

# 5.1 Operating Reserve Accounting Overview

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Accounting for Operating Reserve is performed on a daily basis. A pool-scheduled resource of a PJM Member is eligible to receive credits for providing Operating Reserve in the day-ahead market and, provided that the resource was available for the entire time specified in its offer data, in the balancing market. The total resource offer amount for generation, including startup, soak, and no-load costs as applicable, is compared to its total energy market value for specified operating period segments during the day (including any amounts credited for day-ahead scheduling reserve in excess of the day-ahead scheduling reserve offer plus opportunity cost, any amounts credited for synchronized reserve in excess of the synchronized reserve offer plus opportunity cost, any amounts credited for non-synchronized reserve in excess of the opportunity cost and any amounts credited for resources providing reactive services). If the total value is less than the offer amount, the difference is credited to the PJM Member.

Credits are also provided for pool-scheduled energy transactions, for dispatchable economic load reduction resources, for generating units operating as synchronous condensers (not for synchronized reserve nor for reactive services) at the direction of PJM, for cancellation of pool-scheduled resources, for units whose output is suspended or reduced due to a transmission constraint or other reliability reason, for units performing an annual black start test, and for units providing reactive services at the direction of PJM.

Market power mitigation and offer capping rules are detailed in PJM Manual 11, Section 2.3.6.1.

The total cost of Day-ahead Operating Reserve for the Operating Day, excluding the total cost for resources scheduled to provide Black Start Service, Reactive Services or transfer interface control, is allocated and charged to PJM Members in proportion to their total cleared day-ahead demand and decrement bids plus their cleared day-ahead exports for that Operating Day. The total cost of Balancing Operating Reserve for the Operating Day, excluding the total cost associated with scheduling units for Black Start service or testing of Black Start units, is allocated and charged to PJM Members in proportion to their locational real-time deviations from day-ahead schedules and generating resource deviations during that Operating Day, or to PJM Members in proportion to their real-time load plus exports during that Operating day for generator credits provided for reliability. In order to determine the reason why the Operating Reserve credit has been earned so that the charges related can be properly allocated, PJM conducts a Balancing Operating Reserve Cost Analysis (BORCA). PJM also calculates a Regional Balancing Operating Reserve rate for the costs of Operating Reserves that result from actions to control transmission constraints that are solely within pre-defined regions in the RTO. Additional costs of Operating Reserves that result from actions to control transmission constraints that benefit the entire RTO will continue to be allocated equally to deviations across the entire RTO. A detailed description of the Regional Balancing Operating Reserve Cost Analysis (BORCA) analysis can be found in Manual 11. The total cost of synchronous condenser payments (other than that for synchronized reserve or reactive

services) for the Operating Day is allocated and charged to PJM Members in proportion to their total load plus their exports during that Operating Day. The total cost of Reactive Services for the Operating Day is allocated and charged to PJM Members in proportion to their total load in the applicable transmission zone. The total cost of Day-ahead Operating Reserve for the Operating Day for resources scheduled to provide Reactive Services or transfer interface control because the resource is known or expected to be needed to maintain system reliability in a zone(s) is allocated and charged to PJM Members in proportion to their total real-time load in the applicable transmission zone(s). The total cost of Operating Reserves for resources providing Black Start service or testing of Black Start units is allocated to Network and Point-to-Point Transmission Customers based on their monthly transmission use on a megawatt basis. Additional details on this allocation can be found in the Black Start Service Accounting section of Manual 27.