

# PJM Manual 11:

Energy & Ancillary Services Market Operations

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Prepared by  
Day-Ahead and Real-Time Market Operations

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## Current Revision

### Revision 112 (02/24/2020):

- ~~Removed specific wording for LSE, EDC and CSP from PRD Provider description (Section 12.1)~~
- ~~Removed section for for calculation of LSE's BOR deviations from PRD (Section 12.2.5)~~
- ~~Removed reference to direct load responsibility (Section 12.2.6)~~

### Revision 111 (11/19/2020):

- ~~Updates for increased transparency stemming from work at Five Minute Dispatch and Pricing MIC Special Session~~
- ~~Changed LMP Verification to Price Verification to incorporate verification of Market Clearing Prices (MCPs) in addition to LMPs.~~
- ~~Updates to Sections 2.2, 2.10, 2.11, 5.2.6~~

## Introduction

Welcome to the PJM Manual for Energy & Ancillary Services Market Operations. In this Introduction, you will find the following information:

- What you can expect from the PJM Manuals in general (see “About PJM Manuals”).
- What you can expect from this PJM Manual (see “About This Manual”).
- How to use this Manual (see “Using This Manual”).

### About PJM Manuals

The PJM Manuals are the instructions, rules, procedures and guidelines established by PJM for the operation, planning and accounting requirements of the PJM RTO and the PJM Energy Market. The Manuals are grouped under the following categories:

- Transmission
- PJM Energy Market
- Regional Transmission Planning Process
- Reserve
- Accounting and Billing
- PJM administrative services

For a complete list of all PJM Manuals, go to the Library section on PJM.com.

### About This Manual

The PJM Manual for Energy & Ancillary Services Market Operations is one of a series of manuals within the PJM Energy Market manuals. This manual focuses on the day-ahead and hourly scheduling activities that are performed by the PJM staff and the PJM Members. The manual describes the rules and procedures that are followed to schedule resources.

The PJM Manual for Energy & Ancillary Services Market Operations consists of twelve sections. The sections are listed in the table of contents beginning on page ii.

### Intended Audience

The intended audience of the PJM Manual for Energy & Ancillary Services Market Operations is:

- *PJM Members* - Any participants requesting to purchase or sell energy to or from the PJM Interchange Energy Market or Ancillary Service Markets and any participant that schedules bilateral sales or purchases.
- *PJM operations staff* - The PJM operations staff processes the market information and develops the resource schedule.
- *PJM dispatchers* - The PJM dispatchers process PJM Member requests, make hourly schedule adjustments, and post information in the OASIS.

- *Local Control Center dispatchers* - The Local Control Center dispatchers submit hourly schedule changes.
- *Local Control Center operations support staff* - The Local Control Center operations support staff support the day-ahead and real-time information requirements.

## References

The References to other documents that provide background or additional detail directly related to the PJM Manual for Energy & Ancillary Services Market Operations are:

- PJM ExSchedule User Guide
- PJM Manual for [Transmission Operations\(M-03\)](#)
- PJM Manual for [Financial Transmission Rights \(M-06\)](#)
- PJM Manual for [Pre-Scheduling Operations \(M-10\)](#)
- PJM Manual for [Balancing Operations \(M-12\)](#)
- PJM Manual for [Emergency Operations \(M-13\)](#)
- PJM Manual for [Generator Operational Requirements \(M-14D\)](#)
- PJM Manual for [PJM Capacity Market \(M-18\)](#)
- PJM Manual for [Load Forecasting and Analysis \(M-19\)](#)
- PJM Manual for [Operating Agreement Accounting \(M-28\)](#)
- PJM Manual for [Training and Certification Requirements \(M-40\)](#)

## Using This Manual

We believe that explaining concepts is just as important as presenting procedures. This philosophy is reflected in the way we organize the material in this Manual. We start each section with an overview. Then, we present details, procedures or references to procedures found in other PJM Manuals. The following provides an orientation to the Manual's structure.

## What You Will Find In This Manual

- A table of contents that lists three levels of subheadings within each of the sections.
- An approval page that lists the required approvals and a brief outline of the current revision.
- Sections containing the specific guidelines, requirements, or procedures including PJM actions and market participant actions.
- Attachments that include additional supporting documents, forms, or tables in this PJM Manual.
- A section at the end detailing all previous revisions of the PJM Manual.

## Section 1: Overview of Energy & Ancillary Services Market Operations

Welcome to the Overview of Energy & Ancillary Services Market Operations of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- A description of the scope and purpose of scheduling (see “*Scope & Purpose of Energy & Ancillary Services Market Operations*”).
- A list of the PJM responsibilities (see “*PJM Responsibilities*”).
- A list of the market participants’ scheduling responsibilities (see “*PJM Market Participant Responsibilities*”).

### Scope & Purpose of Energy & Ancillary Services Market Operations

Operation of the PJM RTO markets involves many activities that are performed by different operating and technical personnel. These activities occur in parallel on a continuous basis, 24 hours a day and can be grouped into three overlapping time frames:

- pre-scheduling operations
- scheduling operations and the Day-ahead Energy Market
- dispatching and the Real-time Energy Market

In the PJM Manual for Energy & Ancillary Services Market we focus mainly on the activities that take place one day prior to the Operating Day including the activities associated with the Day-ahead Energy Market and in real-time associated with the Real-time Energy Market and Ancillary Service Markets.

Generation resources, regardless of fuel type, fall into one of two categories, Capacity Resources or Energy Resources. If available, all Generation Capacity Resources that have an RPM or Fixed Resource Requirement (FRR) Commitment must submit offer data into the Day-ahead Market and may elect either to Self-Schedule or offer the resource to PJM for scheduling as a PJM RTO-Scheduled Resource. In this section we focus primarily on the PJM Day-ahead Energy Market and the Control Area reliability-based scheduling process that takes place after the Day-ahead Energy Market is closed. Scheduling by PJM includes the Day-ahead Energy Market, the Control Area reliability-based scheduling process and the hourly scheduling process. The Day-ahead Energy Market bid/offer period closes at 1100 on the day before the Operating Day and the Day-ahead Market results are posted by 1330 or as soon as practicable thereafter on the day before the Operating Day. The Control Area reliability-based scheduling process occurs throughout the day before the operating day. Hourly scheduling occurs up to sixty minutes prior to an hour during the Operating Day. During the scheduling process, PJM:

- Clears the Day-ahead Market and Day-ahead Scheduling Reserve Market based using least-cost security constrained resource commitment and dispatch that simultaneously optimizes energy and reserves.
- Determines a plan to reliably serve the hourly energy and reserve requirements of the PJM RTO by minimizing the cost to provide additional operating reserves above what was scheduled in the Day-ahead Market if required.

- Performs hourly scheduling throughout the Operating Day as required.

PJM Members submit their bids according to either actual cost or offer price as designated by the Operating Agreement of PJM Interconnection, L.L.C. for each generation resource.

In this Manual, Locational Marginal Price (LMP) is defined as the marginal price for energy at the location where the energy is delivered or received. For accounting purposes, LMP is expressed in dollars per megawatt-hour (\$/MWh). In performing this LMP calculation, the cost of serving an increment of load at each bus from each resource associated with an eligible energy offer is calculated as the sum of the following three components of Locational Marginal Price: System Energy Price, Congestion Price, and Loss Price. In this Manual, unless otherwise specified, the terms “LMP” or “Locational Marginal Price” refer to the total LMP value including all three components. For information on the concept of Locational Marginal Prices, please refer to Section 2 of this Manual.

## 1.1 PJM Responsibilities

In the Day-ahead Market, PJM determines the minimum production cost of satisfying the Demand bids, Decrement bids, operating reserves and other ancillary services requirements of the market buyers, including the reliability requirements of the PJM RTO. In addition to the Day-ahead Market scheduling process, PJM also schedules resources to:

- Satisfy the reserve requirements of the PJM RTO by minimizing the cost to provide additional operating reserves above what was scheduled in the Day-ahead Market, if required
- Provide other ancillary services requirements of the market buyers
- Satisfy all other reliability requirements of the PJM RTO. Specifically, PJM’s responsibilities to support scheduling activities for all PJM Members include:
  - o Develop the Day-ahead Market financial schedules based upon participant-supplied bids, offers and bilateral transaction schedules using least-cost security constrained resource commitment and dispatch analysis.
  - o Post the following information after the Day-ahead Market clears :
    - Schedules for Next Day by participant (generation & demand),
    - Transaction Schedules,
    - Day-ahead LMPs, Day-ahead Congestion Prices, & Day-ahead Loss Prices
    - Day-ahead Binding Transmission Constraints,
    - Day-ahead Net Tie Schedules,
    - Day-ahead Reactive 500 kV Interface Indicator Limits
    - PJM Load Forecast,
    - Aggregate Demand Bids
    - PJM Day-ahead Scheduling Reserve (Operating Reserve) Objective.

- Meet the PJM Forecasted load and reserves not covered by the Day-ahead demand bids, Self-Scheduled Resources or Bilateral Transactions, including scheduling generation to relieve expected transmission constraints

In addition to resource scheduling PJM is also responsible to:

- Maintain data and information related to generation facilities in the PJM RTO, as may be necessary to conduct the scheduling and dispatch of the PJM Interchange Energy Market and PJM RTO
- Post the updated forecast of PJM Load and of the location and duration of any expected transmission congestion between areas in the PJM RTO
- Revise schedule of resources to reflect updated projections of load, changing Bulk Electric System conditions, availability of and constraints of limited energy and other resources
- Notify PJM stakeholders of any new closed loop interface implementation as far in advance as possible with a target notice of 5 days prior to the next FTR auction close. Notification is communicated through posting on [www.pjm.com](http://www.pjm.com) – OASIS System Information and e-mail to the MIC and OC email distribution lists. Exceptions to this are limited to estimated short duration planned, emergency or maintenance outages, (e.g., <10 days) to set price, or to allow Demand Response (DR) to set price if a transmission limitation exists as defined in the PJM Tariff and Manuals. The posting will include the interface name, effective date, estimated termination date (if applicable), whether included in DA model, whether included in the FTR model, conditions when use is applicable, general description, interface definition/branch names and directions, whether it will set price for DR, generation, or both and any revision history. PJM will post interface definition with network model map-able branch names in CSV or XLS format. In addition PJM will provide notice when PJM is studying if a new closed loop interface may be defined and any information regarding the modeling of such prospective closed loop interface.

## 1.2 PJM Market Participants Responsibilities

Only PJM Members are eligible to submit offers and purchase energy or related services in the Day-ahead Energy Market and in the Real-time Energy Market. PJM Members include Market Buyers and Market Sellers.

### 1.2.1 Market Buyers

There are two general types of Market Buyers:

- *Metered Market Buyer* – A Metered Market Buyer is a buyer that is purchasing energy from the PJM Interchange Energy Market for consumption by end-users inside the PJM RTO. A Metered Market Buyer may be further classified as a Generating Market Buyer. A Generating Market Buyer is a Metered Market Buyer that owns or has contractual rights to the output of generation resources that are capable of serving the Market Buyer's load in the PJM RTO or selling energy-related services in the PJM Interchange Energy Market or elsewhere.
  - o The scheduling responsibilities of a Metered Market Buyer are to:

- Submit forecasts of customer loads for the next Operating Day.
- Submit economic load management agreements to PJM .
- Submit Bilateral Transactions for delivery within the PJM RTO, regardless of whether the generation is located inside or outside the PJM RTO.
- *Unmetered Market Buyer* – An Unmetered Market Buyer is a Market Buyer that is making purchases of energy from the PJM Interchange Energy Market for consumption by metered end-users or end-users that are located outside the PJM RTO.
  - o The scheduling responsibilities of an Unmetered Market Buyer are to:
    - Submit optional requests to purchase specified amounts of energy for each hour of the Operating Day during which it intends to purchase from the PJM Day-ahead Energy Market, along with Dispatch Rates (i.e. price-sensitive Demand Bids) above which it does not desire to purchase, if desired.
    - Purchase transmission capacity reservation in order to receive generation from PJM Interchange Energy Market if the energy is being delivered to end-users that are located outside the PJM RTO.

By definition, all Market Buyers become Market Sellers upon approval of their applications and therefore carry the responsibilities of Market Sellers outlined below.

### 1.2.2 Market Sellers

A Market Seller is a PJM Member that demonstrates to PJM that it meets the standards for the issuance of an order mandating the provision of transmission service under Section 211 of the Federal Power Act, submits an application to PJM that is approved in accordance to the procedures specified in PJM Manual 33: <http://www.pjm.com/~media/documents/manuals/m33.ashx> Administrative Services for the PJM Interconnection Operating Agreement.

The scheduling responsibilities of a market seller include:

- Submit hourly schedules for Self-Scheduled Resource increments.
- Submit a forecast of the availability for the next seven days for each Generation Capacity Resource committed to RPM or FRR.
- Submit Offer Data for Generation Capacity Resources committed to RPM or FRR for the supply of energy to the PJM Day-ahead Energy Market for the next day whether Self-Scheduled or PJM scheduled.
- Submit schedules for bilateral sales to entities outside the PJM RTO from within the PJM RTO.
- Submit optional offers for the supply of energy, capacity, and other services from Energy Resources into the Day-ahead Energy Market or the Real-time Energy Market for the next operating day only.

### 1.2.3 Load Serving Entities

A Load Serving Entity (LSE) is any entity that has been granted authority or has an obligation pursuant to state or local law, regulation, or franchise to sell electric energy to end-users that are located within the PJM RTO. An LSE may be a Market Buyer or a Market Seller, as described above.



#### **1.2.4 Curtailment Service Providers**

A Curtailment Service Provider is a Member or Special Member, which acting on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market by causing a reduction in demand.

## Section 2: Overview of the PJM Energy Markets

Welcome to the Overview of the PJM Energy Markets section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the PJM Energy Markets (see “Overview of PJM Energy Markets”).
- The definition of Locational Marginal Price (see “Definition of Locational Marginal Price”).
- A list of the Energy Market Business Rules applicable to Market Buyers and Market Sellers (see “PJM Energy Market Business Rules”).
- A description of the PJM Real-time Locational Marginal Price calculation process (see “Real-Time Locational Marginal Price (LMP) Calculations”).
- A description of the various real time market applications that optimize the various products on a 5-minute basis (see “Real-Time Market Applications”).
- A description of the PJM State Estimator and its use in real time market operations (see “PJM State Estimator”).
- A description of the Locational Pricing Calculator, including its function and purpose (see “Locational Pricing Calculator (LPC)”).
- The process to calculate LMPs during Emergency Procedures (see “The Calculation of Locational Marginal Prices (LMPs) During Emergency Procedures”).
- The process to calculate LMPs during Reserve Shortages (see “The Calculation of Locational Marginal Prices (LMPs) During Reserve Shortages”).
- A description of the PJM Real-time Locational Marginal Price verification procedure (see “PJM Real-time Locational marginal Price Verification Procedure”).
- A description of the process to validate Locational Marginal Prices (see Price-Bounding Violations”).
- A description of the calculation of Ramp-Limited Desired MWh used to determine whether a unit is following PJM dispatch instructions (see “Calculation of Ramp Limited Desired MWh”).
- A description of how Locational Marginal Prices (LMPs) are calculated and how they are used in market settlements (see “Using an Calculating Locational Marginal Prices”).
- A description of the analysis performed to determine eligibility for Balancing Operating Reserves (see “Balancing Operating Reserve Cost Analysis”).
- A description of when a Maximum Generation Warning can be issued in the Day-ahead Market (see “Maximum Emergency Generation in Day-ahead Market”).
- A description of when a Minimum Generation Generation Warning can be issued in the Day-ahead Market (see “Minimum Capacity Emergency Generation in Day-ahead Market”).

- A description of how Transmission Constraint Penalty Factors are used in Market Clearing Engines (see “Applying Transmission Constraint Penalty Factors in Market Clearing Engines”).

## 2.1 Overview of PJM Energy Markets

The PJM Energy Markets consists of two markets, a Day-ahead market and a Real-time balancing market. The Day-ahead Market is a forward market in which hourly clearing prices are calculated for each hour of the next operating day based on generation offers, demand bids, Increment offers, Decrement bids and bilateral transaction schedules submitted into the Day-ahead Market. The balancing market is the real-time energy market in which the clearing prices are calculated every five minutes based on the actual system operations security-constrained economic dispatch.

Separate accounting settlements are performed for each market. The Day-ahead Market settlement is calculated for each Day-ahead Settlement Interval (hourly interval) based on scheduled hourly quantities and on day-ahead hourly prices. The balancing settlement is calculated for each Real Time Settlement Interval (five minute interval) based on actual five minute Revenue Data for Settlement MW quantity deviations from day-ahead scheduled quantities and on the applicable real-time prices. The day-ahead price calculations and the balancing (real-time) price calculations are based on the concept of Locational Marginal Pricing.

The Day-ahead Market enables participants to purchase and sell energy at binding Day-ahead Locational Marginal Prices (LMPs). The components of Day-ahead hourly LMPs are the Day-ahead System Energy Price, Day-ahead Congestion Price, and the Day-ahead Loss Price.

- It also allows transmission customers to schedule bilateral transactions at binding Day-ahead congestion charges based on the differences in the Congestion Prices between the transaction source and sink.
- Load Serving Entities (LSEs) may submit hourly demand schedules, including any price sensitive demand, for the amount of demand that they wish to lock-in at Day-ahead prices.
- Any generator that is a PJM generation capacity resource that has an RPM or FRR Resource Commitment must submit a bid schedule into the Day-ahead Market even if it is self-scheduled or unavailable due to outage. Other generators have the option to bid into the Day-ahead Market.
- Transmission customers may submit fixed, dispatchable or ‘up to’ congestion bid bilateral transaction schedules into the Day-ahead Market and may specify whether they are willing to pay congestion charges or wish to be curtailed if congestion occurs in the Real-time Market.
- Curtailment Service Providers (CSPs) may submit demand reduction bids.

All spot purchases and sales in the Day-ahead Market are settled at the Day-ahead prices. Congestion that results from the Day-ahead sales and purchases of energy is settled at the Day-ahead Congestion Price component of LMP. Transmission losses that result from the Day-ahead sales and purchases of energy are settled at the Day-ahead Loss Price component of LMP. After the daily quote period closes, PJM calculates the Day-ahead schedule based

on the bids, offers and schedules submitted, using the scheduling programs described in Section 2 of this Manual, based on least-cost, security constrained resource commitment and dispatch for each hour of the next operating day. The Day-ahead scheduling process incorporates PJM reliability requirements and reserve obligations into the analysis. The resulting Day-ahead hourly schedules and Day-ahead LMPs represent binding financial commitments to the market participants. Financial Transmission Rights (FTRs) are accounted for at the Day-ahead Congestion Price component of LMP values (see PJM Manual 06: Financial Transmission Rights).

The Real-time Energy Market uses the real-time security constrained economic dispatch program to determine the least cost solution to balance supply and demand. The program considers resource offers, forecasted system conditions, and other inputs in its calculations. For more information regarding the real-time security constrained economic dispatch program, please refer to Section 2.5 of this Manual. The Generators and Demand Resources that may alter their bids for use in the Real-time Energy Market as defined in Section 9.1 of this Manual during the following periods:

- During the Generation Rebidding Period which is defined from the time the office interconnection posts the results of the Day-ahead Energy Market until 1415.
- Starting at 1830 (typically after the Reliability Assessment and Commitment (RAC) Run is completed) and up to 65 minutes prior to the start of the operating hour.

Real-time LMPs and Regulation and Reserve Clearing Prices are calculated every five minutes by the Locational Price Calculator (LPC) program and are based forecasted system conditions and the latest approved real-time security constrained economic dispatch program solution. For more information regarding LPC, Real-time LMPs and Regulation and Reserve Clearing Prices, refer to Section 2.7 of this Manual. LSEs pay the applicable Real-time LMPs for any demand that exceeds their Day-ahead scheduled quantities (and receive revenue for demand deviations below their scheduled quantities). In the balancing energy market, generators are paid the applicable Real-time LMPs for any generation that exceeds their day-ahead scheduled quantities (and pay for generation deviations below their scheduled quantities). Transmission customers pay congestion charges based on the applicable Real-time Congestion Price component of LMPs for bilateral transaction quantity deviations from Day-ahead schedules. CSPs may self-schedule demand reductions for Demand Resources not dispatched in real-time by PJM. All spot purchases and sales in the balancing market are settled at the applicable Real-time LMPs. Congestion that results from the Real-time sales and purchases of energy is settled at the Real-time Congestion Price component of LMP. Transmission losses that result from the real-time sales and purchased of energy are settled at the applicable Real-time Loss Price component of LMP.

## 2.2 Definition of Locational Marginal Price

Locational Marginal Price (LMP) is defined as the marginal price for energy at the location where the energy is delivered or received and is based on forecasted system conditions and the latest approved real-time security constrained economic dispatch program solution. LMP is expressed in dollars per megawatt-hour (\$/MWh). LMP is a pricing approach that addresses Transmission System congestion and loss costs, as well as energy costs. LMP is a pricing

approach that addresses Transmission System congestion and loss costs, as well as energy costs. Therefore, each spot market energy customer pays an energy price that includes the full marginal cost of delivering an increment of energy to the purchaser's location.

- When there is transmission congestion in PJM, the PJM dispatcher dispatches one or more of the generating units out of economic merit order to keep transmission flows within limits. There may be many resources that are dispatched to relieve the congestion. The LMP reflects the cost of re-dispatch for out-of-merit resources and cost of delivering energy to that location.
- LMPs are calculated at all injections, withdrawals, EHV's (nominal voltage of 500 KV and above), Interfaces, and various aggregations of these points.
- LMPs are calculated in both the Real-time Energy Market and Day-ahead Energy Market.
  - o The Day-ahead LMP is calculated based on the security-constrained economic dispatch for the Day-ahead Market as described in Section 5.2.6 of this Manual.
  - o The Real-time LMP is calculated based on the approved security constrained economic dispatch solution for the target dispatch interval as described in Section 2.5 of this Manual.
- The LMP calculation calculates the full marginal cost of serving an increment of load at each bus from each resource associated with an eligible energy offer as the sum of three separate components of LMP. In performing this LMP calculation, the cost of serving an increment of load at each bus from each resource associated with an eligible energy offer is calculated as the sum of the following three components of Locational Marginal Price:
  - o System Energy Price - is the price at which the Market Seller has offered to supply an additional increment of energy from a generation resource or decrease an increment of energy being consumed by a Demand Resource. The System Energy Price may include a portion of the defined reserve penalty factors should a reserve shortage exist.
  - o Congestion Price - is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings. As further described in Section 2.17 of this Manual, the congestion price is set to the specified transmission constraint penalty factor in the event a transmission constraint cannot be controlled below the penalty factor value. The Congestion Prices may include a portion of the defined reserve penalty factors should a reserve shortage exist.
  - o Loss Price - is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission losses.

- The energy offer or offers that can serve an additional increment of load at a bus at the lowest cost, calculated in this manner, shall determine the Locational Marginal Price at that bus.

