

Reserve Price Formation Manual 11 Revisions

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Market Implementation Committee
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- Effective October 1, 2022 several aspects of the PJM Reserve markets will change
 - As a result of Reserve Price Formation efforts, 2018 to-date
 - Consolidation of Tier 1 and Tier 2 Synchronized Reserve products
 - Alignment of reserve products in Day-Ahead and Real-Time
 - Flexible modeling of Reserve subzones
- All revisions to M-11 v122 are meant to be conforming to FERC Orders: EL19-58-000 and ER19-1486-000
 - FERC’s response to the PJM February 22, 2022 Compliance Filing is pending
 - PJM will not implement changes until a ruling from FERC

- All Reserve rules will be covered in one overarching section and will merge existing sections:
 - Current section 4: Overview of the PJM Synchronized Reserve Market
 - Current section 4b: Overview of the PJM Non-Synchronized Reserve Market
 - Current section 11: Overview of the Day-ahead Scheduling Reserve Market

- Section 4: PJM Reserve Markets
 - 4.1 Overview of the PJM Reserve Markets
 - Description of Synchronized, Primary, and 30-Minute Reserve Services and the Synchronized, Non-Synchronized, and Secondary Reserve Products that can meet the Service requirements in both DA and RT
 - 4.2 PJM Reserve Markets Offer Business Rules
 - 4.2.1 Reserve Markets Resource Eligibility
 - 4.2.1.1 Requests for Eligibility for Nuclear, Wind, Solar Resources
 - » These resource types are ineligible by default but may request an exemption with documentation to support the resource's ability to follow PJM's dispatch
 - 4.2.1.2 Economic Load Response Reserve Eligibility
 - 4.2.2 Reserve Resource Offer Requirements
 - Capacity generation resources must offer their 10-min and 30-min reserve capability. Reserve capability is calculated based on Energy offers with the exception of Hydro, Economic Load Response, and Energy Storage resources which must submit specific reserve offers.
 - 4.2.2.1 Communication for Reserve Capability Limitation
 - » Exception process to be able to submit Synchronized Reserve Max or Secondary Reserve Max less than EcoMax

– 4.2 PJM Reserve Markets Offer Business Rules (cont.)

- 4.2.3 Reserve Markets Resource Offer Structure

- Availability, Offer MW, Offer Price

- 4.2.4 Offer Period Timing

- For both DA and RT Reserve Markets

- 4.2.5 Reserve Markets Resource Capability

- 4.2.5.1 Reserve Markets Capability for Online Generation Resources

- » Based on initial energy output, ramp rate, Eco Min, and the lesser of Eco Max and Synch/Secondary Max

- 4.2.5.2 Reserve Markets Capability for Offline Generation Resources

- » Based on startup/notification times, ramp rate, Eco Min, and the lesser of Eco Max and Synch/Secondary Max

- 4.2.5.3 Reserve Markets Capability for Synchronous Condensers

- » Based on ramp rate, condense to generate time, Eco Min, and the lesser of Eco Max and Synch/Secondary Max

– 4.3 Reserve Requirement Determination

- Reserve requirements in DA and RT for Synchronized Reserve, Primary Reserve, and 30-Min Reserve are determined based on the greatest MW loss of all the potential Largest Single Contingencies on the system
- 4.3.1 Locational Aspect of Reserves
 - Multiple subzones may be modeled but only one will be active at a time. Active subzones will be communicated via Markets Gateway.
- 4.3.2 Creation of New Reserve Subzones
 - New reserve subzones will be defined as far in advance as possible.
- 4.3.3 Reserve Demand Curves and Penalty Factors
 - Demand curves for each reserve product and location. First step of the curve is at \$850/MWh and second step is at \$300/MWh.

