

Reserve Price Formation Remand Order

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Affirmed prior findings that PJM met its FPA 206 burden regarding:

- Consolidation of Tier 1/Tier 2 synchronized reserve products
- Improved utilization of existing capability for locational reserve needs
- Misalignment of the Day-Ahead and Real-Time Reserve Markets
- Provisions regarding resources' reserve capability and offer rules

Reversed prior findings that PJM met its FPA 206 burden regarding:

- Current Reserve Penalty Factors
- Current two-step ORDC
- Historic Energy and Ancillary Service (EAS) Offset in the capacity market

Denied request to extend effective date from May 1, 2022, to October 1, 2022.

December 22, 2021, order on voluntary remand did not address capping prices.

- Existing caps on maximum prices are administratively determined:
 - The Synch Reserve Market Clearing Price is capped at 2 * Penalty Factor (\$1,700)
 - The Primary Reserve Market Clearing Price is capped at the Penalty Factor (\$850)
- PJM proposed to remove this price capping in the reserve pricing filing, and FERC initially accepted that change.
- The order on remand required maintaining the current ORDCs but did not address price capping.

PJM submitted a filing asking FERC for clarification on price capping before making its compliance filing. Filed on Tuesday January 18, 2022.

February 11, 2022 order granting clarification addressed outstanding price cap question

- Clarified the Remand Order did not remove the price caps
- Indicated PJM may propose revisions to the existing reserve price caps to reflect the addition of the new 30-minute Reserve Product.

PJM is required to submit a compliance filing indicating the level of price capping by Tuesday February 22, 2022.



Price-Capping Options and Resulting Increases to Max Energy & Reserve Prices

The change in penalty factor applicable to the ORDCs will result in the following changes to the maximum energy and reserve clearing prices in the unlikely scenario of simultaneous shortage of all three reserve products in all locations.

Maximum Clearing Price if:

Product	Current Caps (\$/MWh)	Previously Filed Maximum Clearing Price (\$/MWh) (Reversed by FERC Order)	Column A FERC will not allow Maximum Clearing using existing Penalty Factor**	Column B Maintaining current caps, using existing Penalty Factor and adding 30 min	Column C Using existing Penalty Factor, adding 30 min and recognizing increasing value of products
Secondary Reserves	N/A	\$2,000*	\$850*	\$850*	\$850*
Primary Reserves	\$850	\$6,000*	\$2,550*	\$850*	\$1700*
Synchronized Reserves	\$1,700	\$10,000*	\$4,250*	\$1,700*	\$2,550*
Energy (assumes the marginal energy resource is \$2,000)	\$3,750	\$12,000+*	\$6,300+*	\$3,750*	\$4,600*

****Column A is no longer in scope given FERC Order Granting Clarification**

*Assumes the sub-zone is not modeled for 30-Minute Reserve. In instances when the sub-zone is modeled, the max penalty factor on the 30-Minute Reserve Sub-Zone ORDC would also cascade through the above prices.

- PJM will submit the compliance filing in response to the Voluntary Remand Order on February 22, 2022
- Will include an October 1, 2022 implementation date
- Price capping based on feedback from the FERC

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**Compliance of FERC ORDC remand order
Pricing Caps**



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