## 2.3 Energy Market Business Rules

### 2.3.1 Bidding & Operations Time Line

The day-ahead scheduling/bidding timeline for PJM energy markets consists of the following time frames:

- **1100** — Day-ahead Market bid period closes. All bids and offers must be submitted to PJM. At 1100 PJM begins to run the day-ahead market clearing software to determine the hourly commitment schedules and the LMPs for the Day-ahead Market. The Day Ahead clearing results in the resource commitment profile that satisfies the fixed demand, cleared price-sensitive demand bids, cleared demand reduction bids, and PJM Day-ahead Scheduling Reserve (Operating Reserve) objectives, while minimizing the total production cost (subject to certain limitations) for energy and reserves. This commitment analysis also includes external bilateral transaction schedules and external resource offers into the PJM Day-ahead Market.
- **By 1330**- PJM posts the day-ahead hourly schedules and LMPs in the Markets Gateway System. PJM also makes these results available in downloadable files, via the Markets Gateway System, or a dedicated communication link.
- **After Day-ahead Results posting-1415** — PJM opens the balancing market offer period. During this time, market participants can submit revised resource offers. However if the market participant self-scheduled their unit in the Day-ahead Market, they cannot change the unit status to economic in the rebid period.
- **1415 – The balancing market offer period closes**- PJM performs a second resource commitment known as the Reliability Assessment and Commitment (RAC) Run, which includes the updated offers, updated resource availability information and updated PJM load forecast information and load forecast deviation. The focus of this commitment is reliability and the objective is to minimize startup and no load costs for any additional resources that are committed.
- **1415 - Operating Day** — PJM may perform additional resource commitment runs, as necessary, based on updated PJM load forecasts and updated resource availability information. PJM sends out individual generation schedules updates to specific generation owners only, as required.
- **1830 – Operating Day – Starting at 1830 (typically after the Reliability Assessment and Commitment Run completes) and up to 65 minutes prior to operating hour** - Revised resource offers may be submitted to PJM.

### 2.3.2 Market Buyers

The following business rules apply to Market Buyers:

- Up-to congestion bids, increment offers, and decrement bids shall be supported in the Day-ahead Market only.

- A Market Buyer that is not an LSE or purchasing on behalf of an LSE is not required to purchase transmission service for purchases from the PJM Market to cover deviation from its sales in a day-ahead market.
- If a Market Buyer submits no day-ahead bid information, then a zero MW quantity is assumed.
- Participants can submit PRD Curves per business rules in Section 12 of this Manual.

### 2.3.2.1 Fixed and Price Sensitive Demand Bid Business Rules

- The list of transmission zones, aggregates, and single buses at which demand bids are accepted is defined by PJM.
- Each Market Participant's profile (which is defined by PJM) shall specify the transmission zones or aggregates for which that participant is eligible to submit demand bids.
- Market Buyers may submit hourly demand quantities for which it commits to purchase energy at day-ahead prices for consumption in the next Operating Day. Quantity bids must specify MW quantity and location (transmission zone, aggregate, or single bus).
- Demand bids are assumed to exclude losses (transmission zone losses and share of 500 kV losses).
- Price sensitive demand bids shall specify MW quantity, location (transmission zone, aggregate, or single bus), and the price at which the demand shall be curtailed.
- Price sensitive demand bids are accepted in single bid blocks only.
- Price sensitive demand bids may be submitted with a bid price of no greater than \$2,000/MWh plus the sum of the applicable Primary Reserve and Synchronized Reserve Penalty Factors from the first step of the demand curve not to exceed \$3,700/MWh.
- PJM shall apply Demand Bid Screening to all Demand Bids submitted in the Day-Ahead Energy Market for each LSE, separately by Zone. PJM automatically rejects a LSE's Demand Bids if the total MW volume of such bids exceeds the LSE's Demand Bid limit for any hour in such Operating Day.
- On a daily basis, PJM updates and posts each LSE's Demand Bid Limit in each applicable Zone. Such Demand Bid Limit applies to all Demand Bids submitted by that LSE for each future Operating Day for which it submits bids.
- The Demand Bid Limit is calculated using the following equation:

$$\text{Demand Bid Limit} =$$

*greater of (Zonal Peak Demand Reference Point \* 1.3), or (Zonal Peak Demand Reference Point + 10MW)*

**Where:**

**Zonal Peak Demand Reference Point**

for each Zone: the product of (a) LSE's Recent Load Share, multiplied by (b) Peak Daily Load Forecast.

**LSE's Recent Load Share**

is the LSE's highest share of Network Load in each Zone for any hour over the previous seven Operating Days.

**Peak Daily Load Forecast**

is PJM's highest available peak load forecast for each applicable Zone that is calculated on a daily basis.

- PJM may allow a LSE to submit bids in excess of its Demand Bid Limit when circumstances exist that cause, or are reasonably expected to cause, a LSE's actual load to exceed its Demand Bid Limit on a given Operating Day. Examples of such circumstances include, but are not limited to, changes in load commitments due to state sponsored auctions, mergers and acquisitions between PJM Members, and sales and divestitures between PJM Members.
- A LSE whose Demand Bids are rejected as a result of Demand Bid Screening may change the Demand Bids to reduce the total megawatt volume to a level that does not exceed the Demand Bid Limit. Re-submissions must occur prior to Market closing for the operating day.
- Price-sensitive demand can set LMP in the Day-ahead Market.

**2.3.2.2 Increment and Decrement (Virtual) Bid Business Rules**

- Market Buyers and Market Sellers may submit increment offers or decrement bids at any hub, node at which physical generation or load is settled, Residual Metered Load and interface point not described in Tariff Attachment K – Appendix, Section 2.6(A)(b). The eligible bidding locations are posted at <https://www.pjm.com/markets-and-operations/energy.aspx>.
- Energy market transactions, except generation resource offers and price sensitive demand bids, may be submitted with an energy bid/offer price of no greater than \$2,000/MWh.
- PJM may require that a market participant shall not submit in excess of 3000 virtual bid/offer segments in the Day-ahead Energy Market, when PJM determines that such limit is required to avoid or mitigate significant system performance problems related to the volume of virtual bids.

**2.3.2.3 Up-to Congestion Transaction Business Rules**

- 'Up-to' congestion bids shall be no greater than \$50/MWh, and no less than -\$50/MWh. Any 'up-to' congestion transaction that bids higher than \$50/MWh or less than -\$50/MWh will be rejected.
- PJM will maintain an up-to date list of source/sink combinations that will be available for 'Up-to' congestion bidding on the PJM OASIS.
- 'Up-to' congestion bids are cleared based on the total LMP price difference between the source and the sink.



- PJM may require that a market participant shall not submit in excess of 3000 ‘Up-to’ congestion transactions in the Day-ahead Energy Market, when PJM determines that such limit is required to avoid or mitigate significant system performance problems related to the volume of transactions.

#### 2.3.2.4 Electric Distribution Company (EDC) Activities

- For the Day-ahead Market, the Electric Distribution Company (EDC) shall specify the transmission zone, bus distributions, and aggregate bus distributions as a daily distribution. The default distribution for a transmission zone for the Day-ahead Market is the state estimator distribution for that zone at 0800 one week prior to the Operating Day (i.e. if next Operating Day is Monday, the default distribution is from 0800 on Monday of the previous week). The default distribution for a residual metered load aggregate for the Day-ahead Market is the final real-time distribution factors for the residual metered load aggregate at 8 a.m. one week prior to the Operating Day. See PJM Manual 28: Operating Agreement Accounting, Section 3 for additional details on residual metered load aggregates.
- The EDC may update the default distribution factors for a transmission zone only after the state estimator populates the default.
- EDCs shall submit a forecast of demand within their transmission zone. This is for reliability purposes only (and does not, therefore, require a binding bid).
- EDC forecasts are used by PJM to compare to the PJM Load Forecast. For more information, please refer to Section 5.2.3.1 of this Manual.

#### 2.3.3 Market Sellers

The following business rules apply to Market Sellers whether or not the resource is a Capacity Resource:

- Market Sellers can choose to self-schedule their generation into the Day-ahead Market or submit an offer into the Day-ahead Market and allow PJM to schedule their generation.
  - Resources enrolled in the Energy Storage Resource (ESR) participation model may self-schedule only. When self-scheduling ESR resources, Market Sellers must specify the hourly mode of operation as described in Section 2.3.4B and an operating range as described in 2.3.3.2.
- Self-scheduled generation shall submit an hourly operating range and can offer an associated price/MW pairs for consideration in dispatch.
- Generation owners planning to run generation resources scheduled in the Day-ahead Markets are required to call the PJM Control Center at least 20 minutes prior to bringing the unit online. Generation owners of self-scheduled generation resources must also provide at least 20 minutes notice.
  - Resources enrolled in the ESR participation model with greater than 10 MW must contact the PJM Control Center prior to changing its mode of operation with at least 20 minutes notice.
- Generation resources that are scheduled in the Day-ahead Market have a financial obligation to sell their output in real-time.

- o Combustion Turbines that are scheduled in the Day-ahead Market and then not called on in real-time by PJM may be eligible for Credits for Canceled Pool-Scheduled Resources as defined in Section 5.2.4 of PJM Manual 28: Operating Agreement Accounting.
- Generation resources that are committed by PJM in advance of the Day-Ahead Energy Market will be offer capped and committed on the applicable available schedule at the time of the commitment. The cost-based schedule made available must follow the Generation Owner's Fuel Cost Policy as defined in PJM Manual 15: Cost Development Guidelines.
- If a generation resource is scheduled in the Day-ahead Market and wishes to deviate from that schedule (i.e. not run), the generation owner should contact the PJM Scheduling Coordinator to determine if this course of action is possible. The PJM Scheduling Coordinator will then:
  - o If the PJM Scheduling Coordinator determines that the generation resource is not needed for reliability purposes for the operating day, the generation owner can decide not to run the resource and no forced outage is incurred. The generation owner is responsible for all deviation and operating reserve charges.
  - o If the PJM Scheduling Coordinator determines that the resource is needed for reliability purposes, he/she will inform the generation owner. The generation owner may still elect to not run the resource, but a forced outage for the duration of the scheduled operation of the resource is generated. The generation owner is responsible for all deviation and operating reserve charges.
- The timing guideline for notifying PJM of deviations for pool scheduled resources is the sum of the resource's notification time plus the time to start. If this sum totals to zero, then the minimum notification time is 45 minutes prior to the scheduled operation of the resource. This allows PJM adequate time for determining if the resource is needed for reliability.

The following bullets describe the treatment of generation offers made into the Day-ahead and Real-time Energy Markets:

- Energy resources may offer into the Day-ahead Market or Real-time Market.
- If an Energy resource does not submit offer data, then the offer is assumed to be a zero MW quantity.
- A generator offer that is accepted for the Day-ahead Market automatically carries over into the Real-time market, unless superseded by a subsequent update.
- Any generator that was not selected in the Day-ahead Market may choose to self-schedule during the Rebid Period.
- Market Sellers with Market-based Rate Authority may elect to offer their generation resources as price-based resources. PJM must be notified of this election so that Markets Gateway can be configured to accept price-based offers for the selected resource. Once a Market Seller elects to offer a resource as a price-based resource, they may not change it back to a cost-based resource.

### 2.3.3.1 Capacity Resource Offer Rules:

- Generators that are Capacity Resources that have an RPM or FRR commitment for the next Operating Day shall submit offers into the Day-ahead Market, even if they are unavailable due to forced, planned, or maintenance outages.
- Generators that are Capacity Resources that have an RPM or FRR commitment for the next Operating Day and are self-scheduling shall submit offer data in the event that they are called upon during emergency procedures. Such offers shall be based on the ICAP equivalent of the cleared UCAP capacity commitment.
- Generation Capacity Resources that have an RPM or FRR commitment shall submit a schedule of availability for the next seven days and may submit non-binding offer prices for the days beyond the next Operating Day.
- Generation Capacity Resources that have notification, startup, and minimum run times that exceed 24 hours must submit binding price-based offer prices for the next seven days.
- The set of offer data last submitted for each Generation Capacity Resource shall remain in effect for each day until specifically superseded by subsequent offers; however, cost-based incremental energy offers above \$1,000/MWh shall be capped at \$1,000/MWh when automatically carried forward to subsequent Operating Days.
- Any hourly updates made to the Offer Updates or Detail Updates pages of Markets Gateway supersede the daily values on the Offer and/or Detail pages. Hourly updates made on the Offer Updates or Detail Updates pages are not carried over into the next operating day.
- If a Generation Capacity Resource is not scheduled in the Day-ahead Market, it may revise its offer and submit into the Real-time Market or it may self-schedule the resource.
- Generation Capacity Resources that have notification plus startup times that exceed 24 hours and have been called on by PJM dispatch in advance of the close of the Day-ahead Market bid period for the desired Operating Day must modify their notification and startup time prior to the close of the market bid period for that day in order to create the possibility for the unit to be committed in the Day-ahead Market.
- Intermittent Generation Resources, that are committed Capacity Resources, and Capacity Storage Resources shall meet the must offer requirement by either self-scheduling (Availability = Must Run) or may allow the Day-ahead Market to schedule by offering the unit as a dispatchable resource (Availability = Economic). Resources enrolled in the ESR participation model shall meet the must offer requirement by self-scheduling only.
- The hourly Day-ahead self-scheduled values for intermittent resources and Capacity Storage Resources may vary hour to hour from the capacity obligation value.

### 2.3.3.2 Generator Schedules

- Generation schedules are collections of generator parameter operating limits and offer data. There are three types of schedules that can be submitted:
  - Cost-based schedule: Cost-based schedules must comply with limits placed on certain parameters as defined in Section 2.3.4 of this Manual. In addition, Generation

- resource cost- based energy offers must be developed in accordance with Manual 15: Cost Development Guidelines and PJM's governing documents.
- o Price-based Parameter Limited Schedule (PLS): Price-based PLS schedules must comply with limits placed on certain parameters as defined in Section 2.3.4 of this Manual. Price-based PLS energy offers may be market-based.
  - o Price-based schedule (non-PLS): Non-PLS Price-based schedules are not subject to the parameter limits defined in Section 2.3.4 of this Manual and may submit market-based energy offers.
  - o Note: for purposes of this manual, price-based is used interchangeably with market-based.
- Each Generation Capacity Resource with an RPM or FRR commitment must make available into the Day-ahead and Real-time Markets:
    - o at least one cost-based schedule
    - o Price-based units must also make available a price-based Parameter Limited Schedule (PLS).
    - o All price-based units have the option of submitting a second price schedule that is not parameter limited.
  - Each Energy Resource that offers into the Day-ahead and Real-time Markets must make available:
    - o At least one cost-based schedule
    - o Price-based units must also make available a price-based schedule and/or a price-based Parameter Limited Schedule (PLS).
  - A generator offer for a generating unit with combined cycle capability shall make available either the schedules for the CTs or the schedule for the combined cycle unit, not both. Only CTs may submit weather curves, which specify MW limits for CTs as a function of temperature.
    - o Forecast points shall consist of a daytime temperature and a nighttime temperature.
    - o There are separate weather curves for economic MW and for emergency MW.
  - Each CT is assigned to a weather point, which is entered by the Operating Company. As generating units change ownership it may be necessary to add weather points. The default for the weather points is the PJM temperature forecast.

#### Operating Limit Business Rules

- The priority of generator offer operating limits are as follows: (1) Unit Hourly MW limits (Markets Gateway>Generator>Unit>Hourly), (2) Daily Unit Schedule Limits (Markets Gateway>Generator> Schedules>Detail), (3) Unit limits (Markets Gateway>Unit>Detail). Daily unit schedule MW limits can be overridden by unit hourly MW limits. Weather curves for CTs apply to both unit limits and schedule limits.
- Certain Operating Limit parameters are subject to limitations as defined in Section 2.3.4 of this Manual.

- ESR model participants use economic/emergency minimum/maximum charge and discharge limits to represent their operating range to PJM. In the context of the ESR participant model, any references to economic and emergency limits can be translated to generator limits, under the three different operating modes, as follows:

	Charge Mode	Discharge Mode	Continuous Mode
Emergency Maximum	Emergency Minimum Charge	Emergency Maximum Discharge	Emergency Maximum Discharge
Economic Maximum	Charge Minimum	Discharge Maximum	Discharge Maximum
Economic Minimum	Charge Maximum	Discharge Minimum	Charge Maximum
Emergency Minimum	Emergency Maximum Charge	Emergency Minimum Discharge	Emergency Maximum Charge

- A unit bid includes an Economic Maximum point, which is the highest output on its bid curve that the unit is offering for economic dispatch. The Economic Max represents the highest unrestricted level of MW that the operating company will operate the unit, under its offer, for economic dispatch. The Economic Max point should be based on the actual capability of the unit to operate on its bid curve and should not be used to withhold a portion of the capacity of a unit from the Day-ahead Market.
- Reduction of Economic Max MW constitutes withholding in the Day-ahead Energy Market, if:
  - The Economic Max MW is higher in the bid for the Real-time Energy Market than in the bid for the Day-ahead Market, or;
  - There is no physical reason to designate a lower Economic Max in the bid for the Day-ahead Market bid than in the bid for the Real-time Market.
- The consequence of withholding a unit's capacity by reduction of Economic Max MW is:
  - The unit will be given an outage ticket which reflects a derating equal to the positive difference in Economic Max output designated in the bid for the Real-time Market and in the bid for the Day-ahead Market.
- CT's are permitted to provide an Economic Minimum less than the physical economic minimum value of the unit.
- When a unit or part of a unit is designated as Maximum Emergency (ME), this means that the referenced output levels may require extraordinary procedures and that the designated MW is available to PJM only when PJM requests Maximum Emergency Generation. Designation of a unit or a portion of a unit as ME should be based on the real operating characteristics of the unit and not be used to withhold all or a portion of the capacity of a unit from the Day-ahead Market.
- Designation of all or part of a unit's capacity as Maximum Emergency (ME) constitutes withholding in the Day-ahead Market, if:
  - The capacity is not designated as ME in the bid for the Real-time Market, or;

- o There is no physical reason to designate the unit as ME.
- The consequence of withholding a unit's capacity under ME is:
  - o The unit will be given an outage ticket which reflects a de-rating equal to the positive difference in capacity designated Maximum Emergency in the bid for the Day-ahead Market and capacity designated Maximum Emergency in the bid for the Real-time Market.

#### Generation Offer Business Rules

- Generation offers may consist of startup, no-load and incremental energy offer.
- Market Sellers can select the 'Switch to Cost Schedule' flag in Markets Gateway (Detail Updates tab) beginning on the day prior to the operating day until 10:30 and again starting at 18:30 through 65 minutes prior to the operating hour. Selecting this flag will make the price-based schedule(s) unavailable for the remainder of the operating day selected and will ensure any future commitments for the operating day are made on an available cost-based schedule. Once the Switch to Cost Schedule option is selected, the Market Seller will not have the option to resume using the price-based schedule for the remainder of the operating day.

#### Startup and No-load Business Rules:

- A price-based unit has the option to choose cost-based startup and no-load fees. A price-based unit that chooses the cost-based option may specify the startup and no-load fees for each hour and update those values in real-time in accordance with the rules defined in Section 9.1 of this Manual. A priced-based unit that chooses the price based option will continue to be able to change the startup and no-load fees twice a year.
- The choice between using cost-based and price-based startup and no-load fees can be made twice a year during the open enrollment window (on or before 1100 hours March 31 for the period April 1 through September 30 and on or before 1100 hours September 30 for the period October 1 through March 31). Period 1 is defined as the period of time beginning April 1 and ending September 30. Period 2 is defined as the period of time beginning October 1 and ending March 31. If a priced based unit chooses the cost-based startup and no-load fees option, the decision cannot be changed until the next open enrollment period takes place.
  - o Resources enrolled in the ESR participation model cannot have startup and no load costs entered.

#### Incremental Energy Offer Business Rules:

- Generation resource cost-based incremental energy offers may exceed \$1,000/MWh, but may not exceed \$2,000/MWh for the purpose of dispatch and calculating LMP.
- Cost-based incremental energy offers greater than \$1,000/MWh, and less than \$2,000/MWh, must be verified prior to being used in dispatch and the calculation of LMP as described in section 2.3.6.2.
- Any cost-based offers greater than \$1,000/MWh, which were not verified in time to set LMP, or any cost-based offers greater than \$2,000/MWh may be eligible to receive credit for Operating Reserves. Market Sellers must submit all relevant documentation

demonstrating the calculation of costs greater than \$1,000/MWh to PJM and the MMU in accordance with Attachment D.

- Generation resource market-based incremental energy offers may not exceed \$1,000/MWh unless cost-based incremental energy offer is greater than \$1,000/MWh then the market-based incremental energy offer is capped at the lesser of the cost-based incremental energy offer or \$2,000/MWh. In instances where the price-based incremental energy offer exceeds \$1,000/MWh:
  - A reference cost-based schedule with which to compare the price-based schedule must be specified. The reference cost-based schedule should have the same fuel type as the price-based schedule.
  - The price-based schedule and the reference cost-based schedule must have the same offer slope selection and identical MW break points on their incremental energy offers in order to facilitate validation of the price-based offer.
  - The incremental energy offer price for each segment on the price-based schedule must be less than or equal to the incremental energy offer price of the corresponding segment on the reference cost-based offer.
  - The startup and no-load fees on the price-based offer must be less than or equal to those on the reference cost-based offer.
  - Any price-based incremental energy offers submitted above \$1,000/MWh will be capped at \$1,000/MWh if the above requirements are not met.
  - If, after validation, subsequent changes are made to the reference cost-based schedule that result in the price-based offer being out of compliance, any segments of the price-based incremental energy offer above \$1,000/MWh will be capped at \$1,000/MWh.

#### 2.3.3.4 Aggregated Unit Business Rules

- Generating units that are connected to the system at the same electrical location may be aggregated and offered into the PJM market as a single unit.
- The aggregated unit must be offered into the PJM markets as a single unit with only one set of offer data, including startup, no load and incremental energy. This rule applies to all energy and ancillary service markets into which the unit is offered.
- Revenue quality meter data must be submitted to Power Meter on the basis of the aggregated unit.
- Real-time meter data is required for each physical unit in order to support the PJM state estimator model and to allow energy settlement on an individual unit level.
- Balancing Operating Reserve deviations for aggregated units are calculated based on the five minute aggregated unit output as defined in PJM Manual 28: Operating Agreement Accounting, section on Operating Reserve Accounting.
- Balancing Operating Reserve Generator deviations for units deemed to be “not following dispatch” that occur at a single bus will be able to offset one another.

