating more operator actions into energy and reserve pricing and adjusting transaction scheduling rules to moderate the impact of interchange volatility on system and price stability.

Summary of the changes:**Energy and Reserve Pricing Proposal:**

- Commit long lead resources scheduled for the next operating day in the DA market based on the schedule dictated by PJM operations
- Increase the Day Ahead Scheduling Reserve requirement during emergency conditions by the hourly difference in submitted fixed demand and forecasted RT load, plus any additional reserves scheduled to account for operational uncertainty
 - Clear DASR MW up to resources' economic max rather than emergency max
 - Adjust capability considered from offline units to recognize startup and notification times
- Increase the Synchronized Reserve and Primary Reserve Requirements during emergency conditions by the amount of any additional reserves committed for operational uncertainty after the close of the day-ahead market and reliability assessment run.
- Add a second, lower step on the Synchronized Reserve and Primary Reserve demand curves to reflect a lower willingness to pay for the additional reserve quantity

Interchange Volatility Proposal:

Implement an hourly interchange cap for the forecasted peak hour(s) and surrounding hours during emergency conditions

- Only used when operators have made firm resource commitments and anticipated interchange schedules are sufficient to meet projected load for the hour
- The cap limits spot imports and hourly non-firm point-to-point transactions once net interchange reaches the cap
 - Schedules with firm or network designated transmission service will NOT be limited
 - Spot imports and hourly non-firm PTP transactions submitted prior to implementation of the cap will NOT be limited
- The Net Interchange Cap value based on operator expectation plus 700 MW margin