



Wind Lost Opportunity Cost Eligibility

Problem / Opportunity Statement

Requirements for wind resources to be eligible for Lost Opportunity Cost credits are described in various PJM Manuals, but these requirements ought to be explicitly listed in the PJM Tariff. A PJM Tariff revision is required to align compensation with existing requirements within PJM manuals. Aligning tariff and manuals will result in increased reliability and market efficiency.

At the MRC Meeting on June 27, 2013, Mr. Souder presented a proposed problem statement and issue charge regarding eligibility of wind resources to receive lost opportunity cost payments. The committee was asked to approve the proposed problem statement and issue charge at their first reading meeting. The MRC approved the proposed problem statement and issue charge by acclamation with no objections and three abstentions. The committee will be asked to endorse proposed Tariff revisions at its next meeting on August 1, 2013.

Proposed Solution

PJM Tariff, Section 3.2.3(f-4) of Schedule 1, Accounting and Billing, Operating Reserves, LOC for Wind is proposed to be updated as shown below. These proposed changes will also be applied to the PJM Operating Agreement.

3.2.3 Operating Reserves.

(f-4) A Market Seller's wind generating unit that is pool-scheduled or self-scheduled, has SCADA capability to transmit and receive instructions from the Office of the Interconnection, has provided data and established processes to follow PJM basepoints pursuant to the requirements for wind generating units as further detailed in this Agreement, the Tariff and the PJM Manuals, and which is operating as requested by the Office of the Interconnection, the output of which is reduced or suspended at the request of the Office of the Interconnection due to a transmission constraint or other reliability issue, and for which the hourly integrated, real-time LMP at the unit's bus is higher than the unit's offer corresponding to the level of output requested by the Office of the Interconnection (as indicated either by the desired MWs of output from the unit determined by PJM's unit dispatch system or as directed by the PJM dispatcher through a manual override), shall be credited hourly in an amount equal to $\{(LMP_{DMW} - AG) \times (URTLMP - UB)\}$, where:

LMP_{DMW} equals the lesser of the PJM forecasted output for the unit or level of output for the unit determined according to the point on the scheduled offer curve on which the unit was operating corresponding to the hourly integrated real time LMP, and shall be limited to the lesser of the unit's Economic Maximum or the unit's Maximum Facility Output;

AG equals the actual hourly integrated output of the unit;

URTLMP equals the real time LMP at the unit's bus;

UB equals the unit offer for that unit for which output is reduced or suspended, determined according to the real-time scheduled offer curve on



Proposed Solution: Tariff and OA Revisions

which the unit was operating, unless such schedule was a price-based schedule and the offer associated with that price schedule is less than the cost-based offer provided for the unit, in which case the offer for the unit will be determined from the cost-based schedule; and

where $URTLMP - UB$ shall not be negative.

In the event the Office of the Interconnection experiences a technical problem or malfunction with its wind forecasting tool that results in an erroneous forecast for a wind resource during a period of time for which the wind resource is eligible for lost opportunity cost, the Office of the Interconnection and the Market Seller will attempt to reach a mutually agreeable forecast value for settlement purposes. If the Office of the Interconnection and the Market Seller do not come to mutual agreement on an acceptable forecast value, the Office of the Interconnection shall utilize the forecast value that it determines is appropriate.