- A “single bus” will be any unit located at the same site and that has the identical electrical impacts on the transmission system. Units are deemed to have identical electrical impacts on the transmission system if they meet the following criteria:
  - o Units that have identical dfax to the system
  - o Units that are on the same low side of the bus (i.e. connected at same voltage level)
- In the case of units on buses with bus-tie breaker, if bus-tie breaker was open less than 5% of the hours in the previous 3 years, supplier netting of units will be allowed across this bus-tie breaker.
- PJM will maintain a list of units that are deemed to have identical electrical impacts on the transmission system to be used for Balancing Operating Settlement. PJM will review the list on an annual basis. Generators will be reviewed as needed during any new generation activation or reconfiguration process as defined in Section 7 of PJM Manual 14D: Generator Operational Requirements.
- Unit parameters do not have to be identical for the units’ deviation MW to offset one another.
- If multiple units are deemed “not following dispatch” at a single bus, the deviation MW and direction of each unit at that bus will be summed to determine the deviation MW at that bus.
- Units at a “single bus” must be owned or marketed by single PJM Market Participant.
- Unit modeling changes in the PJM Markets Gateway system (unit type, aggregation level, for example), not including changes based on physical changes at the plant, can be made at the beginning of each quarter.
- Per the ***PJM Manual for Operating Agreement Accounting (M28)***, for settlement purposes, PJM determines the resource’s five minute UDS LMP Desired MWh based on its dispatch rate, offer data, and minimum and maximum energy limits for that five minute interval. For steam units, the lesser of the day-ahead scheduled and real-time economic minimum limits, and the greater of the day-ahead scheduled and real-time economic maximum limits, are used. For CT’s, operating at PJM direction, the actual real-time output is used as the UDS LMP Desired MWh value.

### 2.3.3A External Market Sellers

An External Resource is a generation resource that is located outside the metered boundaries of PJM. External resources that are committed Capacity Resources must bid into the PJM Day-ahead Market as generation resources.

For an external resource to be offered into the Day-ahead Market a valid generator offer, as detailed in Section 2.3.3 of this Manual, is submitted in the Markets Gateway system and a valid energy schedule is submitted in the ExSchedule system.

External Market sellers report the following data for resource-specific offers, reported on the business day before the next operating day, up to seven days in advance:

- Specific generation resource (the CCPPTTUUSS reference number and resource name from the Markets Database). This number is supplied by PJM to the PJM Member upon creation of the resource in the Markets Database. If the resource is submitted at least 30 days before the bid date, see PJM Manual 10: Pre-Scheduling Operations.



- Minimum and maximum energy for each hour
- Minimum and maximum generation for each hour
- Minimum and maximum run times
- Resource availability for each hour
- Availability of regulation upper and lower energy limits for each hour
- Response and constraint data
- Whether or not to use startup and no-load fees

The Network Customer may request Network External Designated transmission service for the delivery of a designated network resource. Requests for service are subject to Available Transmission Capability (ATC) and other PJM [Regional Practices](#).

A valid NERC eTag is required for all hours that the external resource will be bid into PJM. The firm OASIS reservation assigned to the external resource shall be linked to the tag.

#### **2.3.3A.1 External Resource Day-ahead Market Requirements**

As specified in Section 2.3.1, all bids must be received by 1100(EPT). From 1100 to 1330(EPT), the bids are evaluated. Results are posted in the Markets Gateway system by 1330(EPT). External Market Sellers are required to check the Markets Gateway system to see if the bid has been accepted.

For bids accepted in the Day-ahead Market, External Market Sellers must submit adjustments to the hourly profile of their tag in order to avoid balancing market MW deviations.

#### **2.3.3A.2 External Resource Reliability Assessment and Commitment Run Requirements**

If the unit is accepted in the Reliability Assessment and Commitment (RAC) Run, External Market Sellers must submit a NERC eTag that matches the hourly energy profile.

If the bid is not accepted in the Day-ahead Market the participant may choose to either modify an already existing tag to zero (0) MW, or take no action.

If the participant wishes to schedule the resource as a self-scheduled/must run unit they may choose to do so and must submit an eTag. The participant must also notify the PJM Generation Dispatcher that the unit is being self-scheduled into PJM as a contract.

#### **2.3.3A.3 External Resource Real-time Market Requirements**

If the bid is not accepted in the Day-ahead Market or Real-time Market, but is requested during the operating day the Generation Dispatcher will notify the participant who will then submit an eTag to match the request. This tag is subject to all scheduling timing requirements and PJM interchange ramp limits.

#### **2.3.4 Minimum Generator Operating Parameters – Parameter Limited Schedules**

Market Sellers are required to submit, per Section 2.3.3.2 of this Manual, as follows: (1) at least one cost-based schedule that is parameter limited, (2) a price-based schedule, and (3) if the unit is a Capacity Resource, a price-based parameter limited schedule. Certain parameters on cost-based and price-based PLS schedules are subject to defined limits. The following subsections provide details regarding which parameters are limited, the process to request exceptions to

the limits, and the circumstances when such parameter limited schedules are considered during commitment and dispatch.

#### 2.3.4.1 Parameter Limits

Different limits may be applied to certain schedule parameters depending on a unit's Capacity commitment type and the applicable Delivery Year.

- PJM will define a list of minimum acceptable operating parameters for the 2018/2019 Delivery Year for generation resources of FRR Entities not committed as Base Capacity Resources or Capacity Performance Resources, based on an analysis of historically submitted offers, for each unit class for the following parameters:
  - o Turn Down Ratio
  - o Minimum Down Time
  - o Minimum Run Time
  - o Maximum Daily Starts
  - o Maximum Weekly Starts
- For Capacity Performance Resources, and for the 2018/2019 and 2019/2020 Delivery Years for Base Capacity Resources, the list of minimum acceptable operating parameters will consist of the following parameters:
  - o Turn Down Ratio
  - o Minimum Down Time
  - o Minimum Run Time
  - o Maximum Daily Starts
  - o Maximum Weekly Starts
  - o Maximum Run Time
  - o Start Up Time
  - o Notification Time
- For the 2018/2019 Delivery Year for generation resources of FRR Entities not committed as Capacity Performance Resources or Base Capacity Resources the limits set forth in the Parameter Limited Schedule Matrix shall apply, unless the generation resource is operating pursuant to an exception from the default values due to physical operational limitations that prevent the resource from meeting the minimum parameters. The Parameter Limited Schedule Matrix is found in Section 6.6(c) of Attachment K-Appendix of the Tariff and the parallel provision of Schedule 1 of the Operating Agreement found at: <https://www.pjm.com/library/governing-documents.aspx>.
  - o For the Delivery Years up to and including the 2018/2019 Delivery Year, the MMU shall review the Parameter Limited Schedule Matrix, included in Section 6.6(c) of Attachment K-Appendix of the Tariff and the parallel provision of Schedule 1 of the Operating Agreement, annually, and, in the event it determines that revision is appropriate, shall provide a revised matrix to PJM by no later than December 31 that occurs immediately prior to the commencement of the applicable Delivery Year.

- For Capacity Performance Resources and for the 2018/2019 and 2019/2020 Delivery Years for Base Capacity Resources, PJM will determine for each such resource its unit-specific parameter limits based on the operating design characteristics and other constraints of that resource. The resource's unit-specific parameter limits will apply for that resource unless it is operating pursuant to an exception from those limits under section 6.6(h) of Attachment K-Appendix of the Tariff and the parallel provision of Schedule 1 of the Operating Agreement due to operational limitations that prevent it from meeting the minimum resource parameters.

#### 2.3.4.2 Unit Specific Parameter Adjustments

- Market Sellers that do not believe their individual resources can meet the unit-specific parameter limits determined by PJM due to actual operating constraints, can request that PJM establish adjusted unit-specific parameter limits for those resources. The Market Seller may request adjusted unit-specific parameter limits by providing all the necessary data, information and documentation to PJM in order to justify and support the adjusted unit-specific parameter limits at [unitspecificpls@pjm.com](mailto:unitspecificpls@pjm.com) by no later than the February 28 immediately preceding the first Delivery Year for which the adjusted unit-specific parameter limits are requested to commence, and provide technical information about the operational limits that support the requested adjustment. PJM shall notify the Market Seller if its request was approved or denied by no later than April 15. The effective date of the requested parameter shall be no earlier than June 1 of the first applicable Delivery Year. PJM will consult with the Market Monitoring Unit and consider any input received in its determination of a resource's unit-specific parameter limits.
- Once PJM has made a determination of the unit-specific parameter limited schedule values for a Generation Capacity Resource, those values will remain applicable to the resource until such time as the Office of the Interconnection determines that a change is needed based on changed operational capabilities of the resource.
- The operational limitations that support adjusted unit-specific parameter limits shall be (a) physical operational limitation based on operating design characteristics of the resource, or (b) other actual physical constraints that are not based on the characteristics of the resource, including contractual limitations. For a contractual limit to be considered a physical constraint which the Market Seller should be permitted to reflect in its unit-specific parameter limits for the resource, and not an economic constraint which should not be taken into consideration in the determination of the unit-specific parameter limits for that resource, the contractual limit must be based on a natural gas pipeline transportation contract that is for the best available service offered by the pipeline and available to the Market Seller rather than a lower cost option that provides less flexible service. For example, if a pipeline offers hourly nominations and/or no notice service, the resource's operational parameters will be based on those more flexible services that are available even if a less flexible service is procured.
- Only actual physical operational limitations, fuel contractual constraints, environmental limitations and other actual constraints on a resource will be considered for adjustment requests. The following list is not an exhaustive list, but provides examples of the types of information and documentation PJM would request to support adjusted unit-specific parameter limits requests:

- o Start Up Time adjustments –OEM (Original Equipment Manufacturer) backup documentation, control room data, startup/loading curves and a detailed start-up sequence listing the required steps along with the time required to perform each step.
- o Maximum Daily/Weekly Starts adjustments –OEM backup documentation and/or detailed start-up and shutdown sequences that show why the default start parameters cannot be physically met.
- o Minimum Run Time adjustments –OEM backup documentation for physical unit constraints that requires the unit to be operated for the requested time period.
- o Minimum Down Time adjustments - OEM backup documentation and a detailed shut down sequence listing the required steps to bring the unit into a ready for startup condition along with the time required to perform each step.
- o Notification Time Adjustment –A detailed sequence of events of the tasks required prior to startup along with the time required to perform each step. In addition gas pipeline contracts may be submitted for review.
- o Turn Down Ratio Adjustments –Requests for adjustments to this parameter based on physical equipment limitations should include OEM backup documentation describing the equipment limitation. Requests for adjustments to this parameter based on emissions permit limitations and related concerns will require inclusion of the applicable Air Permit as well as emissions data for justification.

#### 2.3.4.3 Parameter Limited Schedule Exceptions

- There are three different types of exceptions to the Parameter Limited Schedule Matrix default values:
  - o **Temporary Exception** – is a one-time exception lasting for 30 days or less during the twelve month period from June 1 to May 31.
  - o **Period Exception** – is an exception lasting for at least 31 days but no more than one year **during** the twelve month period from June 1 to May 31.
  - o **Persistent Exception** – is an exception lasting for at least one year.
- Pursuant to section II.B of Attachment M – Appendix of the Tariff, period and persistent exception requests must be sent to Parameters.Exceptions@pjm.com by no later than February 28 immediately preceding the twelve month period from June 1 to May 31 during which the exception is requested to commence.
- All Market Sellers that wish to submit a Parameter-Limited Schedule for units with physical operational limitations that prevent the units from meeting the minimum parameters may submit a request for an exception via Markets Gateway for evaluation.
- Each Market Seller seeking an exception must supply the required historical unit operating data in support of the period or persistent exception and if the exception requested is based on new physical operational limits for the resource for which historical operating data is unavailable, the generation resource may also submit technical information about the physical operational limits for period exceptions of the resource to support the requested parameters.

- Physical operational limitations for period or persistent exceptions may include but are not limited to, metallurgical restrictions due to age and long term degradation; physical design modifications; operating permit limitations; operating limits imposed by federal, state or local regulatory requirements or insurance carrier requirements; consent decrees; manufacturer technical bulletins; or environmental permit limitations under non-emergency conditions.
- Each Market Seller requesting a period or persistent exception based on new physical operational limitations for a unit may submit the technical information, required due to the unavailability of historical operating data, supporting the requested parameters, which must be based on the definition of physical operational limitations for period or persistent exceptions of the unit.
- Each temporary, period or persistent exception request will indicate the expected duration of the requested exception including the date on which the requested exception period will end. If physical conditions at the unit change such that the exception is no longer required, the Market Seller is obligated to inform PJM and the MMU and the exception will be reviewed to determine if the exception continues to be appropriate.
- If a request for a period or persistent exception is received by February 28, the MMU will review the exception and provide the Market Seller and PJM with a determination in writing whether the request raises market power concerns by April 1, and PJM shall provide its determination whether the request is approved or denied by no later than April 15. Should PJM require additional technical expertise in order to evaluate the exception request, PJM will engage the services of a consultant with the required expertise. A generation resource shall notify the MMU and PJM when the temporary exception commences and terminates and provide to the MMU and PJM within three days following such commencement documentation explaining in detail the reasons for the temporary exception, that includes:
  - o Unit Name
  - o Parameter Limit Requested
  - o Reason for Temporary Exception Request
  - o eDart ticket
  - o Justification for Temporary Exception Request, including required unit operating data in support of the exception
  - o Date on which the exception period will end.
- If PJM does not receive a complete exception request, and the unit did not clear in the Day-ahead Energy Market, the unit schedule will be returned to its previous parameter limits.
- Physical operational limitations for temporary exceptions may include, but are not limited to, short term equipment failures, short term fuel quality problems such as excessive moisture in coal fired units, or environmental permit limitations under non-emergency conditions.
- Market Sellers may use exceptions to reflect physical operational limitations (e.g., operational flow orders) on natural gas pipelines and local natural gas distribution companies (LDC). These exceptions will be reviewed by PJM and the MMU and

approved by PJM, in accordance with the applicable provisions of the Tariff and Operating Agreement.

- In addition, physical operational limitations for temporary exceptions may include any physical operational limitation for period exceptions that arises during the annual period from June 1 to May 31 to which period exceptions apply.
- Market sellers may indicate to PJM and the MMU those units with the ability to operate on multiple fuels. Multiple-fuel units may submit a parameter-limited schedule associated with each fuel type. All Parameter-Limited Schedules must be submitted via Markets Gateway seven days prior to the beginning of each period beginning June 1. Any exceptions required for any of the parameter-limited schedules submitted for multiple-fuel units will be required to be submitted and approved via the exception process, by the applicable deadlines.
- If physical conditions at the unit change such that the exception is no longer required, the Market Seller is obligated to inform PJM and the MMU and the exception will be terminated.
- Market Sellers shall notify in writing the MMU and the PJM of a material change to the facts relied upon by the MMU and/or the PJM to support a temporary, period or persistent exception. MMU will provide written notice of any change to its determination regarding the exception request within 15 days of receipt of such notice to PJM and the Market Seller. PJM will notify the Market Seller and MMU in writing, by no later than 20 days after receipt of the Market Seller's notice, whether it is revoking or confirming its approval of the exception request.
  - o If PJM determines that its approval of the exception should be revoked or terminated, (1) for Generation Capacity Resources that are not Base Capacity Resources or Capacity Performance Resources the default values specified in the Parameter Limited Schedule Matrix shall apply, (2) for Base Capacity Resources and Capacity Performance Resources without approved adjusted unit-specific values, the unit-specific values determined by PJM shall apply, and (3) for Base Capacity Resources and Capacity Performance Resources with approved adjusted unit-specific values, the adjusted unit-specific values shall apply. PJM shall notify the Market Seller 3 business days before such revocation.

#### 2.3.4.4 Real Time Values

- Market Sellers can communicate the resource's current operational capabilities to PJM before and after Day-ahead Energy Market closes through the 'Real Time Values' function in Markets Gateway.
- Real Time Values should be utilized when a resource cannot operate according to the unit specific parameters (Capacity Performance and Base Capacity resources), default Parameter Limited Schedules (non-Capacity Performance resources), or approved Parameter Limit exceptions.
- The parameters eligible for Real Time Value overrides consist of the following values:
  - o Turn Down Ratio
  - o Minimum Down Time
  - o Minimum Run Time

- o Maximum Run Time
- o Start Up Time
- o Notification Time
- A Generation Capacity Resource that operates outside of its unit-specific parameters will not receive Operating Reserve Credits nor be made whole for such operation when not dispatched by the Office of the Interconnection, unless the Market Seller of the Generation Capacity Resource can justify to the Office of the Interconnection that operation outside of such unit-specific parameters was the result of an actual constraint. Such Market Seller shall provide to the Market Monitoring Unit and the Office of the Interconnection (unitspecificmakewhole@pjm.com) its request to receive Operating Reserve Credits and/or to be made whole for such operation, along with documentation explaining in detail the reasons for operating its resource outside of its unit-specific parameters, within thirty calendar days following the issuance of billing statement for the Operating Day. The Market Seller shall also respond to additional requests for information from the Market Monitoring Unit and the Office of the Interconnection. The Market Monitoring Unit shall evaluate such request for compensation and provide its determination of whether there was an exercise of market power to the Office of the Interconnection by no later than twenty-five calendar days after receiving the Market Seller's request for compensation. The Office of the Interconnection shall make its determination whether the Market Seller justified that it is entitled to receive Operating Reserve Credits and/or be made whole for such operation of its resource for the day(s) in question, by no later than thirty calendar days after receiving the Market Seller's request for compensation.

#### **2.3.4.5 Consideration of Price-based Parameter-Limited Schedules in Commitment and Dispatch**

Generation Capacity Resources shall be eligible for commitment on parameter-limited schedules under the following circumstances:

- For the 2018/2019 Delivery Year, in the event that PJM: (i) declares a Maximum Generation Emergency; (ii) issues a Maximum Generation Emergency Alert; or (iii) schedules units based on the anticipation of a Maximum Generation Emergency or a Maximum Generation Emergency Alert for all or any part of such Operating Day, generation resources of FRR Entities not committed as Base Capacity Resources or Capacity Performance Resources will be committed on the more economic schedule of their price based parameter-limited schedule and price based schedule.
- For Capacity Performance Resources, in the event that PJM: (i) declares a Maximum Generation Emergency; (ii) issues a Maximum Generation Emergency Alert, Hot Weather Alert, Cold Weather Alert; or (iii) schedules units based on the anticipation of a Maximum Generation Emergency, Maximum Generation Emergency Alert, Hot Weather Alert or Cold Weather Alert for all or any part of such Operating Day; generation resources will be committed on the more economic schedule of their price based parameter limited schedule and price based schedule.
- For Base Capacity Resources, in the event that PJM: (i) declares a Maximum Generation Emergency; (ii) issues a Maximum Generation Emergency Alert, Hot Weather Alert during hot weather operations; or (iii) schedules units based on the anticipation of a Maximum Generation Emergency, Maximum Generation Emergency

Alert, Hot Weather Alert during hot weather operations for all or any part of such Operating Day; generation resources will be committed on the more economic schedule of their price based parameter limited schedule and price based schedule.

- Under each of the above circumstances, if a Market Seller fails the three pivotal supplier test in the Energy Markets, the Seller's resources will be committed on the schedule with the least cost among the cost-based schedule, price-based schedule and price-based parameter limited schedule.

#### **2.3.4A Internal and External Bilateral Transactions**

The following business rules apply to Transmission Customers:

- Transmission customers may submit external bilateral transaction schedules and may indicate willingness to pay congestion charges into either the Day-ahead Market or Real-time market. In the Day-ahead Market, a transaction shall indicate willingness to pay congestion charges by submitting the transaction as an 'Up-to' congestion bid. Refer to Section 2.3.2.3 of this Manual for business rules pertaining to Up-To Congestion transactions.
- Internal bilateral transactions may be designated as day-ahead or Real-time market in PJM InSchedule.

The following business rules apply to any generator within the PJM metered boundary and are pseudo-tied into the MISO Balancing Authority:

- The Day-ahead Pseudo-Tie Transaction may only be submitted by Market Participants whose generator is within the PJM metered boundary and are pseudo-tied into MISO Balancing Authority.
- The eligible source of Day-Ahead Pseudo-Tie Transaction is the generator location and the eligible sink is the MISO interface.
- The Market Participant may submit Day-ahead Pseudo-Tie Transaction at each eligible location up to the transmission service reservation associated with the Pseudo-Tie.
- Day-ahead Pseudo-Tie Transaction bids shall be no greater than \$50/MWh and no less than -\$50/MWh. Any Day-ahead Pseudo-Tie transaction that bids higher than \$50/MWh or less than -\$50/MWh will be rejected.
- Day-ahead Pseudo-Tie Transaction bids shall be supported in the Day-ahead Market only.
- Day-ahead Pseudo-Tie Transaction bids are cleared based on the total LMP price difference between the source and the sink.

#### **2.3.4B Energy Storage Resource (ESR) Participation Model**

An Energy Storage Resource (ESR) is a resource capable of receiving electric energy from the grid and storing it for later injection to the grid and participates in the PJM Energy, Capacity and/or Ancillary Services markets as a Market Participant.

The Energy Storage Resource participation model is an optional model for ESRs to schedule their operation into PJM markets. Energy Storage resources participating in the model make their own commitment decisions in energy and can be dispatchable within their specified



operating limits. Energy Storage resources that elect to be in the ESR participation model cannot also elect to be optimized by PJM in the pumped storage hydro optimizer.

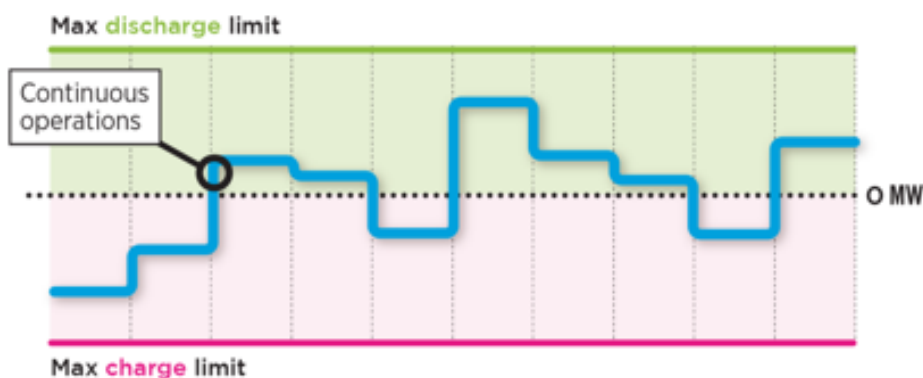
#### ESR Participation Model Election (i.e. Opt In/Opt Out)

- Resources must opt into the Energy Storage Resource Participation Model by sending a request to Member Relations at [custsvc@pjm.com](mailto:custsvc@pjm.com).
- Once a resource opts in for ESR participation, the opt in status remains until an opt out request is received.
- Requests by resources wishing to opt in to the first day of the Energy Storage Resource Participation Model on December 3, 2019 must be received by October 1, 2019.
- Existing resources must send opt-in requests no later than September 30 for the upcoming January 1 to December 31 participation months.
- Resources within the new resource queue process must send an opt in request no later than three months in advance of their initial start in the energy markets.
- An opt out request for an existing resource must be sent to Member Relations at [custsvc@pjm.com](mailto:custsvc@pjm.com) no later than September 30 to remove the resource for the upcoming January 1 to December 31 participation months.

#### ESR Mode Designation

ESR model participants are not optimized for commitment decisions in Day-Ahead and Real-Time because they are managed directly by participants through specification of the four modes of operation:

- **Continuous mode:** shall mean the mode of operation of an Energy Storage Resource model participant that includes both negative and positive MW quantities (i.e., the Energy Storage Resource model participant is capable of continually and immediately transitioning from withdrawing MW quantities from the grid to injecting MW quantities onto the grid). ESR model participants operating in Continuous Mode cannot specify a ramp rate as it is assumed to be unlimited. Continuous mode requires Maximum Discharge Limit to be greater than or equal to zero and Maximum Charge Limit to be less than or equal to zero.