– 4.4 Reserve Markets Clearing

- Reserves and Energy will be co-optimized the same way in the DA and RT markets.
- **4.4.1 Product and Locational Substitution**
 - Synchronized Reserve can also meet the Primary and 30-Min Reserve requirements. Non-Synchronized Reserve can also meet the 30-Min Reserve requirement. Reserves procured in a subzone can also meet the requirement of the RTO.
- **4.4.2 Day-Ahead Reserve Market Clearing**
 - DA Reserve clearing prices and assignments are posted simultaneously with DA Energy.
- **4.4.3 Real-Time Reserve Market Clearing**
 - Inflexible reserves cleared DA will have their assignments carried to RT. Inflexible reserves are committed hourly and assignments are posted to Markets Gateway thirty minutes prior to the operating hour. Flexible reserve commitments come from the RT SCED application and are communicated via ICCP.
- **4.4.4 Opportunity Costs for Condensers**
 - LOC is based on the forecasted hourly LMP, price of the unit at its set point, and the amount of reserve provided
- **4.4.5 Determination of Reserve Clearing Prices**
 - Clearing Prices for Synchronized Reserves, Non-Synchronized Reserves, and Secondary Reserves are the marginal cost to serve an additional MW of applicable reserve product in the RTO Reserve Zone and applicable active Reserve Sub-Zone.

– 4.5 Event Performance

- 4.5.1 Performance Verification

- Measurement of a resource's magnitude of response when PJM requests reserves to be dispatched to Energy.

- 4.5.2 Non-Performance

- Consequences for failure to respond to PJM's request for reserves to be dispatched to Energy

– 4.6 Reserve Obligations

- LSE's incur a reserve obligation based on their RT load ratio share and the total assigned MW to meet each applicable requirement.

– 4.7 Bilateral Transactions

- Bilateral transactions for Synchronized Reserves, Non-Synchronized Reserves, and Secondary Reserves may be reported to PJM via Markets Gateway

– 4.8 Settlements

- PJM Reserve settlements are a zero-sum calculation based on the Reserves provided to the market by Market Sellers and purchased from the market by Market Buyers. More details in Manual 28

- 1 – Overview
- 1.1 – PJM Responsibilities
- 2.3.3.2 – Generation Schedules
- 2.3.7 - Mechanical/Technical Rules
- 2.7 – Locational Pricing Calculator (LPC)
- 2.8 – The Calculation of Locational Marginal Prices (LMPs) During Emergency Procedures
- 2.9 – Shortage Pricing

- 2.14 – Balancing Operating Reserve Cost Analysis
- 3.1 – Overview of the PJM Regulation Market
- 3.2.1 – Regulation Market Eligibility
- 3.2.7 – Regulation Market Clearing
- 3.2.7.5 – Total Offer
- 5.2.4 – Markets Database System

- 10.1 – Overview of Demand Resource Participation
 - 10.2 – Demand Resource Registration Requirements
 - 10.2.1 – Registration Combinations
 - 10.2.2 – Curtailment Service Providers
 - 10.4.1 – Metered Data
 - 10.5 – Aggregation for Economic, Pre-Emergency and Emergency Demand Resources
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- Updated DA Market Ops owner from Mike Ward to Joe Ciabattoni

- Section 2.5.3.3 - Real-time Security Constrained Economic Dispatch Methodology
 - Updated Achievable Target MW calculation
 - Updated definition of up/down ramp rate used
 - Updated diagram to reflect these changes

This enhancement was deployed to production on June 28, 2022

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Appendix: Manual Revision Schedule

- Several manuals require updates to account for the Reserve Price Formation implementation:
 - Operations Related Manuals:
 - Manual 10: Pre-Scheduling Operations
 - Manual 12: Balancing Operations
 - Manual 13: Emergency Operations
 - Markets and Settlements Related Manuals:
 - Manual 11: Energy & Ancillary Services Market Operations
 - Manual 15: Cost Development Guidelines
 - Manual 28: Operating Agreement Accounting
 - Manual 29: Billing



Reserve Price Formation Manual Revision Schedule

	Committee	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Manuals 10, 12, 13	SOS				8/3 ●	★ 9/1			
	OC				8/11 ●	★ 9/8			
	MRC				8/24 ●	★ 9/21			
Manuals 11, 28, 29	MIC				8/10 ●	★ 9/7			
	MRC				8/24 ●	★ 9/21			
Manual 15	CDS			7/6 ○					
	MIC			7/13 ●	★ 8/10				
	MRC				8/24 ●	★ 9/21			
	MC				8/24 ●	★ 9/21			

- First Read
- ★ Endorsement
- Info Only

Go-live for Reserve Price Formation changes is **October 1, pending FERC action**