- **Charge mode:** shall mean the mode of operation of an Energy Storage Resource model participant that only includes negative MW quantities (i.e., the Energy Storage Resource model participant is only withdrawing MWs from the grid). Charge Mode requires that



### 2.3.6 PJM Activities

The following business rules apply to PJM activities:

- PJM shall post on the Markets Gateway System, the PJM load forecast, total bid demand, and Day-ahead Scheduling Reserve (Operating Reserve) objective for each hour of the next Operating Day by 1330 at the completion of the day-ahead scheduling process.
- PJM shall post forecasts of total hourly demand for the next four days and peak demand for the subsequent three days.
- PJM shall post hourly LMP, Congestion Price, and Loss Price values for the next operating day at the completion of the day-ahead scheduling process by 1330.
- PJM shall post the schedule of demand, supply, and bilateral transactions for private viewing by market participants.
- PJM may perform supplemental resource commitments after the day-ahead schedule is posted in order to maintain reliable operation. Such supplemental commitments are based on minimizing startup and no-load costs.
- During the various resource commitment analyses, PJM may limit its dependence on Combustion Turbines to provide reserves in order to maintain reliable operational standards. Such limits shall be based on past performance of these units.
- PJM Market Operators will commit in the Day-ahead Market any generation resources that were scheduled by PJM dispatch in advance of the Day-ahead Market and are still required for the operating day and therefore not cancelled. The scheduled hours for the pre-committed generation resource in the Day-ahead Market will at least include the hours where PJM dispatch has scheduled the resource as well as any additional hours where the resource was deemed to be economic as a result of the Day-ahead Energy market solution.

#### 2.3.6.1 Market Power Mitigation

PJM tests for the concentration of local market power under transmission constrained conditions and applies measures to mitigate such power when detected. If transmission limits are identified during the day-ahead scheduling process or during real-time operations, the appropriate generators (those for which the owner fails the Three-Pivotal Supplier Test (“TPS Test”) as detailed in Section 6.4.1 paragraphs (e) and (f) of the PJM Operating Agreement) are offer-capped. Units remain eligible to set LMP when offer-capped. Both pool-scheduled and self-scheduled units are eligible for offer capping.

Offer-capping is applied as follows:

- Units are offer-capped at lesser of their cost-based or price-based schedules, including startup and no-load components. Specific details regarding determination of cost-based offers may be found in PJM Manual 15: Cost Development Guidelines and Section 6.4.2 of the PJM Operating Agreement.
- For units scheduled in the Day-Ahead Market, the offer caps are applied at the time of commitment and apply for the length of time the unit is scheduled in the Day-Ahead Market at the schedule that results in the lowest overall system production cost, in accordance with Section 6.4.1 (a) of the Operating Agreement.

- o If the incremental energy offer, no load cost or startup cost for any portion of the offer capped hours is updated subsequent to the day-ahead commitment, the offer caps are recalculated for each hour that was updated and apply at the schedule that results in the lowest dispatch cost for each updated hour, in accordance with section 6.4.1 (g) of the Operating Agreement; however, once the resource is dispatched on a cost-based offer, it remains on a cost-based offer regardless of the determination of the cheapest schedule.
- For units scheduled in the Real-time Market, the offer caps are applied at the time of commitment and apply at the schedule that results in the lowest dispatch cost, in accordance with Section 6.4.1 (g) of the Operating Agreement.
  - o If the incremental energy offer, no load cost or startup cost for any portion of the offer capped hours are updated subsequent to the real-time commitment, the offer caps will be recalculated for each hour that is updated and will apply at the schedule that results in the lowest dispatch cost for each updated hour in accordance with Section 6.4.1 (g) of the Operating Agreement; however, once the resource is dispatched on a cost-based offer, it will remain on a cost-based offer regardless of the determination of the cheapest schedule.
- Non-CT units, as well as CTs that are committed in the Day-Ahead Market and expected to run in the Real-time Market without additional notification from PJM Dispatch, that are offer-capped in the Day-Ahead Market are offer-capped for those same hours in the Real-time market and at the same schedule.
- Pool-scheduled CTs that are committed in the Day-Ahead Market and not expected to run in Real-time unless notified by PJM Dispatch and are offer-capped in the Day-Ahead market are re-evaluated for market power at the time of commitment in the Real-time Market. Such units are offer-capped in accordance with the results of the TPS test that is conducted at the time of the real-time commitment.
- Pool-scheduled units brought on-line for economics prior to constrained conditions are not offer-capped at the time of commitment.
- Units whose owners passed the TPS test at the time of commitment remain uncapped and are not be subject to additional market power testing until the end of the initial capping determination period, which is defined as follows:
  - o For pool-scheduled or self-scheduled units committed in the Day-Ahead Market, the end of their day-ahead commitment
  - o For pool-scheduled units committed in the Real-time Market (and not in the Day-Ahead Market), the end of their minimum run time
  - o For self-scheduled units committed in the Real-time Market (and not in the Day-Ahead Market), the end of the first hour of their commitment
- Units running in real-time beyond the initial capping determination period are subject to evaluation for market power on an hourly basis and are offer-capped as follows:
  - o Units operating on a price-based schedule whose owner pass the TPS test will not be offer-capped and will remain on the price-based offer.
  - o Units operating on a price-based schedule whose owner does not pass the TPS test will be offer-capped.

- o Units operating on a cost-based schedule will remain on a cost schedule regardless of the results of the TPS test.
- Once a unit is offer-capped in the Real-time Market it shall remain offer-capped until the earlier of:
  - o The unit's release from its commitment by PJM Dispatch
  - o The end of the Operating Day
  - o The start of the unit's next pre-existing commitment

### **2.3.6.2 Resource Energy Offer Validation (for offers than \$1,000/MWh) Generation Resource Offer Screening Process**

PJM uses a screening process to verify the reasonableness of each generation resource's cost-based Incremental Energy Offer segment in excess of \$1,000/MWh before it is considered eligible to be used in dispatch or the calculation of LMPs.

- Cost-based Incremental Energy Offers with prices above \$1,000/MWh are subject to the offer screening process at the time of submission.
- Day-Ahead Market Incremental Energy Offers between \$1,000/MWh and \$2,000/MWh must be submitted prior to the close of the Day-Ahead Market bid period to be screened for eligibility to set LMP in the Day-Ahead Market.
- In Real-time, a resource's cost-based offer must be submitted at least 65 minutes prior to the start of the operating hour in order for the incremental energy offer segments between \$1,000/MWh and \$2,000/MWh to be screened for eligibility to set LMP.

PJM uses cost inputs provided by the Market Seller to calculate the Maximum Allowable Incremental Cost as outlined in Section 6.4.3 of Schedule 1 of the PJM Operating Agreement. Submission to MIRA, or other system(s) made available is considered submission to PJM and the MMU.

- The Market Seller shall provide heat inputs and performance factors in MIRA, or other system(s) made available for submission of such data. The heat inputs and performance factors should be provided at least one week prior to the Operating Day.

For each Incremental Energy Offer segment greater than \$1,000/MWh, PJM shall evaluate whether such offer segment exceeds the reasonably expected costs for that generation resource by determining the Maximum Allowable Incremental Cost for each segment in accordance with Section 6.4.3 of Schedule 1 of the PJM Operating Agreement.

- If the cost submitted for the offer segment is less than or equal to the Maximum Allowable Incremental Cost value, then that segment is deemed verified and is eligible to be used in dispatch and to set LMP.
- If the cost submitted for the offer segment is greater than the Maximum Allowable Incremental Cost value, then the cost-based offer for that segment and all segments at an equal or greater price are deemed not verified. Such segments are capped at the greater of \$1,000 or the price on the most expensive verified segment for the purposes of dispatch and setting LMP.

- PJM will notify the Market Seller of the verification status of each segment upon completion of the screen.
- Any subsequent update to a cost-based offer's incremental energy offer curve or no-load cost subjects the offer to the screening process upon submission of the update and the offer is capped based on the result of the updated screen.

### **Generation Resource Exception Process**

If any segment of a resource's offer does not pass the offer screen, the Market Seller can submit an exception request. The exception process provides a Market Seller the ability to justify a resource's offer that did not pass the offer screen so that, if verified, it may be used in dispatch, be eligible to set LMP, or be eligible to receive Operating Reserve Credits. During the exception process, with timely input and advice from the MMU, PJM determines whether all segments of the resource's offer are compliant with the PJM-approved Fuel Cost Policy for all applicable hours using documentation provided by the Market Seller detailing the underlying costs. Exception process requests will be evaluated in the order in which they are received. In the event that a particular request does not have sufficient information or documentation, or the documentation is not provided in a sufficiently timely and organized manner, PJM will put the request on hold and process the next requests in the queue.

- Market Sellers shall submit exception requests pursuant to the "offer cap verification exception submission process" documented on the Energy Offer Verification page on PJM.com. This process includes the completion of the Energy Offer Verification Template located on the Energy Offer Verification page on PJM.com and provision of supporting documentation detailing the underlying costs.
- Necessary Documentation and Inputs for Verification of Exceptions include:
  - o PJM-approved Fuel Cost Policy with a numerical cost calculation example applicable to the Operating Day and to the resource.
  - o Prior submittal of all costs inputs in MIRA, or other system(s) made available for submission of such data, used to calculate the cost-based offer, other than the level of the cost of fuel.
  - o Documentation supporting the level of the cost of fuel, as defined by the applicable documentation requirements in the Market Seller's PJM-approved Fuel Cost Policy. The Market Seller shall separately identify the levels of the commodity cost of fuel, and if appropriate, fuel transportation costs, other fuel charges and other applicable adders.
- Upon receiving the Energy Offer Verification Template and necessary supporting documentation and any other relevant information available, PJM, with timely input and advice from the MMU, will review the information against the Market Seller's Fuel Cost Policy to verify accuracy of the offer. Based on review PJM will take one of the following actions:
  - o If the Market Seller does not provide complete information for the Energy Offer Verification Template or supporting documentation, PJM will notify the Market Seller that the information provided is incomplete. The Market Seller may then provide further documentation detailing the resource's underlying costs.

- o If the information and documentation is sufficient to validate the level of the cost-based offer, PJM will approve the exception and deem the offer verified. PJM will then notify the Market Seller of the verification result. The offer becomes eligible to be used as part of dispatch and calculating LMP as soon as the verification decision is recorded in the PJM market systems
- o If the information and documentation is insufficient to verify the level of the cost-based offer, PJM will deny the exception. For a denied exception, PJM will cap the cost-based offer at the greater of \$1,000/MWh or the highest segment verified in the exception process.

### 2.3.7 Mechanical/Technical Rules

A valid generator offer consists of the following elements:

- Use startup & no-load switch, with a default value of yes (1).
- Hourly startup and no-load costs, with default values of zero.
  - o External resources can only submit startup and no-load costs if the entire output of the unit is available for PJM dispatch.
- Condense available switch, with a default value of no (0).
- Hourly economic max/min and emergency max/min are the unit-level economic and emergency MW limits, respectively.
- Daily minimum down time and start times, with default values of zero.
- Daily minimum run time and notification time for the Day-Ahead Market, with the ability to update the hourly values for use in real-time commitment and dispatch. The default values will be zero.
- Daily maximum run time and maximum number of starts per week, with default values of infinity.
- Use offer slope switch, with a default value of no (0).
- Hourly incremental offer curves, with default value of \$0. If the last MW point on the segment curve is less than the maximum emergency limit, then the curve is extended up to the emergency maximum limit using zero slope from the last incremental point on the curve.
- For those parameters that are allowed to vary hourly, in the absence of overrides specifying separate values for each hour (hourly differentiated offer data), the daily offer value is used.
- In order to qualify for exempt or bonus MW during a Performance Assessment Interval, in accordance with PJM Manual 18: PJM Capacity Market, Section 8.4A Non-Performance Assessment, each generation resource must have at least one available schedule. Each offer must have the following:
  - o Economic Minimum value (zero or non-zero value)
  - o Economic Maximum value (zero or non-zero value)
  - o Emergency Maximum value (zero or non-zero value)
  - o At least one segment on the incremental offer curve

Valid offers for a Generation Capacity Resource consists of a parameter limited price-based schedule (if the unit is price-based) and at least one cost-based schedule.

Valid offers for a non-Capacity Generation Resource consists of a price-based schedule (if the unit is price-based) and at least one cost-based schedule.

Valid offers for demand bids, price sensitive and fixed, consist of the following items:

- MW, with a default value of 0 MW. Demand bids should not include losses.
- Location (transmission zone, aggregate, or single bus)
- Price at which demand shall be curtailed (for price-sensitive bids)

### 2.3.8 Modeling

Fixed transactions, including increment offers and decrement bids, are modeled in the Resource Commitment. Up-to congestion transactions are not modeled in the commitment, but are handled in the day-ahead dispatch.

The day-ahead security analysis treats increment offers as injections (generation) and decrement bids as withdrawals (loads)

External bilateral transactions with source = interface bus are modeled as generation at the source bus location. This is the case for both dispatchable and non-dispatchable transactions.

External bilateral transactions with sink = interface bus are modeled as a load at the sink bus location. This is the case for both dispatchable and non-dispatchable transactions.

Only fixed transactions and transactions involving external aggregate resources are modeled in the Resource Commitment (RSC) for the Day-ahead Market.

### 2.3.9 Day-ahead Locational Marginal Price (LMP) Calculations

The following resources are eligible to set LMP values in the Day-ahead Market:

- All dispatchable units
- Dispatchable external resource offers
- Increment offers
- Committed Economic Load Response bids
- Price-sensitive demand bids and decrement bids.
- 'Up-to' congestion transactions .
- Generation resources with cost-based incremental energy offers in excess of \$2,000/MWh are dispatched in economic merit order but are capped at \$2,000/MWh for the purposes of calculating LMP.

### 2.3.10 Operating Parameter Definitions

**Cold/Warm/Hot Notification Time** - The time interval between PJM notification and the beginning of the start sequence for a generating unit that is currently in its cold/warm/hot



temperature state. Start sequence may include steps such as any valve operation, starting feed water pumps, startup of auxiliary equipment, etc.

**Cold/Warm/Hot Start-up Time** - The time interval, measured in hours, from the beginning of the start sequence to the point after generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero for a generating unit in its cold/warm/hot temperature state. For a Combined Cycle unit it is the time interval from the beginning of the start sequence to the point after first combustion turbine generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero. Start sequence may include steps such as any valve operation, starting feed water pumps, startup of auxiliary equipment, etc.

Other more detailed actions that could signal the beginning of the start sequence could include but are not limited to the operation of pumps, condensers, fans, water chemistry evaluations, checklists, valves, fuel systems, combustion turbines, starting engines or systems, maintaining stable fuel/air ratios, and other auxiliary equipment necessary for startup.

**Minimum Run Time (hour)** - The minimum number of hours a unit must run, in real-time operations, from the time after generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero to the time of generator breaker opening, as measured by PJM's state estimator. For Combined Cycle units this is the time period after the first combustion turbine generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero and the last generator breaker opening as measured by PJM's state estimator.

**Turn Down Ratio** – The ratio of a unit's economic maximum MW to its economic minimum MW.

**Minimum Down Time (hour)** - The minimum number of hours under normal operating conditions between unit shutdown and unit startup, calculated as the shortest time difference between the unit's generator breaker opening and after the unit's generator breaker closure, which is typically indicated by telemetered or aggregated state estimator MWs greater than zero. For Combined Cycles units this is the minimum number of hours between the last generator breaker opening and after first combustion turbine generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero.

**Maximum Daily Starts** - The maximum number of times that a unit can be started in an operating day under normal operating conditions.

**Maximum Weekly Starts** - The maximum number of times that a unit can be started in one week under normal operating conditions (168 hour period starting Monday 0001 hour).

**Maximum Run Time (hour)** - The maximum number of hours a unit can run over the course of an operating day as measured by PJM's state estimator.

**Cold/Warm/Hot Soak Time** - The minimum number of hours a unit must run, in real-time operations, from the time after generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero to the time the unit is dispatchable. For Combined Cycle units this is the minimum number of hours from the time just after the first combustion turbine generator breaker closure which is typically indicated by telemetered or aggregated state estimator MWs greater than zero and the time the unit is dispatchable.

Soak Time may include items such as the time necessary to alleviate temperature gradients across boiler or turbine components, the startup and stable operation of environmental

equipment, water chemistry evaluations and holds, the maintaining of stable fuel/air ratios, the addition of incremental fuel related or other auxiliary equipment, the starting additional combustion turbines in a combined cycle, and the pressure matching of heat recovery steam generators.

## 2.4 Real-Time Locational Marginal Price (LMP) Calculations

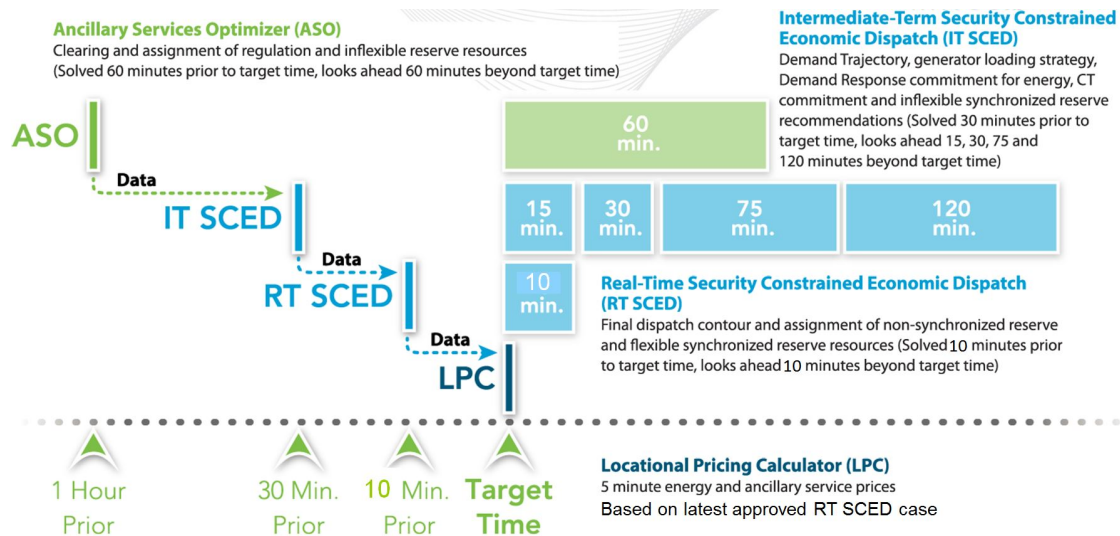
The PJM Real-time Locational Marginal Price (LMP) calculation process consists of several programming modules that are executed in order to calculate Locational Marginal Prices every five minutes. In the Market Clearing Engine (MCE), the following systems are used in the calculation of the real-time LMP and ancillary service market clearing prices:

- The Real Time Market Applications (ASO, IT SCED and RT SCED)
- PJM State Estimator
- Locational Pricing Calculator (LPC)

Each of the PJM LMP modules is described in detail below.

## 2.5 Real-Time Market Applications

To conduct the real-time markets, a multi-module software platform is used by PJM to dispatch energy and ensure adequate reserves in real-time and regulation in near time (see the image below). The real time market applications and various other applications communicate jointly and the most recent information from each application is stored, and upon request, provided to each application. To run the Real-time Market, data is processed from the markets database and other PJM systems.



The applications jointly optimize the products for a defined target time to ensure that all system requirements are met using the least cost resource set.

The real-time market applications consist of the following:

- **Ancillary Service Optimizer (ASO):** The Ancillary Services Optimizer (ASO) performs the joint optimization function of energy, reserves and regulation. The ASO creates an interval-based solution over a one hour look-ahead period, as well as performs the regulation three pivotal supplier test. ASO does not calculate market clearing prices. The main functions of ASO are the commitment of all regulation resources and inflexible reserve resources for the next operating hour.
- **Intermediate Term Security Constrained Economic Dispatch (IT SCED):** The Intermediate Term Security Constrained Economic Dispatch (IT SCED) application is used by PJM to perform various functions over a 1-2 hour look-ahead period. Historical and current system information is used to anticipate generator performance to various requests, and to provide accurate information regarding generator operating parameters under multiple scenarios. The IT SCED solves a multi-interval, time-coupled solution to perform the following functions:
  - o Resource commitment recommendations for energy and reserves
  - o Resource commitment decisions for economic demand resources
  - o Execution of the Three Pivotal Supplier Test for energy
  - o Coordinated Transaction Scheduling
  - o Non-Synchronized Reserves Opportunity Cost
- **Real-Time Security Constrained Economic Dispatch (RT SCED):** The Real-Time Security Constrained Economic Dispatch (RT SCED) application is responsible for dispatching resources for a future target dispatch time to maintain the system balance of energy and reserves over a ten-minute look-ahead period based on forecasted system conditions. The future target dispatch time is ten minutes from the program's execution time rounded up to the nearest 5 minute interval. Historical and current system information is used to anticipate generator performance to various requests, and to provide accurate information regarding generator operating parameters under multiple scenarios. RT SCED jointly optimizes energy and flexible synchronized reserves to ensure system needs are maintained. The results from the RT SCED are energy basepoints, Tier 2 Synchronized reserve commitments and Non-Synchronized reserve commitments that are sent to resource owners in real-time. All quantities may change with each solution based on system economics and reserve needs.

An RT SCED dispatch case is executed automatically approximately every three to five minutes or when manually executed by the operator. Each case produces multiple solutions using different forecasted load bias values. To calculate the solution, data from multiple sources is used, including but not limited to, data regarding online and available resources, resource offers, forecasted load, scheduled interchange, as well as various other input parameters effective for the period ending at the future dispatch target time. For example, resource offers, Regulation and Inflexible Synchronized Reserve assignments from the 11:00 to 12:00 hour will be effective until the 12:00 future dispatch target time. Resource offers and Regulation and Inflexible Synchronized Reserve assignments for the 12:00 to 13:00 hour will be used as input to RTSCED for the future dispatch target time of 12:05 and onwards until 13:00. The RT SCED cases uses forecasted load and other system information that are effective for the future

dispatch target time, rather than the time at which the case is executing, to achieve a dispatch solution that will adequately control for those forecasted conditions.

Real-time data sources include:

- Load forecast data
- Constraint data - resource sensitivities
- State Estimator output
- Loss Penalty Factors
- Transaction data from ExSchedule
- Regulation and Inflexible Reserve commitments
- Generator operating parameters and offer data

Multiple RT SCED solutions are then produced, with each solution solving the security constrained economic dispatch problem. Each of these solutions contains:

- A set of zonal dispatch rates
- A list of exceptions to the dispatch rates for constraint control
- Individual resource dispatch rates
- Individual Resource Desired MW level
- Individual Resource Reserve Commitments
  - o Maintains Inflexible Reserve Assignments from ASO
  - o Assigns flexible reserves
- Individual Resource Regulation Assignments

A subset of the solved RTSCED solutions are approved to send dispatch signals to online resources.

## 2.6 PJM State Estimator

The RT SCED solution depends upon having a complete and consistent power flow solution as an input.

The state estimator is a standard power system operations tool whose purpose is to provide a base case power flow solution for input into other computer programs. It depends upon data redundancy and the underlying physical and mathematical relationships of the power system to provide a solution with less error than the original measurements. Therefore the state estimator can correct “bad data” and calculate missing data in the model to provide a consistent representation of existing network conditions.

The inputs to the state estimator are the available (metered) real-time measurements, the current status of equipment (lines, generators, transformers, etc.), and the bus model (impedance, parameters, etc.). The state estimator uses actual operating conditions that exist

on the power grid (as described by metered inputs) along with the fundamental power system equations to calculate bus voltage and angle and flows based on metered data. Since the state estimator solution provides a complete and consistent model of actual operating conditions based upon metered input and an underlying mathematical model, it can be used to provide the basis for the Locational Marginal Price calculations.

A new state estimator solution is typically available every minute to RT SCED and can provide the following inputs:

- AC power flow solution
- Actual generator MW output
- Bus loads
- Tie line flows
- MW losses by transmission zone
- Actual MW flow on any constrained transmission facility

## 2.7 Locational Pricing Calculator (LPC)

The function of the Locational Pricing Calculator (LPC) is to determine the Real-Time LMP values and Regulation and Reserve Clearing Prices on a five minute basis. Real-Time LMPs and Regulation and Reserve Clearing Prices are based on the latest approved real-time security constrained economic dispatch (RT SCED) program solution, referred to as the reference case, for the target time at the end of the current five minute interval. If there is not an approved RT SCED solution for the target time at the end of the current five minute interval, LPC will use the most recent approved RT SCED solution prior to the target time as the reference case. The Real-time LMPs and Regulation and Reserve Clearing Prices calculated by LPC are applied to each five-minute Real-time Settlement Interval ending at the LPC target time. In the event of an outage to RT SCED, the LPC will use the RT SCED case that best represents the conditions over the outage period as determined by the Market Operator.

The LPC calculates LMPs for each of the PJM nodes in the state estimator model and for interface busses used as a proxy for transfers to and from PJM and external control areas. The Real-Time LMPs are defined as the cost to serve the next increment of load at each node bus location for the current system, taking into account eligible resource real-time offer prices and the buses' location with respect to transmission limitations and incremental system losses.

The LPC is an incremental linear optimization program that is formulated to jointly optimize and price both energy and reserves. The objective is to minimize the cost function including the cost of energy and reserves subject to the power balance constraint, the Synchronized and Primary Reserve requirements, specific generator and demand resource operating limitations, transaction MW limits, and any transmission constraints that currently exist on the system and a normalized distribution of system losses to a network location.

Every 5 minutes the LPC calculates:

- Locational Marginal Prices (LMPs)
- Synchronized Reserve Market Clearing Prices (SRMCPs)

- Non-Synchronized Reserve Market Clearing Prices (NSRMCPs)
- Regulation Market Clearing Prices (RMCPs) and Regulation Market Performance Clearing Price (RMPCP), which are then used to derive the Regulation Market Capability Clearing Price (RMCCP)

Each energy and reserve clearing price is calculated as the cost to serve the next MW of demand for each individual product considering its impact on the others. For example, LMPs are calculated such that they reflect the cost to serve the next MW of energy demand in each location while considering the impact of that additional MW of energy on the ability to meet the Primary Reserve and Synchronized Reserve Requirements. This method of calculation of LMPs is consistent with the joint optimization of energy and reserves. Regulation clearing prices are calculated as the cost of the last resource committed to meet the Regulation requirement, as further described in section 3.

### 2.7.1 Determination of LMPs for De-Energized Busses

Due to equipment outages, the main transmission system may contain some de-energized busses for which LMPs cannot be directly calculated. It is necessary for settlement purposes that LMPs for these de-energized busses be established. The methodology for determining LMPs at de-energized busses is to assign to them the LMPs at their neighboring energized busses. The following criteria for a search is designed and implemented in the market clearing software.

Search rules:

1. Search at the same voltage level.
  - a. Check whether any of the other busses belonging in the same voltage level as the de-energized bus is energized. If an energized bus is found, set the LMP of the de-energized bus equal to the LMP of the energized bus. If a suitable replacement cannot be found, proceed to step 2.
2. Search at the same station.
  - a. Check whether there are any energized busses located at a voltage level different from the de-energized-bus voltage level but at the same station. If an energized bus is found, set the LMP of the de-energized bus equal to the LMP of the energized bus. If a suitable replacement cannot be found, proceed to step 3.
3. Search in the nearest neighboring stations.
  - a. Rank all the transmission lines out of the de-energized bus station in the descending order of their admittances.
  - b. Check whether there is any energized bus in the next station available in the rank. If one is found, set the LMP of the de-energized bus equal to the LMP at the energized bus.

If by searching all the neighboring stations no energized bus is found, the PJM Market Operator is notified that a de-energized bus exists for which no suitable replacement could be found using the above steps and is required to manually search for a suitable replacement. PJM operators also reviews the suitability of the replacements selected by the market clearing software, and

in cases where modeling discrepancies cause the selection of a sub-optimal replacement, may elect to use a more suitable replacement.

### 2.7.2 Determination of LMPs for Generation Resources with offers greater than \$2,000/MWh

Generation resources with cost based incremental energy offers in excess of \$2,000/MWh are dispatched in economic merit order but are capped at \$2,000/MWh for the purposes of calculating LMP.

## 2.8 The Calculation of Locational Marginal Prices (LMPs) During Emergency Procedures

In order to properly calculate LMPs during Emergency Procedures, PJM performs the following functions to ensure that deployed or purchased emergency capacity is eligible to set LMPs within PJM.

### Pre-Emergency and Emergency Demand Response

- Pre-Emergency or Emergency Demand Response are deployed by lead time, by product, and/or by transmission zone or transmission subzone.
- PJM dispatches the resources of all Pre-Emergency or Emergency Load Response Program participants (not already dispatched under the Economic Load Response Program) based on the availability, location, **dispatch price** and/or quantity of load reduction needed, **subject to transmission constraints in the PJM Region**.
- To give PJM dispatchers the flexibility to address reliability concerns in the most effective and timely manner and invoke the resources that offer the most assurance of effective relief of emergency conditions, the dispatch of Demand Resources may not be solely based on the least-cost resources since such dispatch shall be based not only on price, but also on availability, location and/or quantity of megawatts of load or load reduction needed.
  - o Resources in the Full Program Option and Energy Only Option in the Pre-Emergency or Emergency Load Response Program are eligible to set the real time LMP when PJM has dispatched the resources and such resources are required to reduce demand in the PJM Region.
  - o PJM treats pre-emergency and emergency demand response similar to a dispatchable generator for the purpose of determining whether it is marginal.
- PJM uses operational data submitted by CSPs to determine the availability and actual response of pre-emergency and emergency load response.

### Maximum Emergency Generation

- Generators who have designated all or portions of the output of their unit as max emergency are eligible to set price.
- Max emergency output is only eligible to set LMP if PJM Operators have loaded maximum emergency generation.

## Emergency Purchases

- PJM allows emergency purchase transactions to set LMP to the extent they are required to clear the energy and reserve markets.
- Emergency purchases are treated similar to the dispatchable generator for the purpose of determining whether they are marginal or not.
- If determined to be marginal, an emergency purchase sets price at the lesser of its offer price or the applicable offer cap stated in Section 2.3.2.

In the event that PJM initiates a voltage reduction or manual load dump to maintain system reliability:

- All reserve clearing prices in the region where the voltage reduction and/or manual load dump were initiated are set consistent with a shortage of the first step on the demand curve.
  - Non-Synchronized Reserve Clearing Price = Primary Reserve Penalty Factor
  - Synchronized Reserve Clearing Price = Primary Reserve Penalty Factor + Synchronized Reserve Penalty Factor

The LMPs and reserve clearing prices in the location that the voltage reduction and/or manual load dump was initiated are calculated consistent with all reserve products in that region being short until such emergency conditions are terminated as defined in PJM Manual 13: Emergency Operations.

Shortage pricing is terminated in a Reserve Zone or Reserve Sub-zone when demand and reserve requirements can be fully satisfied with generation and demand resources and any Voltage Reduction Action and/or Manual Load Dump Action taken for that Reserve Zone or Reserve Sub-zone is terminated as determined by the approved RT SCED solution used in the pricing interval.

## 2.9 The Calculation of Locational Marginal Prices (LMPs) During Reserve Shortages

When all reserve products can be met at a price less than or equal to the defined penalty factors, LMPs are set solely using the supply and demand offers from Market Participants. When PJM cannot maintain enough reserves to meet the reserve requirements at a price less than or equal to the associated penalty factors, i.e. a reserve shortage, the penalty factor(s) for the deficient reserve product(s) are used in the determination of LMPs in the region where the shortage occurred.

- The methodology for calculating LMPs is consistent during periods of adequate reserves and during reserve shortages.
- When reserve requirements can be met at a price less than or equal to the defined penalty factors, the penalty factors do not impact the calculation of LMPs.
- When any reserve requirement cannot be met at a price less than or equal to the defined penalty factor, the applicable penalty factor(s) is used in the determination of LMPs.



- The maximum LMP achievable during a reserve shortage is the \$2,000/MWh energy offer cap, plus the Primary Reserve and Synchronized Reserve Penalty Factors from the first step on the demand curves, plus or minus congestion and marginal loss impacts.

### 2.9.1 Determination of a Reserve Shortage

If the approved Real-Time Security Constrained Economic Dispatch (RT SCED) solution used by the Locational Pricing Calculator forecasts a Primary Reserve shortage and/or a Synchronized Reserve shortage as further described in the Section(s) 2.8 and 4.2 of this Manual, PJM shall deem this to be a Primary Reserve shortage and/or a Synchronized Reserve shortage. PJM shall implement shortage pricing through the inclusion of the applicable Primary Reserve and/or Synchronized Reserve Penalty Factors in the Real-Time LMP and reserve pricing calculations.

Shortage pricing shall exist until the approved RT SCED solution used in a pricing interval is able to meet the specified reserve requirements and no Voltage Reduction Action or Manual Load Dump Action is still in effect.

If a Primary Reserve shortage and/or Synchronized Reserve shortage exists and cannot be accurately forecasted by the Office of the Interconnection due to a technical problem with or malfunction of the Real-Time Security Constrained Economic Dispatch (RT SCED) software program, including but not limited to program failures or data input failures, PJM utilizes the best available alternate data sources to determine if a Reserve Zone or Reserve Sub-zone is experiencing a Primary Reserve shortage and/or a Synchronized Reserve shortage.

## 2.10 PJM Real-Time Price Verification Procedure

During and after each Operating Day, PJM reviews all of the five minute Locational Marginal Prices (LMP) and Ancillary Service Market Clearing Prices (MCP) prior to finalizing the LMPs and MCPs for posting and use in settlements. The objective of price verification is to ensure prices reflect how the system was dispatched. If there are any instances where the five-minute price intervals do not reflect the dispatch of the system with incorrectly calculated five-minute LMPs and/or MCPs, PJM corrects those five minute intervals during the Price Verification Procedure. In the event of a data input failure, program failure, data input discrepancy or logging error, corrective actions may be taken to ensure that the resulting Real-Time LMPs and MCPs are as reasonably accurate and reflect the dispatch of the system as appropriate. Additional details describing scenarios in which LMPs and MCPs may be recalculated are listed below.

- Data Input Failures – May occur when telecommunication problems exist either internally on the PJM network or on the data paths between PJM and PJM members. If the failure occurs on the PJM network, PJM takes all possible steps to recover the original data for use in LMP and MCP calculation reruns. Examples of data input failures include, but are not limited to, stale offer data, stale dispatch runs, Business Service Process (BSP) failures and stale EMS data.
- Program Failures - In the event of a program failure, PJM first attempts to correct the reason for the failure and recalculates LMPs and MCPs for the affected intervals. If the attempt fails to recover the original data , , PJM utilizes data from the best available alternate data sources including, but not limited to, backup systems, dispatcher logs, raw telemetry data, and member company data sources. In the event of an inability to correct the failure, PJM uses data from a neighboring interval and recalculates LMPs and MCPs

for the affected interval (s). Examples of program failures include, but are not limited to, State Estimator failure, RTSCED failure or LPC failure.

- Logging Errors - Transmission Constraint logging and resource logging errors can affect pricing. The reference for logging times is the transmission dispatcher manual log. In the event of a logging error, LMP or MCP are recalculated as outlined below:
  - Transmission constraint or resource logs entered or removed with a delay of less than four LPC intervals – No recalculation of LMPs and MCPs is required.
  - Transmission constraint or resource logs entered or removed with a delay of four LPC intervals or more – PJM corrects the constraint and/or resource data and recalculates LMP and MCPs.
  - Transmission constraint or resource logs entered incorrectly – PJM corrects the constraint and/or resource data and recalculates LMPs and MCPs.
- Data Input Errors – Data input errors can occur when applications or processes upstream of the LMP and MCP calculation complete successfully but produce erroneous results. These errors may include but are not limited to errors with EMS inputs such as distribution factors and loss sensitivity factors, constraint modeling errors that result in pricing that is inconsistent with the way PJM operators are managing a constraint, and unintentional approval of the RT SCED case for which the LPC case runs and produces LMPs and MCPs, and Regulation performance score calculation engine (PSCE) related errors. In the event of a data input error, LMPs and MCPs are recalculated as outlined below:
  - If PJM determines EMS data, such as distribution factors or loss sensitivity factors, is erroneous such data is replaced with that from a surrounding interval and LMPs and MCPs are recalculated, or the LMPs and MCPs of the impacted pnodes are replaced with those from electrically equivalent pnodes when the number of pnodes impacted is limited.
  - If modeled constraints in the upstream applications are inconsistent with how PJM operators are managing the constraint, PJM corrects the modeling of the constraint in the LPC case inputs and recalculates the LMPs and MCPs.
  - If an erroneously approved RT SCED case is the basis of an LPC case that produces LMPs and MCPs, PJM recalculates LMPs and MCPs using the last valid approved RT SCED case.
  - If stale or missing regulation mileage or other Ancillary Service related data error is detected, PJM recalculates LMPs and MCPs of the affected intervals.
- In the event RT SCED application is unavailable or dispatchers are unable to Dispatch the system by approving new RT SCED cases, dispatch may go “OFF SCED”. During the “OFF SCED” period, dispatch will use the EMS system to manage ACE and manually control any transmission constraints. During the “OFF SCED” period, LMPs will be calculated using the last valid approved RT SCED case prior to the start of the “OFF SCED” period. Should the “OFF SCED” period extend beyond two full hours, the LMPs may be further modified to reflect system conditions. Additionally, LPC case may be adjusted to reflect system conditions in LMPs and MCPs, including but not limited

to Reserve Shortage, Voltage Reduction and Manual Load Dump actions during OFF SCED periods.

## 2.11 Price-Bounding Violations

After each five-minute iteration of the LPC, a set of validation checks are applied to the resulting LMPs and ancillary service clearing prices. These validation checks include but are not limited to criteria such as maximum and minimum LMP level, maximum and minimum ancillary service clearing price level, and the consistency of the pricing results with the dispatch solution. If any of these validation checks fail, the five-minute LMPs and/or ancillary service clearing prices will continue to be published, however the solution for the given interval will be denoted as a Price-Bounding Violation interval.

The occurrence of a Price-Bounding Violation does not mean that the originally posted prices are not correct or that they are not used in the settlement of the market. It is an automated process implemented by PJM to notify the publication of market clearing results are suspected to have an issue. If a Price-Bounding Violation occurs, PJM Market Operations personnel are notified by the LPC system immediately. Following the notification, the Market Operator will diagnose the cause of the violation. If the solution is found to be accurate, the 5-minute prices are left as-is and the validation checks are adjusted to release subsequent pricing information. If the prices are found to be inaccurate, they are revised in accordance with the PJM Real-time Locational Marginal Price Verification Procedure outlined above.

## 2.12 Calculation of Ramp Limited Desired MWh

Operating Reserve deviations to generators that are operating at PJM's direction are based on a comparison of their Real-time desired MW with their Real-time MWh for each Real-time Settlement Interval. For the purposes of settlement of Operating Reserve charges and credits, a Ramp-Limited Desired MW value is used to determine whether a unit is following PJM dispatch instructions as well as the actual quantity of deviations that will be calculated when a unit is determined to not be following dispatch instructions.

PJM calculates a Ramp Limited Desired MW value for units where the economic minimum and economic maximum are at least as far apart in real-time as they are in Day-Ahead.

- Real Time Economic Minimum  $\leq$  105% of Day-ahead Economic Minimum or Day-ahead Economic Minimum plus 5MW, whichever is greater.
- Real Time Economic Maximum  $\geq$  95% Day-ahead Economic Maximum or Day-ahead Economic Maximum minus 5MW, whichever is lower.

PJM determines a unit's Ramp-Limited Desired MW according to the following calculation:

$$Ramp\_Request_t = \frac{(SCEDtarget_{t-1} - AOutput_{t-1})}{(SCEDLAtime_{t-1})}$$

$$RL\_Desired_t = AOutput_{t-1} + (Ramp\_Request_t * Case\_Eff\_time_{t-1})$$

**Where:**

**UDStarget**

UDS basepoint for the previous UDS case

<b>AOutput</b>	Unit's output at case solution time
<b>UDSLAtime</b>	UDS look ahead time
<b>Case_Eff_time</b>	Time between base point changes
<b>RL_Desired</b>	Ramp limited desired MW

UDS LMP Desired MWh is calculated by comparing the five minute UDS LMP to the unit's bid curve to determine a corresponding MW value. This value is not ramp-limited.

In the event of technical difficulties where either a) UDS data does not exist or b) there is not a sufficient amount of data to calculate a reasonable Ramp Limited Desired MW value, the UDS LMP Desired MW value is used.

See "Operating Reserve" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of the calculation of generator deviation charges.

## 2.13 Use of Locational Marginal Prices in Market Settlements

LMPs are used in the PJM Energy Market accounting to calculate charges or credits for many of the market services, including:

- *Spot Market Energy* — LMPs are used to calculate the charges for Spot Market Energy purchases and the credits for Spot Market Energy deliveries. (See "Spot Market Energy Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of these calculations).
- *Operating Reserve* — LMPs, along with other components, are used to determine whether providers of Operating Reserve are properly compensated for their costs. (See "Operating Reserve Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).
- *Transmission Congestion* — Congestion price components of LMPs are used in the calculation of Transmission Congestion Charges and to determine the value of FTRs used in the calculation of Transmission Congestion Credits. (See "Transmission Congestion Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).
- *Transmission Losses* — Loss price components of LMPs are used to determine the charges for transmission losses. (See "Transmission Losses Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).
- *Emergency Energy* — LMPs are used to calculate the charges and credits for Emergency purchases and sales between PJM and other Control Areas. (See "Emergency Energy Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).
- *PJM Load Response Programs* — LMPs are used to calculate charges and credits for the PJM Load Response Programs (see "Section 11: PJM Load Response Programs

Accounting” of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).

- *Metering Reconciliation* — Weighted average LMPs are used to calculate monthly meter error correction charges between PJM Members and between Control Areas. (See “Metering Reconciliation Accounting” section of PJM Manual 28: Operating Agreement Accounting for a detailed description of this calculation).

### 2.13.1 Day-Ahead Settlement

Day-Ahead settlement is based on Day-ahead hourly LMPs. The components of Day-ahead hourly LMPs are the Day-ahead System Energy Price, Day-ahead Congestion Price, and the Day-ahead Loss Price. Please refer to PJM Manual 28: Operating Agreement Accounting for additional settlements details.

FTR holders receive congestion credits based on hourly day-ahead Congestion Price component of LMP values. Therefore, under two-settlement, congestion charges for the hour from the day-ahead market are distributed to FTR holders based on target allocations, which are calculated as a function of day-ahead prices. Congestion charges from the Real-time Market are distributed to real-time load and exports. Excess congestion charges are distributed according to the method described in PJM Manual 28: Operating Agreement Accounting.

Operating Reserves — there are separate operating reserve credit calculations for the Day-ahead Market and the Balancing market. This option preserves the incentive for demand and supply to bid into the Day-ahead Market based on their actual expectations and preserves the incentive for generation to follow real-time dispatch signals. Please refer to PJM Manual 28: Operating Agreement Accounting for additional settlements details.

### 2.13.2 Balancing Settlement

Balancing settlement is based on the Real-time five minute LMP values. The components of Real-time LMPs are the Real-time System Energy Price, Real-time Congestion Price, and the Real-time Loss Price. Please refer to PJM Manual 28: Operating Agreement Accounting for additional settlements details.

FTRs do not apply to balancing settlement. FTRs apply to the day-ahead settlement only, because of the market revenue adequacy issue. PJM cannot provide financial hedging in both the day-ahead and the balancing markets, which in effect is selling the service twice.

## 2.14 Balancing Operating Reserve Cost Analysis

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 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, 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 Non-Synchronized Reserve 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.

Nuclear Units are excluded from eligibility for Operating Reserve payments except in cases where PJM requests that nuclear units reduce output at PJM's direction or where a physical problem at a nuclear unit requires a risk premium and that risk premium is submitted to and accepted by the MMU. Other specific circumstances will be evaluated on a case-by-case basis by PJM and the MMU.

Fees are also provided for pool-scheduled energy transactions, 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.

The offered price for pool-scheduled resources will be capped for the entire operating day in the event either of the following conditions exists:

- The generation resource is identified in the day-ahead schedule to be dispatched out of economic merit order to control an identified transmission constraint.
- The generation resource is dispatched to provide quick start reserve for reliability.

In the event one of the above conditions exists, the offer prices will be capped at one of the following three levels, as specified in advance by the resource owner:

- The weighted average real-time Locational Marginal Price at the generation bus during all hours over the past six months in which the resource was dispatched in economic merit order above minimum.
- The incremental operating cost of the generation resource as determined in the PJM Manual 15: Cost Development Guidelines plus the lesser of a 10% adder or \$100.
- An amount negotiated between PJM and the Market Seller in the event the generation resource cannot recover costs with either of the first two methods above.

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 Service, 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, excluding the total cost associated with scheduling units for Black Start service or testing of Black Start units, for the Operating Day 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. 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) are 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 PJM Manual 27: Open Access Transmission Tariff Accounting.

The purpose of the Balancing Operating Reserve Cost Analysis is to separate those Balancing Operating Reserve charges to be allocated to deviations between Day-ahead schedules and Real-time quantities from those that should be allocated to real-time load and exports. The key factor in separating the allocation is the determination of the particular units by which operating reserve credits were earned, and the units for which those credits should be allocated to deviations as opposed to those units for which those credits should be allocated to load and exports. This cost determination will occur in two stages: those units called on during the Reliability Analysis, and those units called on to operate during the Operating Day. In both cases, the following criteria is applied to such units to determine the reason Balancing Operating Reserve credits were earned.

For resources scheduled by PJM during its reliability analysis for an Operating Day, the associated Balancing Operating Reserve charges are allocated based on the reason the resource was scheduled.

- If the resource is committed to operate in real-time to augment the physical resources committed in the Day-ahead Energy Market to meet the forecasted real-time load plus the Operating Reserve Requirement, then in such cases, Balancing Operating Reserve charges will be allocated to real-time deviations from day-ahead schedules.
- If however, a resource is scheduled by PJM during its reliability analysis not to account for anticipated deviations between day-ahead schedules and real time conditions but instead to provide additional reliability margin, Balancing Operating Reserve charges must be allocated to real-time load plus exports.

For resources called on by PJM to operate during the Operating Day, the associated Balancing Operating Reserve charges are allocated based on the reason the resource was scheduled.

- Balancing Operating Reserve credits earned by units called on by PJM to operate during the Operating Day for which the LMP at the unit's bus does not meet or exceed the unit's applicable offer (cost or price) for at least four, five-minute intervals of at least one clock hour during which the unit was running at PJM's direction will be allocated according to ratio share of load plus exports.
- Balancing Operating Reserve credits earned by all other units operating at PJM's direction in real-time will be allocated according to deviations between Day-ahead

schedules and Real-time quantities. The logic behind this distinction is that units called on in real-time for which LMP exceeds their offer for a significant number of intervals while they are running are necessary to meet load requirements respecting active transmission constraints.

- Units called on at PJM's direction in real time for which the LMP does not exceed the unit's offer were not needed and were therefore operating in order to ensure reliability is maintained as opposed to account for differences between day-ahead schedules and real-time system conditions.
- PJM further collects Balancing Operating Reserve credits that are accrued to resources operating to manage local transmission constraints. In order to appropriately collect the costs of Balancing Operating Reserve for local constraints within the pre-determined regions where the constraints existed, PJM calculates Regional Balancing Operating Reserve adders.
- PJM calculates Regional Balancing Operating Reserve adders for the following Regions within the PJM RTO.
- Western Region of PJM RTO, comprised of the AEP, APS, ATSI, ComEd, Duquesne, Dayton, DEOK, EKPC, and OVEC Zones.
- Eastern Region of PJM RTO made of the AEC, BGE, Delmarva, Dominion, PENELEC, PEPCO, ME, PPL, JCPL, PECO, DPL, PSEG and RE Zones.
- Generation resources with market based offers greater than \$1,000/MWh in the Day Ahead and Real Time Energy Market that are also greater than the resource's lowest available and applicable cost-based offer are not eligible to receive Operating Reserve Credits.

Balancing Operating Reserve credits that are accrued to resources operating to control transmission constraints that benefit the entire RTO are charged as an RTO Balancing Operating Reserve rate. (See "Operating Reserve Accounting" section of PJM Manual 28: Operating Agreement Accounting for a detailed description of the calculation of allocation charges).

## 2.15 Maximum Emergency Generation in Day-ahead Market

If the day-ahead demand bid MW cannot be satisfied with all available generation at its economic maximum MW limit, the program shall issue a Maximum Generation Warning message due to a shortage of economic generation in the Day-ahead Market. The program shall then perform the following steps to achieve power balance:

Step 1: Increase all on-line generation up to its maximum emergency MW limit. (Increase generator MW proportionately by ratio of economic maximum, if power balance is achieved prior to reaching maximum limits). Set LMP values equal to the highest offer of all on-line generation.

Step 2: If generation is still not enough to achieve power balance after Step 1, load off-line generation that is designated as available only for maximum generation emergency conditions, as required. The order of loading is based on economic offer data. Set LMP values equal to the highest offer of all on-line generation.



Step 3: If generation is still not enough to achieve power balance after Step 2, drop any remaining price-sensitive demand to zero MW. Set LMP values equal to the highest price-sensitive demand bid that was cut in this step. If no price-sensitive demand was reduced in this step, the LMP values are set equal to highest offer price of all on-line generation (resulting from Step 2).

If power balance is not achieved after Step 3, reduce all load proportionately (by ratio of load MW) until balance is achieved. Set LMP values equal to the highest offer price of all on-line generation, the price from Step 3, or the bid cap (presently \$2,000/ MWh), whichever is higher.

## 2.16 Minimum Capacity Emergency in Day-ahead Market

If the day-ahead demand bid MW is less than the total generation MW with all possible generation off and with all remaining generation at their economic minimum MW limit, the program shall issue a Minimum Generation Warning message due to an excess of economic generation in the Day-ahead Market. The program shall then perform the following steps to achieve power balance.

Step 1: Reduce all on-line generation down to its minimum emergency MW limit. (Reduce generator MW proportionately, by ratio of economic minimum, if power balance is achieved prior to reaching minimum limits). Set LMP values equal to the lower of zero or to the lowest offer price of all on-line generation.

Step 2: If power balance is not achieved after Step 1, set LMP values to zero. Reduce all on-line generation below emergency minimum proportionately (by ratio of emergency minimum) to achieve power balance.

## 2.17 Applying Transmission Constraint Penalty Factors in Market Clearing Engines

Transmission constraint penalty factors are parameters used by the Market Clearing Engines (MCE) to specify the maximum cost willing to be incurred to control a transmission constraint. The ultimate effect of the transmission constraint penalty factor is that it limits the controlling actions the MCE can take to resolve a constraint by limiting the cost that is willing to be incurred to control it.

The objective of the constraint control logic is to dispatch the least cost set of resources to meet the target facility limit that dispatch is trying to control the constraint to at a marginal cost at or below the transmission constraint penalty factor. The transmission constraint penalty factor does not directly impact the marginal value of a constraint as long as the constraint can be solved by resources whose effective costs are lower than the value of the penalty factor. The cost of using a resource to control a constraint, or its effective cost, can be approximated by using the following equation.

$$\text{Effective Cost } \left( \frac{\$}{\text{MWh}} \right) = \frac{(\text{Energy Price} + \text{Loss Price} + \text{Congestion Price (all binding constraints)} - \text{Incremental Cost})}{D_{\text{fax}}}$$

If the flow on the constraint cannot be controlled below the level to which dispatch is attempting to control the facility it results in a constraint violation in the MCE optimization. The transmission

constraint penalty factor is then used to set the marginal value of the violated transmission constraint.

PJM internal constraints including M2M coordinated constraints, regardless of voltage level, are defaulted to a \$30,000/MWh transmission penalty factor in the Day-ahead market clearing engine. All PJM internal constraints, regardless of voltage level, are defaulted to a \$2,000/MWh transmission penalty factor in the Real Time market. PJM may adjust the default penalty factor in real time for Market to Market Coordinated Constraints to reflect the operating practices which are mutually agreed upon with the neighboring RTO for managing such constraints.

PJM can also adjust, for an individual constraint, the default penalty factor or temporarily change the default penalty factor for an individual constraint, in order to reflect system operational needs and the cost of the resources available to effectively relieve congestion on the constraint. When PJM identifies that the effective cost of controlling actions available to relieve congestion on the constraint is not consistent with the default penalty factor, the penalty factor is increased or decreased as documented in the Guidelines to Adjust Internal Constraint Penalty Factors posting on PJM.com.

## Section 3: Overview of the PJM Regulation Market

Welcome to the Overview of the PJM Regulation Market section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the PJM Regulation Market (see “Overview of PJM Regulation Market”).
- A list of the PJM Regulation Market Business Rules (see “PJM Regulation Market Business Rules”).

### 3.1 Overview of the PJM Regulation Market

The PJM Regulation Market provides PJM participants with a market-based system for the purchase and sale of the Regulation ancillary service. Resource owners submit specific offers for Regulation Capability and Regulation Performance, and PJM utilizes these offers together with energy offers and resource schedules from the Markets Gateway System as input data to the Ancillary Service Optimizer (ASO) which is an hour-ahead Market Clearing Engine. ASO optimizes the RTO dispatch profile and forecasts LMPs to determine hourly commitments of Regulation to meet the requirement. The real-time security constrained economic dispatch (RT SCED) program jointly optimizes energy and reserves subject to transmission constraints, reserve requirements and prior committed regulation. For more information on how RT SCED uses Regulation commitments in the joint optimization, please refer to Section 2.5 of this Manual. The five minute Regulation Market Clearing Price (RMCP) and Regulation Market Performance Clearing Price (RMPCP), are calculated by the Locational Price Calculator as described in Section 2.7 of this Manual and are used to derive the five-minute Regulation Market Capability Clearing Price (RMCCP)). These clearing prices are then used in market settlements to determine the credits awarded to providers and charges allocated to purchasers of the Regulation service.

PJM uses resource schedules, regulation, and energy offers from the Markets Gateway System as input data to the ASO to provide the lowest cost alternative for the procurement of Regulation for each hour of the operating day. The lowest cost alternative for this service is achieved through a simultaneous co-optimization with Synchronized Reserve, Non-Synchronized Reserve and energy. Within the co-optimization, an RTO dispatch profile is forecasted along with LMPs for the market hour. Using the dispatch profile and forecasted LMPs, an opportunity cost, adjusted by the applicable performance score and benefits factor, is estimated for each resource that is eligible to provide regulation. The estimated opportunity cost for Demand Resources is zero. The adjusted lost opportunity cost is added to the adjusted regulation capability cost and the adjusted regulation performance cost to make the adjusted total regulation offer cost. The adjusted total regulation offer cost is then used to create the merit order price. Resource owners may self-schedule Regulation on any qualified resource. The merit order price for any self-scheduled Regulation resource is zero. All available regulating resources are then ranked in ascending order of their merit order prices, and the lowest cost set of resources necessary to simultaneously meet the PJM Regulation Requirement, PJM Synchronized Reserve Requirement, PJM Primary Reserve Requirement and provide energy in that hour is determined. If there is an excess of self-scheduled and zero-cost offers over and beyond the Regulation requirement, PJM uses resource-specific historic performance scores, selecting those resources with the highest performance scores, as a tie-breaker to determine

which set of resources to commit to meet the Regulation requirement. The least cost set of regulation resources identified through this process are then committed. Prices for Regulation are calculated simultaneously with energy and reserve every 5 minutes by the Locational Pricing Calculator (LPC). The highest merit order price associated with this lowest cost set of resources awarded regulation becomes the RMCP. The RMPCP is calculated as the highest adjusted performance offer from the set of cleared resources. The RMCCP is the difference between RMCP and RMPCP.

In the after-the-fact settlement, any resources self-scheduled to provide Regulation are compensated based on the processes described in PJM Manual 28: Operating Agreement Accounting.

## 3.2 PJM Regulation Market Business Rules

### 3.2.1 Regulation Market Eligibility

Regulation offers may be submitted only for those resources electrically within the PJM RTO.

To regulate, a resource must meet the following criteria:

- Generation resources must be able to provide 0.1 MW of Regulation Capability in order to participate in the Regulation Market. Demand Resources must be able to provide 0.1 MW of Regulation Capability in order to participate in the Regulation Market.
- Generation resources must have a governor capable of automatic generation control (AGC).
- Resources must be able to receive an AGC signal. A resource's MW output must be telemetered to the PJM control center in a manner determined to be acceptable by PJM.
- New resources must pass an initial performance test (minimum 75% compliance required).
- Resources must demonstrate minimum performance standards, as set forth in the PJM Manual 12: Balancing Operations, Section 4: Providing Ancillary Services.
- Resources should give priority to the regulation signal by not allowing the sum of the regulating ramp rate and energy ramp rate to exceed the economic ramp rate. Only after a regulating resource has accounted for the regulation capability, may a generator use net of the economic base point and the regulation ramp rate to follow the energy signal.
- Demand Resources must complete initial and continuing training on Regulation and Synchronized Reserve Market as documented in PJM Manual 40: Certification and Training Requirements, Section 3.2.5: Training Requirements for Demand Response Resources.
- When a Demand Resource that is eligible for the Regulation Market is called for a mandatory Emergency or Pre-Emergency Load Management Event, it is de-assigned from Regulation for any intervals that overlap with the Load Management Event, starting from the notice time of the Load Management Event, unless otherwise approved by PJM. PJM will not assign the resource to Regulation for the remainder of the mandatory portion of the Load Management Event.

The following information must be supplied through the Markets Gateway System:

- Resource Regulating Status (available, unavailable, self-scheduled)
- Regulation Capability (above and below regulation midpoint, MW)
- Regulation Maximum and Minimum values, considering any necessary offsets (MW)
- Demand Resource must submit valid Economic and Regulation Maximum and Minimum MW limits respectively
- Regulation Signal Type – RegA and/or RegD
- Cost-Based Regulation Offer (\$/MWh): This value is validated using the unit-specific operating parameters submitted with the regulation offer and the applicable \$12/MWh regulation margin adder. The portions of the cost based offer are split into:
  - o Regulation Capability portion capturing the Fuel Cost Increase and Unit Specific Heat Rate Degradation due to Operating at Lower Loads. The margin adder may only be added to the Regulation Capability portion; and,
  - o Regulation Performance portion representing Cost Increase due to Heat Rate Increase during non-steady state operation and Cost Increase in VOM.
    - The \$/MW value determined in this step is converted to \$/ΔMW by dividing the value by mileage ΔMW/MW for the applicable signal for that offer.
- Price-Based Regulation Offer (\$/MWh, optional): This value is capped at \$100/MWh, and its submission is optional on the part of the market participant. The portions of the price-based offer are split into:
  - o Regulation Capability portion the capturing the resource owner’s price to reserve MWs for regulation in \$/MW; and,
  - o Regulation Performance portion capturing the resource owner’s price to provide regulation movement in \$/ΔMW.
    - The \$/MW value determined in this step is converted to \$/ΔMW by dividing the value by mileage ΔMW/MW for the applicable signal for that offer.

In addition to the cost-based regulation offer price, each market participant may also submit additional information to support the cost-based offer price. Using the calculations in PJM Manual 15: Cost Development Guidelines, PJM validates the cost-based regulation offer price to ensure that it does not exceed actual regulating cost as determined by this Manual, plus the applicable regulation margin adder. Any cost-based offer prices that exceed this value are rejected by the Markets Gateway System. An example of this calculation is available on the PJM website in the ‘Regulation Two Part Cost-Based Offer’ document, located at <https://www.pjm.com/markets-and-operations/ancillary-services.aspx>.

Regulation offer prices and MWs cannot be negative.

If a market participant does not submit a cost-based regulation offer price they are not permitted to participate in the PJM Regulation Market until such offer has been validated. Any participants that do not submit any of the supporting parameters below will have their cost-based regulation offer price capped at the margin adder of \$12/MWh.

The following optional parameters may be submitted in the Markets Gateway System to support the cost-based regulation offer price. If any of these parameters are not submitted they are defaulted to zero.

- **Heat Rate @ EcoMax [BTU/kWh]:** The heat rate at the default economic maximum for a resource. The economic maximum that corresponds to this rate value is the default economic maximum shown on both the Daily Regulation Offers and Unit Details pages.
- **Heat Rate @ RegMin [BTU/kWh]:** The heat rate at the default regulation minimum for a resource. The regulation minimum that corresponds to this rate value is the default regulation minimum shown on both the Daily Regulation Offers and Unit Details pages.
- **VOM Rate [\$/MWh of Regulation]:** The increase in VOM resulting from operating the regulating resource at a higher heat rate than is otherwise economic for the purpose of providing regulation.
- **Fuel Cost [\$/MBTU]:** The fixed fuel costs of the resource. This value is used to determine the heat rate adjustments during steady-state and non-steady-state operation for the purpose of providing regulation.

Regulation resources that are dual certified as RegA and RegD may submit a set of offers for each signal type. In such case, the market clearing engine evaluates both offers but will clear the resource for either one or neither of the two signal types based on economics and system needs. A dual certified resource offering both signal types in a given hour, if cleared for regulation, is assigned one signal type for that the entire hour. The signal type assigned may vary from one hour to another during the course of the day if both signal types are made available consistently.

- If a dual certified resource submits self-scheduled regulation offers as both RegA and RegD signal types in the same hour, the market clearing engine only evaluates the RegA self-schedule offer and then either commit the resource or not based on system needs.
- If a resource submits offers into both the Regulation and Synchronized Reserve Markets in the same hour, the regulation offer receives higher priority in the market clearing process, meaning if economic for both markets, the unit is committed for Regulation rather than Synchronized Reserve.

### 3.2.2 Regulation Market Data Timeline

Daily Cost-based and Price-based Regulation Offer(s) and any applicable cost information must be supplied prior to 1415 day-ahead. To accurately reflect each resource's capability and availability during the Operating Day, the following information may be submitted on an hourly basis and/or changed up until 65 minutes prior to the start of the operating hour, at which time the Regulation Market Closes.

- Resource Regulating Status
- Regulation Capability
- Regulation Maximum and Regulation Minimum

Market participants who did not elect to opt-out of Intraday Updates as detailed in Section 9.1.1 of this Manual may also submit and/or change:

- Regulation Capability Offer (\$/MWh)
- Regulation Performance Offer (\$/MWh)

Daily regulation offers submitted for a capacity resource on the Regulation Offers page in Markets Gateway are automatically carried over from one day to the next unless updated. Changes made on the Regulation Updates pages of Markets Gateway are not carried over into the next day. Any changes made to the Regulation Updates pages supersede the values on the Offers page.

In the event that the Regulation Maximum and Regulation Minimum limits are not the most restrictive for a given resource (i.e. the Regulation Maximum is not the lowest of all the high limits and the Regulation Minimum is not the highest of all the low limits), the regulation software will utilize the most restrictive minimum and maximum of all applicable limits for real time.

- Should a resource wish not to participate in the Regulation Market in any given hour on the operating day, the following update should be made at least 65 minutes prior to the operating hour in the Regulation Updates screens of the Markets Gateway System:
  - o Set Offer MW to zero and
  - o Set Available status to Not Available.
- Should a resource's regulation operating parameters change after the Regulation Market closes for an hour, the following changes may be made through direct communication with the PJM Scheduling Coordinator:
  - o Resource Regulating Status:
    - Available to unavailable
    - Self-scheduled to unavailable
  - o High Regulation Limit may be decreased but not increased and Low Regulation Limit may be increased but not decreased.
  - o Regulating capability may be decreased but not increased.
  - o Regulation Maximum capability may be decreased but not increased and Regulation Minimum capability may be increased but not decreased.

### 3.2.3 Regulation Bilateral Transactions

Bilateral regulation transactions may be reported to PJM. Such reported bilateral regulation transactions must be for the physical transfer of regulation and must be reported by the buyer and subsequently confirmed by the seller through the Markets Gateway System no later than 1330 the day after the transaction starts. Bilateral transactions that have been reported and confirmed may not be changed; they must be deleted and re-reported. Deletion of a reported bilateral transaction is interpreted as a change in the end time of the transaction to the current hour, unless the transaction has not yet started.

The buyer on the transaction submits the MW amount, the seller, and the start and end time of the transaction via the Markets Gateway System. The seller confirms the transaction via the Markets Gateway System by 1330 the day after the start date of the bilateral transaction.

Payments and related charges associated with the bilateral regulation transactions reported to PJM shall be arranged between the parties to the bilateral contract.

A buyer under a bilateral regulation contract reported to PJM agrees that it guarantees and indemnifies PJM, PJM Settlement, and the market participants for the costs of any purchases

by the seller in the Regulation Market, as determined by PJM, to supply the reported bilateral transaction and for which payment is not made to PJM Settlement by the seller.

Upon any default in obligations to PJM or PJM Settlement by a Market Participant, PJM shall not accept any new bilateral reporting by the Market Participant and shall terminate all of the market participant's reporting of Markets Gateway schedules associated with its bilateral regulation transactions previously reported to PJM for all days where delivery had not yet occurred.

PJM calculates and posts Regulation Zone preliminary billing data on which market participants can use as a resource for pricing bilateral Regulation transactions. The data can be found in PJM's Data Miner 2 tool.

### 3.2.4 Regulation Requirement Determination

The total PJM Regulation Requirement for the PJM RTO is determined in whole MW for the ramp and non-ramp periods. Further detail can be found in PJM Manual 12: Balancing Operations, Section 4.4.3 Determining Regulation Assignment.

Demand Resources are limited to providing 25% of the regulation requirement.

### 3.2.5 Regulation Obligation

Hourly participant Regulation obligations are determined after-the-fact, based on the LSE's actual load ratios. Participants can estimate their share of the PJM Regulation Requirement in advance by comparing their hourly load forecast to the PJM hourly load forecasts provided by PJM.

LSEs may fulfill their regulation obligations by:

- Self-scheduling the entity's own resources;
- Entering contractual arrangements with other market participants; or
- Purchasing regulation from the Regulation Market.

### 3.2.6 Regulation Offer Period

Resource owners wishing to sell regulation service must at least supply a daily cost-based regulation offer reflecting both Regulation capability offer cost and the Regulation performance cost of the resource by 1415 the day prior to operation, and the remainder of the necessary data prior to Regulation market closing as stated above in Section 3.2.2 Regulation Market Data Timeline.

Daily Regulation offers are locked as of 1415 the day prior to operation. The Markets Database is generally unavailable for updates to offers for the next Operating Day between 1100 and the time the Office of Interconnection posts the results of the Day-ahead Energy Market for that Operating Day while the Day-ahead market is being cleared. Hourly updates to Regulation offers, as defined in Section 3.2.2 of this Manual, can be submitted up to 65 minutes prior to the start of the operating hour. All resources listed as available for regulation with no offer price have their offer prices set to zero.



### 3.2.7 Regulation Market Clearing

PJM clears the regulation market simultaneously with the Synchronized Reserve Market, and posts the results no later than 30 minutes prior to the start of the operating hour in the Markets Gateway System.

#### 3.2.7.1 Dispatch in the Regulation Market

Economic ramp rate must be adjusted when resources provide regulation to minimize the conflict between energy and regulation services. The segment specific ramp rates should be calculated from the economic ramp rate as follows:

$$\text{Reduced Energy Ramp Rate} = \max \left( 0, \text{Economic Ramp Rate} - \frac{\text{Cleared Regulation Capacity (AREG)}}{5 \text{ Minutes}} \right)$$

To increase consistency in the Individual Generator Dispatch (IGD) set point sent by PJM while a unit is regulating, the IGD set point will only move up when the RT-SCED LMP justifies raising the resource and the resource has a non-zero reduced energy ramp rate entered. The IGD set point will only move down when the RT-SCED LMP justifies lowering the resource and the resource has a non-zero reduced energy ramp rate entered. The reduced energy ramp rate is a member-entered, unit-specific percentage of the bid-in energy ramp rate for each resource. If no value is entered in the Market Gateway system for the resource, a default of zero is used.

#### 3.2.7.2 Regulating Capability

For each resource, PJM calculates an adjusted Capability Cost, as

$$\text{Adjusted Regulating Capability Cost (\$)} = \frac{\left( \text{Capability Offer} \left( \frac{\$}{\text{MW}} \right) \right)}{\left( \text{Benefits Factor of Offered Resource} \right)} * \frac{\left( \text{Capability (MW)} \right)}{\left( \text{Historic Performance Score} \right)}$$

The Adjusted Regulating Capability Offer is adjusted by the benefits factor of the specific offered resource and the historic performance score of the resource. Benefits factor is discussed later in this section. The historic performance score is discussed in PJM Manual 12: Balancing Operations, Section 4.5.5 Disqualification and Requalification of a Resource.

#### 3.2.7.2 Mileage and the Performance Offer

Mileage is the summation of movement requested by the regulation control signal a resource is following. It is calculated for the duration of the market hour for each regulation control signal (i.e. RegA and RegD).

$$\text{Mileage}_{\text{RegA}} = \sum_{i=0}^n | \text{RegA}_i - \text{RegA}_{i-1} |$$

$$\text{Mileage}_{\text{RegD}} = \sum_{i=0}^n | \text{RegD}_i - \text{RegD}_{i-1} |$$

PJM calculates the performance-adjusted Performance Cost, as

$$\text{Adjusted Performance Cost (\$)} = \frac{\left( \text{Performance Offer (\$/\Delta MW)} \right) * \left( \text{Mileage of Offered Resource Signal Type (\Delta MW / MW)} \right)}{\left( \text{Benefits Factor of Offered Resource} \right) * \left( \text{Historic Performance Score} \right)} * \left( \text{Capability (MW)} \right)$$

Similar to the Adjusted Regulating Capability Offer, the Adjusted Performance Offer is adjusted by the benefits factor of the specific offered resource and the historic performance score of the resource. Benefits factor is discussed later in this section. The historic performance score is discussed in PJM Manual 12: Balancing Operations, Section 4.5.5 Disqualification and Requalification of a Resource. The performance offer is priced on a \$ per change in MW, to normalize the performance between signal types. The historical mileage is a rolling 30-day average by the signal type that the resource has qualified to follow.

### 3.2.7.3 Lost Opportunity Cost

Estimated resource opportunity cost is calculated as follows:

- The Market Clearing Engine (MCE) optimizes resource energy schedules and forecasts LMPs for the operating hour while respecting appropriate transmission constraints and Ancillary Service requirements.
- The MCE utilizes the lesser of the available price-based energy schedule or most expensive available cost-based energy schedule (the “lost opportunity cost energy schedule”), and forecasted LMPs to determine the estimated opportunity cost each resource would incur if it adjusted its output as necessary to provide its full amount of regulation.

The approximate formula for the lost opportunity cost incurred during the regulating hour used by the MCE for commitment is:

$$/LMP - ED / * GENOFF$$

**Where:**

<b>LMP</b>	is the forecasted hourly LMP at the resource bus,
<b>ED</b>	is the price from the lost opportunity cost energy schedule associated with the set-point the resource must maintain to provide its full amount of regulation, and
<b>GENOFF</b>	is the MW deviation between economic dispatch and the regulation set-point.

The approximate formula for the lost opportunity cost incurred during the regulating hour used for Regulation Pricing is:

$$/LMP - ED / *GENOFF$$

**Where:**

- LMP** is the actual 5-minute LMP at the resource bus,
- ED** is the price from the lost opportunity cost energy schedule associated with the set-point the resource must maintain to provide its full amount of regulation, and
- GENOFF** is the MW deviation between economic dispatch and the regulation set-point.

All unit-specific lost opportunity costs are divided by the benefits factor of the specific offered resource and the resource's historic performance score for the purposes of commitment and setting the regulation market clearing prices. Benefits factor is discussed later in this section. The historic performance score is discussed in PJM Manual 12: Balancing Operations, Section 4.5.5 Disqualification and Requalification of a Resource.

$$\text{Adjusted Lost Opportunity Cost (\$)} = \frac{\left( \frac{\text{Estimated Lost Opportunity (\$)}}{\text{(MW)}} \right)}{\left( \frac{\text{Benefits Factor of Offered Resource}}{\text{(MW)}} \right)} * \frac{\left( \frac{\text{Capability (MW)}}{\text{Historic Performance Score}} \right)}$$

Both lost opportunity cost calculations are defined simplistically for the purpose of the Manual. The actual calculations are integrations that may be visualized as the area on a graph enclosed by the lost opportunity cost energy schedule, the points on that curve corresponding to the resource's desired economic dispatch and the set-point necessary to provide the full amount of regulation, and the LMP. A sample calculation can be found on PJM website at <https://pjm.com/~media/markets-ops/ancillary/regulation-uplift-and-lost-opportunity-cost.ashx>.

PJM may call on resources not otherwise assigned in order to provide regulation, in accordance with PJM's obligation to minimize the total cost of energy, operating reserves, regulation, and other ancillary services. If a resource is called on by PJM for the purpose of providing regulation, the resource is eligible for recovery of Regulation lost opportunity costs as well as start-up, no-load, and energy costs.

Please refer to Section 4.2 of PJM Manual 28: Operating Agreement Accounting for additional details on how LOC is used in settlements.

Resources not eligible or with no lost opportunity associated with providing regulation:

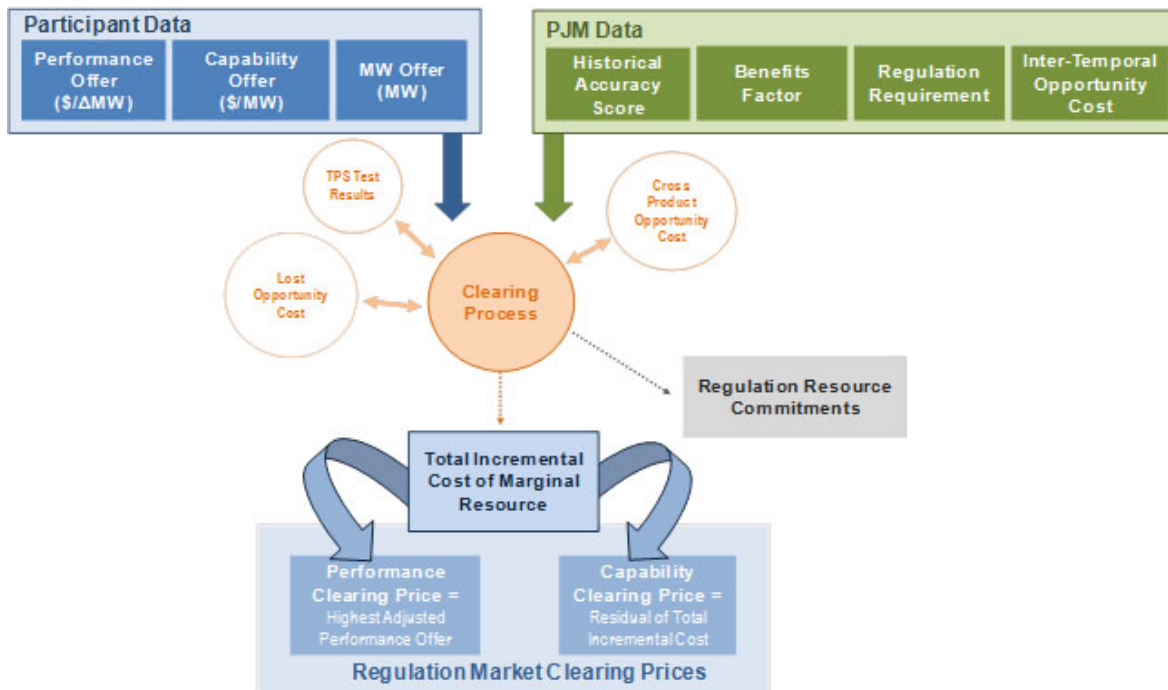
- Energy resources that are self-scheduled to provide energy and do not supply an energy offer.
- Demand Resources
- Non-energy Regulation-only resources

Notwithstanding the above, resources that do not submit an energy offer curve will have a Lost Opportunity Cost of zero.

### 3.2.7.4 Total Offer

Each resource must be ranked based on the total expected cost of that resource regulating. PJM calculates the Adjusted Total Offer of the resource as follows:

$$\text{Adjusted Total Offer Cost (\$)} = \left( \begin{array}{c} \text{Adjusted} \\ \text{Regulation} \\ \text{Capability} \\ \text{Cost} \\ (\$) \end{array} \right) + \left( \begin{array}{c} \text{Adjusted} \\ \text{Lost} \\ \text{Opportunity} \\ \text{Cost} \\ (\$) \end{array} \right) + \left( \begin{array}{c} \text{Adjusted} \\ \text{Performance} \\ \text{Cost} \\ (\$) \end{array} \right)$$



The MCE ranks all available regulating resources in ascending merit order price, and simultaneously determines the least expensive set of resources necessary to provide energy, regulation and synchronized reserve for the operating hour taking into account any resources self-scheduled to provide any of these services. The Rank price is determined as follows:

$$\text{Rank Price} = \frac{\text{Adjusted Total Offer Cost (\$)}}{\text{Capability (MW)}}$$

Should the MCE application be unable to fulfill both the Regulation and Synchronized Reserve requirements, regulation receives the higher priority.

PJM clears the market to meet the Regulation Capability Requirement. The Regulation Capability Requirement sets the amount of regulating capability that PJM believes it would need to absorb sustained RTO ACE deviations adjusted by the benefits factor of a specific offered resource and the resource’s historic performance score. Benefits factor is discussed later in this section. The historic performance score is discussed in PJM Manual 12: Balancing Operations, Section 4.5.5 Disqualification and Requalification of a Resource. The market will assign resources until the constraint is met, by

*Regulation Capability Requirement*

$$\begin{aligned}
 & MW \\
 & \leq \sum_{i=0}^n \text{Capability (MW)}_{i*} * \text{Benefits Factor of Offered Resource}_i \\
 & * \text{Historic Performance Score}_i
 \end{aligned}$$

With the Regulation Capability constraint satisfied, the Rank Price (\$/MW) of the last assigned resource sets the Regulation Market Clearing Price (RMCP). This RMCP is used to derive the clearing price for the Regulation Capability and Regulation Performance components. First the Regulation Market Performance Clearing Price (RMPCP) is calculated by finding the maximum adjusted performance offer from the set of all cleared resources' adjusted performance offers as follows:

$$\begin{aligned}
 & \text{Regulation Market Performance Clearing Price (\$/MW)} = \\
 & \max_{\text{Assigned Resources}} \left( \frac{\left( \text{Performance Offer (\$/\Delta MW)} \right) * \left( \begin{array}{l} \text{Mileage of} \\ \text{Offered Resource} \\ \text{Signal Type (\Delta MW/MW)} \end{array} \right)}{\left( \begin{array}{l} \text{Benefits Factor} \\ \text{of} \\ \text{Offered Resource} \end{array} \right) * \left( \begin{array}{l} \text{Historic} \\ \text{Performance} \\ \text{Score} \end{array} \right)} \right)
 \end{aligned}$$

Then the RMPCP is subtracted from the RMCP for the Regulation Market Capability Clearing Price (RMCCP), which is the residual between the RMCP and RMPCP.

$$\text{Regulation Market Capability Clearing Price (\$/MW)} =$$

$$(\text{Regulation Market Clearing Price (\$/MW)}) - (\text{Regulation Market Performance Clearing Price (\$/MW)})$$

The five minute regulation clearing prices are posted in the Data Viewer user interface public view. RMCP(s) and other billing determinant information is also available via PJM's Data Miner 2 tool <http://www.pjm.com/markets-and-operations/billing-settlements-and-credit/preliminary-billing-reports/pjm-reg-data.aspx>.

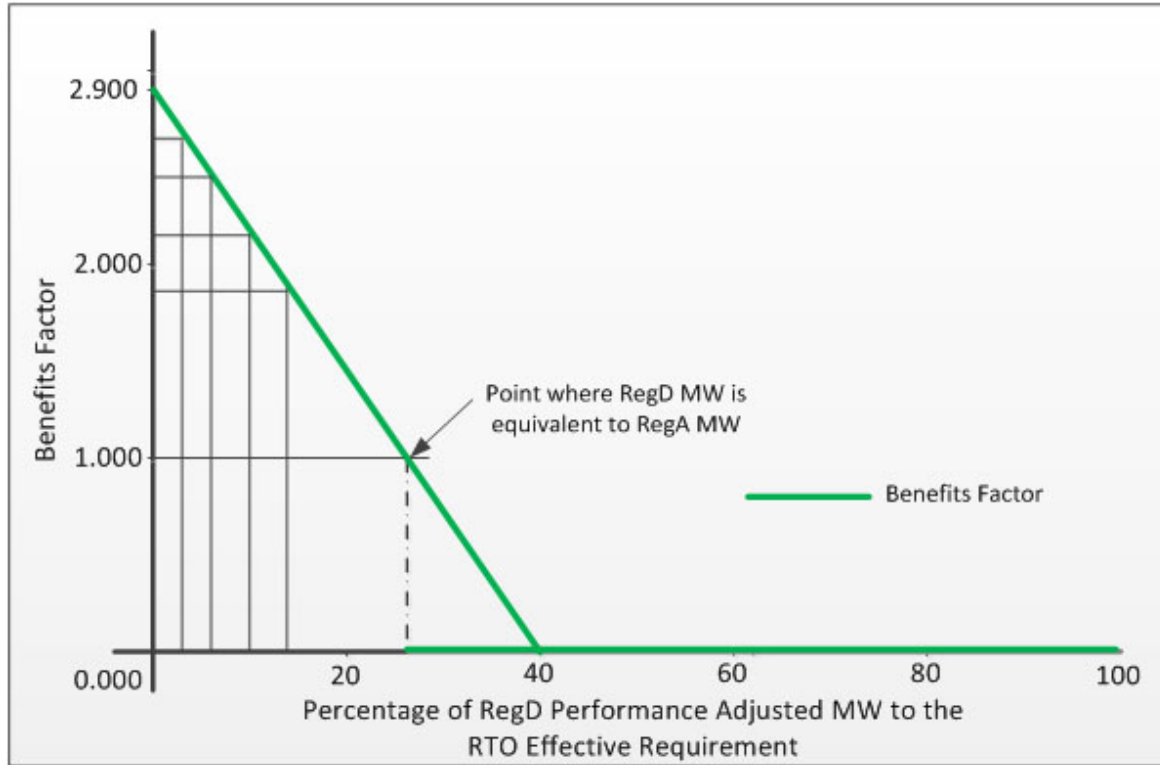
If no Regulation Market Results are posted to the Markets Gateway System for an hour, PJM will continue the current assignments, as needed, into the un-posted hour. There will be no impact to the price calculation. The Regulation Clearing Prices continue to be calculated every five minutes in real-time and are used for settlement.

### 3.2.7.5 Benefits Factor Function

Regulating resources can follow either a RegA (traditional) or RegD (dynamic) signal based on their resources' limitation and business practices. The regulating resources cleared in any hour can be any set of or mix of both traditional and dynamic resources. There is an operational relationship between the regulating resource mix and how the regulation requirement is satisfied. This relationship is included in the market clearing process as the Benefits Factor Function because the relationship is depicted as a curve.

The benefits factor translates a fast moving resource's MWs into traditional MWs or Effective MWs. These Effective MWs reflect the rate of substitution between resources following the different regulation signals. For market clearing, each dynamic resource is assigned a

decreasing and unique benefits factor. The benefits factor of the offered resource or resource specific benefits factor is the marginal point on the benefits factor function that aligns with the last MW, adjusted by historical performance, that specific resource will add to the dynamic resource stack.



The benefits factor ranges from 2.9 to 0 where a benefits factor of 1 is equivalent to a traditional resource. PJM will review the benefits factor as operational conditions warrant to re-evaluate the relationship when needed. These operational conditions could include, among other factors, changes to the regulation signal tuning parameters, changes in the set of resources providing regulation service, and changes to the regulation requirement.

PJM determines the benefits factor based on the expected impact that fast-following resources have on the NERC reliability criteria. Determination of expected response is based on a combination of off-line models, analysis of the regulation signals, and the historical operational data as it accumulates. Historical operational data is given increasing weight to the benefits factor determination over time. Changes to the benefits factor function are made periodically after review at the Operating Committee.

The net impact of the use of the benefits factor is to increase the likelihood of dynamic resources being selected in the clearing process, up to the point of diminishing returns. Beyond the point of diminishing returns (1 to 0), the benefits factor will decrease the likelihood of fast-following resources being cleared. RegD resources with a benefits factor less than .1 are not considered in the regulation clearing.

During identified hours where more sustaining regulation (RegA) and less fast-following regulation (RegD) is warranted, RegD resources with a benefits factor less than 1 will not be considered in the regulation clearing because of its reduced benefits. A cap is implemented at

BF = 1 during these hours. Capped hours are reviewed on a quarterly basis at the Operating Committee.

The benefits factor is calculated in ASO one hour ahead in real-time for each qualified RegD resource participating in the Regulation Market. The benefits factor is re-calculated for each RegD resource that is committed and providing regulation service in real-time for every 5 minute interval of the hour. The recalculation accounts for changes in the resource’s adjusted total offer cost due to the potential change in LMP at its bus which may affect its lost opportunity cost value. The benefits factor of RegA resources is always 1.

The benefits factor calculation steps include:

- Step 1: Calculation of the Performance Adjusted MW

$$\text{Performance Adjusted MW} = \text{Capability (MW)} * \text{Historical Performance Score}$$

- Step 2: Calculation of the Initial Adjusted Total Offer Cost

$$\text{Initial Adjusted Total Offer Cost (\$)} = \left( \begin{array}{c} \text{Adjusted} \\ \text{Regulation} \\ \text{Capability} \\ \text{Cost} \\ (\$) \end{array} \right) + \left( \begin{array}{c} \text{Adjusted} \\ \text{Lost} \\ \text{Opportunity} \\ \text{Cost} \\ (\$) \end{array} \right) + \left( \begin{array}{c} \text{Adjusted} \\ \text{Performance} \\ \text{Cost} \\ (\$) \end{array} \right)$$

*in this step, the resource benefits factor is assumed to be 1*

RegD resources with initial adjusted total offer cost equal to zero will still be given priority in the ranking, but will instead be ordered using the resource specific historical performance score as a tie-breaker.

- Step 3: Calculation of the rolling performance adjusted MW based on the initial adjusted total cost in ascending rank order
- Step 4: Calculation of the resource specific benefits factor based on the defined benefits factor curve

### 3.2.7.6 Three Pivotal Supplier Test

PJM utilizes the Three Pivotal Supplier (TPS) Test in the Regulation Market to mitigate market power as detailed in Attachment K-Appendix, Section 3.2.2A.1 of the PJM Tariff. Each supplier, from 1 to n, is ranked from the largest to the smallest offered MW of eligible regulation supply adjusted by the resource-specific benefits factor and the resource specific performance score in each hour. Suppliers are then tested in order, starting with the three largest suppliers. In each iteration of the test, the two largest suppliers adjusted by the benefits factors of the offered resources and the resource specific performance scores are combined with a third supplier adjusted by the benefits factor of the offered resource and the resource specific performance score, and the resulting combined supply is subtracted from total effective supply adjusted by the benefits factors of all offered resource and their resource specific performance scores. The resulting net amount of eligible supply is divided by the regulation requirement for the hour adjusted by the resource-specific benefits factors and the resource specific performance scores (D). Where j defines the supplier being tested in combination with the two largest suppliers (initially the third largest supplier with j=3). Equation 0-1 shows the formula for the residual supply index for three pivotal suppliers (RSI3):

$$RSI3_j = \frac{\sum_{i=1}^n S_i - \sum_{i=1}^2 S_i - S_j}{D}$$

Where  $j=3$ , if  $RSI3_j$  is less than or equal to 1.0, then the three suppliers are jointly pivotal and the suppliers being tested fail the three pivotal supplier test. Iterations of the test continue until the combination of the two largest suppliers and a supplier  $j$  result in  $RSI3_j$  greater than 1.0. When the result of this process is that  $RSI3_j$  is greater than 1.0, the remaining suppliers pass the test. Any resource owner that fails the TPS Test is offer-capped.

- Regulating resources are offer-capped at the lesser of their cost-based or market-based regulation offer price.
- An offer-capped resource will only be offer-capped for a single hour at a time as the TPS Test is rerun for each hour of the day.
- Resource merit order price (\$/MWh) = Resource regulation offer + estimated resource opportunity cost per MWh of capability adjusted by the resource-specific benefits factor and the resource specific performance score.

### 3.2.8 Hydro Units

Since hydro units operate on a schedule and do not have an energy bid, opportunity cost for these units is calculated as follows, only hydro units not enrolled in the ESR participation model are considered in the rules below:

- During those hours when a hydro unit is in spill, the ED value is set to zero such that the opportunity cost is based on the full value of LMP. During the operating day, the operating company is responsible for communicating this condition to the PJM Scheduling Coordinator, and indicating this condition on the Regulation Updates page of the Markets Gateway System.
- If a hydro unit is committed day-ahead with MW greater than zero, the formula is the same as Section 3.2.7.Regulation Market Clearing and Dispatch above, except the ED value is an average of the LMP at the hydro unit bus for the appropriate on-peak (0700 - 2259) or off-peak (0000 – 0659, 2300 - 2359) period, excluding those hours during which all available units at the hydro plant were operating. If this average LMP value is higher than the actual LMP at the generator bus, the opportunity cost is zero. Day-ahead LMPs are used for the purpose of estimating opportunity costs for hydro units, and actual LMPs are used in the lost opportunity costs for settlement.
- If a hydro unit is brought on out of schedule to provide regulation or not committed in day-ahead market with MWs greater than 0, the opportunity cost is equal to the average LMP (calculated as stated above) minus the actual LMP at the generator bus. If the actual LMP is higher than the average, the opportunity cost is zero.
- When determined to be economically beneficial, PJM maintains the authority to adjust hydro unit schedules for those units scheduled by the owner if the owner has also submitted a regulation offer for those units and made the units available for regulation.
- An example of Regulation Hydro Lost Opportunity Cost Calculations can be found on the PJM website at <https://pjm.com/~media/markets-ops/ancillary/regulation-uplift-and-lost-opportunity-cost.ashx>



### 3.2.9 Regulation Market Operations

The PJM Operator periodically evaluates the set of resources providing regulation, and makes any adjustments to regulation assignments deemed necessary and appropriate to minimize the overall cost of regulation.

In the event of a regulation excess, the PJM dispatcher deselects resources beginning with the highest cost resource currently providing regulation and moving downward.

In the event of a regulation deficiency, the PJM dispatcher uses the Intermediate-Term Security Constrained Economic Dispatch (IT SCED) application to select resources to provide regulation beginning with the lowest cost resource currently not providing regulation and moving upward.

The RMCP and therefore RMPCP and RMCCP may change based upon regulating resource adjustments made in real time. Any opportunity costs that exceed the RMCP are credited after the fact on a resource-specific basis.

The PJM Energy Management System (EMS) will send a RTO based signal(s) to each Local Control Center (LCC), as well as signals to individual resources or plants as requested by the owner.

The PJM Operator communicates any change in resource regulating assignments to individual Local Control Centers. Company total in-service regulating capabilities are then telemetered back to the PJM EMS via the PJM data link.

Resource regulation assignment changes during transitions between on-peak and off-peak periods begin 30 minutes prior to the new period, and are completed no later than 30 minutes after the period begins.

For a dual qualified regulation resource, should the assignment change within the operating hour, the resource will continue to be committed or re-committed on the regulation signal type that the resource was initially committed on.

The historic performance score is calculated upstream of the market clearing process as discussed in PJM Manual 12: Balancing Operations, Section 4.5.5 Disqualification and Requalification of a Resource. If the daily historic performance scores for an operating day are not available due to a system failure or other issue that affects the calculation of the historic performance scores for all resources, the latest available historic performance scores from the last three days is used. If no historic performance scores are available from the last three days, then the latest available regulation qualification or regulation requalification test score for each resource by signal type is used.

### 3.2.10 Settlements

Please refer to PJM Manual 28: Operating Agreement Accounting, Section 4: Regulation Accounting for settlement details.

Regulation settlement is a zero-sum calculation based on the regulation provided to the market by generation owners and purchased from the market by LSEs.

A resource's regulation performance score for Real-time Settlement Interval (five minute) it is regulating will determine the resource's eligibility for regulation credit and lost opportunity cost for that interval. A resource whose performance score for the Real-time settlement Interval is below 25% will forfeit regulation credit and Lost Opportunity for that interval.

Opportunity cost is calculated as shown above in Section 3.2.7.3 Lost Opportunity Cost using actual five minute LMPs as opposed to that which was forecasted. PJM then adjusts the

opportunity cost calculated for each resource based on the actual value of the real-time PJM regulation signal to account for the fact that the resource may have been held above or below its regulation set point and also adjusted by the resource-specific benefits factor and the resource specific performance score. Energy resources that are self-scheduled to provide energy and do not supply an energy offer are not eligible to collect opportunity cost credits. These resources will receive credit equal to the RMPCP and RMCCP times the amount of regulation self-scheduled on or assigned to them adjusted by the mileage ratio between the requested mileage for the regulation dispatch signal assigned to the resource and the mileage for the traditional regulation signal and the resource's actual performance score for an the Real-time Settlement Interval.

For market settlement, regulating resources are compensated with consideration toward the resource's Regulation performance, and where applicable, the mileage ratio between the requested mileage for the regulation dispatch signal assigned to the resource and the mileage for the traditional regulation signal.

## Section 4: Overview of the PJM Synchronized Reserve Market

Welcome to the Overview of the PJM Synchronized Reserve Market section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section, you will find the following information:

- An overview description of the PJM Synchronized Reserve Market (see “*Overview of PJM Synchronized Reserve Market*”).
- A list of the PJM Synchronized Reserve Market Business Rules (see “*PJM Synchronized Reserve Market Business Rules*”).

### 4.1 Overview of the PJM Synchronized Reserve Market

The PJM Synchronized Reserve Market provides PJM participants with a market-based system for the purchase and sale of the Synchronized Reserve ancillary service. Resource owners submit resource-specific offers to provide Synchronized Reserve, and PJM utilizes these offers together with energy offers and resource schedules from the Markets Gateway System, as input data to the Ancillary Service Optimizer (ASO). ASO then optimizes the RTO dispatch profile and forecasts LMPs to determine hourly commitments of the inflexible Synchronized Reserves. Although the ASO considers all available resources during its commitment process, the hourly commitments for Synchronized Reserve from the ASO are limited to inflexible resources only and may only represent a portion of PJM’s Synchronized Reserve needs for the hour. The real-time security constrained economic dispatch (RT SCED) program jointly optimizes the remaining RTO reserve needs simultaneously with energy while honoring effective regulation assignments. For more information on how RT SCED uses Synchronized Reserve commitments and Tier 2 Synchronized Reserve offers in the joint optimization, please refer to Section 2.5 of this Manual. The Locational Pricing Calculator (LPC) calculates a clearing price for Synchronized Reserve every 5 minutes as described in Section 2.7 of this Manual. Five minute, real-time, Synchronized Reserve Market Clearing Prices (SRMCP) are used for market settlement.

Inflexible resources are defined as those resources that physically require an hourly commitment due to minimum run time constraints or staffing constraints. Inflexible resources include but are not limited to synchronous condensers that are operating in condensing mode solely for the purpose of providing Synchronized Reserves and Demand Resources that are prepared to curtail in response to a PJM reserve event.

PJM initially uses forecasted LMPs and resource schedules to estimate the amount of incidental Synchronized Reserve present on the PJM system due to economic dispatch and this capability is designated as Tier 1. Tier 1 is provided by any resource that is on line, following economic dispatch, and capable of increasing its output within ten (10) minutes following a call for a Synchronized Reserve Event. If the forecasted amount of Tier 1 estimated for a given duration is insufficient to meet the PJM Synchronized Reserve Requirement, PJM must commit resources to operate at a point that deviates from economic dispatch in order to provide the remainder of the requirement. The extra capacity that must be committed is designated Tier 2. ASO commits any inflexible resources that are forecasted to be economic to provide Synchronized Reserves during the operating hour. If the solution does not foresee the need to commit Tier 2 reserves or does not commit enough inflexible resources to meet the

Synchronized Reserve requirement due to economics, PJM jointly optimizes the balance of the Tier 2 required in real-time with energy.

During each execution of RT SCED, additional Synchronized Reserves are committed to meet the Synchronized Reserve requirement based on forecasted system conditions. IT SCED has the ability to project conditions further out into the future and make a recommendation to commit additional inflexible resources for reserves where they are economic. RT SCED has the ability to re-dispatch online generating resources to meet the Synchronized Reserve requirement in addition to committing additional flexible resources to provide Synchronized Reserves should they be economic. Prices for Synchronized Reserves are calculated simultaneously with energy, regulation and non-synchronized reserve every 5 minutes by LPC as described in Section 2.7 of this Manual. In the after-the-fact settlement, any resources cleared as self-scheduled to provide Synchronized Reserve are compensated at the applicable five minute SRMCP. Any pool-scheduled resources selected to provide Synchronized Reserve are compensated at the higher of the applicable five minute SRMCP or their real-time opportunity cost plus their Synchronized Reserve offer price. LSEs required to purchase Synchronized Reserve are charged their obligation ratio share of the hourly SRMCP Credits plus their percentage share of opportunity cost credits and Tier 1 credits.

## 4.2 PJM Synchronized Reserve Market Business Rules

### 4.2.1 Synchronized Reserve Market Eligibility

Synchronized Reserve offers must be submitted for those resources located electrically within the Synchronized Reserve Zone.

Resources not located electrically within the Synchronized Reserve Zone may not submit Synchronized Reserve offers.

In the event PJM forecasts a credible natural gas pipeline contingency(s), as described in PJM Manual 13: Emergency Operations, Section 3.9, PJM Dispatch will determine the eligibility of resources to provide Synchronized Reserve depending on the severity of the contingency and other system conditions in order to ensure system reliability is maintained.

Resources participating in the Synchronized Reserve market are divided into two Tiers:

- Tier 1 is comprised of all those resources on line following economic dispatch and able to ramp up from their current output in response to a Synchronized Reserve Event, or Demand Resources capable of reducing load, within 10 minutes.
- Tier 2 consists of:
  - o additional capacity that is synchronized to the grid and operating at a point that deviates from economic dispatch (including condensing mode) to provide additional Synchronized Reserve not available from Tier 1 resources within ten (10) minutes; and
  - o dispatchable Demand Resources that have controls in place to automatically drop load in response to a signal from PJM within ten (10) minutes.
- Tier 1 estimates for Demand Resources equals zero.
- Tier 1 estimates for other resource types that cannot reliably provide Synchronized Reserve service shall be set to zero MW during the market clearing process. Such

resource types include, but are not limited to: Nuclear, Wind, Solar, Energy Storage Resources, and Hydro units. Owners of any specific resource(s) or these resource types may request an exception from the default zero MW estimated value of their resource(s) if they notify PJM that the resource(s) are able to reliably provide Tier 1 Synchronized Reserve. PJM only grants such requested exceptions on a prospective basis. A resource is only credited for Tier 1 Synchronized Reserve if the resource was considered during the market clearing process, unless such resource actually provides Tier 1 Synchronized Reserve during a Synchronized Reserve Event. For further information on the exception process, please visit "Communication Process for Consideration of Some Resources for Tier 1" at this link: <https://www.pjm.com/markets-and-operations/ancillary-services.aspx>.

- All resources operating on the PJM system with the exception of those assigned as Tier 2 resources are by definition Tier 1 resources. Any resource capable of operating in condensing mode or physically able to operate with an output less than that dictated by economic dispatch must offer Tier 2. There is no qualification process for Tier 2 resources. However, compensation refunds exist as described in section 4.2.12 below for response by Tier 2 resources that is less than that which is committed.
- All on-line non-emergency generation resources providing energy are deemed to be available to provide Tier 1 Synchronized Reserve and Tier 2 Synchronized Reserve, as applicable to the capacity resource's capability to provide these services. During periods for which PJM has issued a Primary Reserve Warning, Voltage Reduction Warning or Manual Load Dump Warning, all other non-emergency generation capacity resources available to provide energy shall have submitted offers for Tier 2 Synchronized Reserves. PJM monitors compliance with the Tier 2 must offer requirement.
  - o To monitor the Tier 2 must offer requirement, PJM checks to ensure that every generator subject to the must offer requirement has submitted a Tier 2 offer greater than or equal to 90% of its energy ramp rate for the ramp rate segment including its economic max, multiplied by 10 minutes. If the Tier 2 offer is less than that quantity, PJM will contact the generation owner regarding the Tier 2 offer.
- Regardless of online/offline state, all non-emergency generation capacity resources must submit a daily offer for Tier 2 Synchronized Reserve in Markets Gateway prior to the offer submission deadline (1415 the day prior to the operating day). Offer MW and other non-cost offer details can be changed during the operating day via the hourly update page (Synchronized Reserve Updates).
- Tier 2 offer quantities submitted for a capacity resource on the Synchronized Reserve Offer page in Markets Gateway are automatically carried over from one day to the next unless updated. Changes made on the Synchronized Reserve Updates page of Markets Gateway are not carried over into the next day. Any changes made to the Synchronized Updates page supersedes the values on the Offer page.
- The following information must be supplied through the Markets Gateway System:
  - o Synchronized Reserve ramp rate for Tier 1 resources (MW/minute). A separate ramp rate may be submitted for multiple segments of a resource's MW range, and these ramp rates must be greater than or equal to the real-time economic ramp rate(s) submitted for the resource. Synchronized Reserve ramp rates that exceed economic ramp rates must be justified via submission of actual data from past Synchronized Reserve Events to PJM at Email: [SRLimitations@pjm.com](mailto:SRLimitations@pjm.com)

- Resource’s energy ramp rate is used for Tier 2 MW calculation.
- o Synchronized Reserve maximum for Tier 1 resources: This value represents the maximum MW output a resource can achieve in response to a Synchronized Reserve Event. Synchronized Reserve maximum for Tier 1 resources is equal to the lesser of the economic maximum or synchronized reserve maximum for the resource. A resource owner may request a lesser synchronized reserve maximum than the economic maximum if a physical limitation exists. Resource owners may submit a request for this modification via the communication process for consideration of resource physical limitation which can be found on the PJM website under "Modification to Synchronized Reserve Market to Better Reflect the Operating Characteristics of Participating Generating Units" at this location: <https://www.pjm.com/markets-and-operations/ancillary-services.aspx>.
- o Generation resources, including Energy Storage resources enrolled in the ESR participation model, must be able to provide 0.1 MW of Tier 2 Synchronized Reserve Capability in order to participate in the Tier 2 Synchronized Reserve Market. Demand Resources must be able to provide 0.1 MW of Tier 2 Synchronized Reserve Capability in order to participate in the Tier 2 Synchronized Reserve Market.
- o Synchronized Reserve availability for Tier 2 resources: Resources may be made unavailable to provide Tier 2 Synchronized Reserve only if they are physically unavailable. Otherwise, they must be made available or self-scheduled to provide Tier 2 Synchronized Reserve per the must offer requirement.
- o Synchronized Reserve offer quantity for Tier 2 resources (MW): This quantity is defined as the increase in output achievable by the resource in ten (10) minutes, or the load reduction achievable in ten (10) minutes.
  - A non-emergency generation capacity resource that cannot reliably provide Synchronized Reserve service may submit an offer quantity of zero MW. The participant responsible for a given resource must be able to justify a zero MW offer quantity. Certain unit types including, but not limited to, Nuclear, Wind, Solar, and Energy Storage Resources, are expected to have zero MW Tier 2 Synchronized Reserve offer quantities.
- o Synchronized Offer Price for Tier 2 resources (\$/MWh): Synchronized Reserve offer prices are capped at a maximum value of the resource’s O&M cost (as determined by the Cost Development Subcommittee) plus \$7.50/MWh margin.
  - Offer Price cannot be a negative value
- o All resources listed as available for Tier 2 Synchronized Reserve with no offer price have their offer prices set to zero.
- o Energy use for condensing Tier 2 resources (MW): This is the amount of instantaneous energy a condensing resource consumes while operating in the condensing mode. The value submitted as part of the Synchronized Reserve offer must be less than or equal to the actual energy consumed as observed in real time.
- o Should a resource be unable to participate in the Synchronized Reserve market in any given hour on the operating day, the following update should be made 65 minutes prior to the operating hour in the Synchronized Reserve Update screens of Markets Gateway (both updates must be made):

- Set Offer MW to zero
- Set Available status to Not Available
- o Condense to gen cost: This is the cost of transitioning a condenser to the generating mode. The value submitted for this cost must be less than or equal to the condensing start cost.
- o Shutdown Costs: These are the costs a Demand Resource incurs when reducing load in response to a Synchronized Reserve Event.
- o Condense Startup Cost: This is the actual cost associated with getting a resource from a completely off-line state into the condensing mode including fuel, O&M, etc.
- o Condense Hourly Cost: This is the hourly cost to condense and is equal to the actual, variable O&M costs associated with operating a resource in the condensing mode, including any fuel costs. It does not include any estimate for energy consumed
- o Condense Notification Time: The amount of advance notice, in hours, required to notify the operating company to prepare the resource to operate in synchronous condensing mode. The default value is 0 hours.
- o Spin as Condenser: This is used to identify if a combustion turbine or a hydro resource can be committed for Synchronized Reserve as a condenser.
- o Condense Available Status: Indicates a resource's availability to provide voltage/reactive support. This value is not directly related to Synchronized Reserve Market.

#### 4.2.2 Synchronized Reserve Requirement Determination

PJM selects resources in the Primary Reserve and Synchronized Reserve Zone and Reserve Sub-zone hourly and intra-hourly to provide primary reserve and synchronized reserve based on a joint optimization between energy, regulation, non-synchronized reserve and synchronized reserve. Assignments are communicated to the resource owners/operators by Markets Gateway and/or the appropriate application.

- In the PJM RTO there is a single Primary Reserve and Synchronized Reserve Zone and potential Reserve Sub-zone. Total PJM Primary Reserve and Synchronized Reserve Requirement for each Primary Reserve and Synchronized Reserve Zone and Reserve Sub-Zone is determined in whole MW for each hour of the operating day.
- For the purposes of market clearing, the PJM Primary Reserve and Synchronized Reserve Zone and Reserve Sub-zone Reliability Requirements are based on the greatest MW loss of all potential Largest Single Contingencies on the system as documented in PJM Manual 13: Emergency Operations, Section 2.2. Only those potential largest single contingencies communicated by PJM Operations and modeled in the market clearing software will be eligible to set the reserve requirements used in the market clearing process.
- Due to transmission security considerations on the PJM system, it is sometimes necessary to carry a minimum amount of Primary Reserve and Synchronized Reserve in specific sub-zones in PJM such that loading 100% reserve will not result in an overload of any of the PJM transfer interfaces. The Mid-Atlantic Dominion Sub-Zone is defined in the Primary Reserve and Synchronized Reserve Market to ensure that reserves are available in or deliverable to the eastern part of the system under constrained conditions.

The Mid-Atlantic Dominion Sub-Zone is defined by the most limiting monitored transfer interfaces. The interface modeled may be revised by PJM to match operation and meet the system reliability needs.

- As system conditions dictate, PJM may need to redefine or include additional sub-zones into the RTO Primary Reserve and Synchronized Reserve Markets. PJM will notify the stakeholders in the event any additional sub-zones need to be created due to unforeseen system conditions that impact reliability.
  - PJM shall obtain and maintain for each Reserve Zone and Reserve Sub-zone an amount of Non-Synchronized Reserve such that the sum of the Synchronized Reserve and Non-Synchronized Reserve meets the Primary Reserve objective for such Reserve Zone and Reserve Sub-zone.
  - PJM shall create additional Reserve Zones or Reserve Sub-zones to maintain the required amount of reserves in a specific geographic area of the PJM Region as needed for system reliability. Such needs may arise due to planned and unplanned system events that limit PJM's ability to deliver reserves to a specific geographic area of the PJM Region where reserves are required.
- PJM must ensure that adequate synchronized and primary reserves MW are procured and maintained to recover from the loss of the single largest generator contingency, which is normally the largest online generator's output. However, there is, at times, an outage condition at a station whereby a single fault would trip multiple generators resulting in a loss of generation greater than the largest single generator. In such instances, PJM will carry an increased reserve requirement in equivalent summation of output of those multiple generators in accordance with reserve requirements described in PJM Manual 13: Emergency Operations, Section 2.2.
- At times, anticipated heavy load conditions may result in PJM operators carrying additional reserves to cover increased levels of operational uncertainty. PJM may extend the Primary Reserve and Synchronized Reserve Requirements in the Market Clearing Engines during the on-peak period in order to incorporate these actions in energy and reserve pricing when a Hot Weather Alert, Cold Weather Alert or an escalating emergency procedure (as defined in PJM Manual 13: Emergency Operations) has been issued for the Operating Day. The extended Synchronized Reserve Requirement and Primary Reserve Requirement will be equal to the existing reserve requirement plus the sum of any additional MW brought online for that hour by PJM dispatch to account for operational uncertainty after the Reliability Assessment and Commitment (RAC) run which occurs after 1415 the day prior to the Operating Day. If reserve deliverability issues are anticipated, then the requirements for the Sub-Zone(s) in which the additional resources are located will be extended. For example, if additional resources are specifically scheduled in the Mid-Atlantic Dominion Sub-Zone in anticipation of transmission constraints inhibiting the delivery of reserves into that region, both the Mid-Atlantic Dominion Sub-Zone and RTO Reserve Zone requirements would be extended. If additional resources are scheduled in the non-Mid-Atlantic Dominion portion of the RTO Reserve Zone, then only the RTO Reserve Zone requirement would be extended.
- The requirements will return to their original values upon exit from emergency procedures or when the additional resources have been released by PJM dispatch.

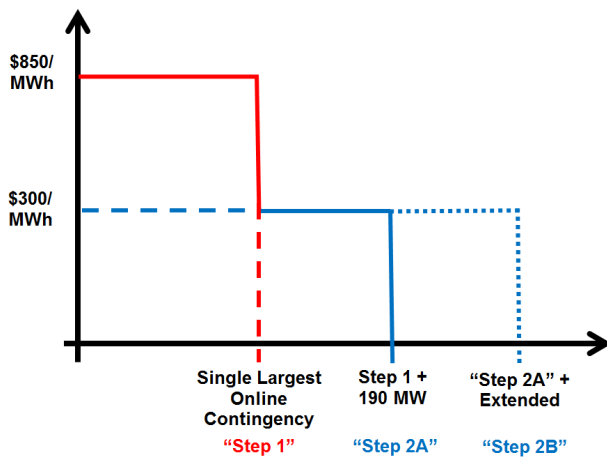


- PJM will notify market participants of changes to the reserve requirements in relation to emergency procedures via the Emergency Procedure Posting Application once the decision to change the reserve requirements is made.
- Regardless of the reserve requirements modeled in the Market Clearing Engines, PJM operators will continue to initiate emergency procedures based on the reserve requirements defined in PJM Manual 13: Emergency Operations.

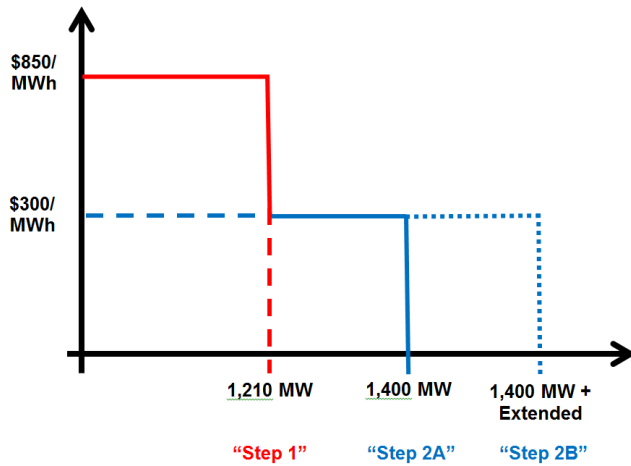
#### 4.2.2.1 Reserve Demand Curves and Penalty Factors

- Embedded within the real-time market clearing engines are reserve demand curves for each real-time reserve product in each Reserve Zone and Sub-zone. These demand curves are used to articulate the value of maintaining reserves at specified levels and ensure product substitution between energy and reserves up to the specified penalty factors. They are defined with \$/MWh penalty factors on the Y axis and desired reserve MW on the X axis. The penalty factor represents the price at which reserves will be valued if the desired reserve MW cannot be met with the available reserves on the system, and also acts as a price cap beyond which reserves will not be procured through market clearing.
- For example, assume the penalty factor for maintain 1,000 MW of synchronized reserves is \$850/MWh. If there are less than 1,000 MW of reserves available, the deficient MW will be valued at \$850/MWh. Similarly, if there sufficient reserves to meet the 1,000 MW requirement, yet they are not available at a prices less than or equal to \$850/MWh, resources with merit order prices that exceed \$850/MWh will not be cleared and the deficient MW will be valued at \$850/MWh. However, such resources can still be committed manually by PJM operations personnel in order to maintain reliability. In this case, such resources will be compensated additionally after the fact to ensure their true cost to provide the service is covered.
- The penalty factor also provides a clear indicator of the reserve position of the RTO and modeled Reserve Sub-zones. As the price of a reserve product increases to a value near the penalty factor, it indicates to market participants that the system is nearing a reserve shortage. This provides market participants an advanced signal indicating a potential reserve shortage.
- Separate demand curves exist for each of the following reserve product / Reserve Zone or Sub-zone combinations.
  - o RTO Synchronized Reserve
  - o Mid-Atlantic Dominion Synchronized Reserve
  - o RTO Primary Reserve
  - o Mid-Atlantic Dominion Primary Reserve
- The demand curves for each of these products and locations are similar in that they share the same penalty factors on the Y axis; however, the desired reserve levels on the X axis differ to reflect the reserve requirement differences amongst the reserve products and locations. These demand curves are defined as follows:
- Step 1
  - o Penalty Factor = \$850/MWh

- o Desired Reserve MW = locational Reliability Requirement for the specified reserve product as defined in Section 4.2.2 above.
  - For Synchronized Reserve, this is typically equivalent to 100% of the output of the single largest online contingency in the Reserve Zone or Sub-zone
  - For Primary Reserve, this is typically equivalent to 150% of the output of the single largest online contingency in the Reserve Zone or Sub-zone
- Step 2
  - o Penalty Factor = \$300/MWh
  - o Desired Reserve MW = locational Reliability Requirement for the specified reserve product as defined in Section 4.2.2 above plus 190 MW plus any additional reserves that are being carried in anticipation of heavy load conditions, as referenced in Section 4.2.2 above.



- Because the reserve requirements are based on the real-time output of the largest contingency, the MW values on the X axis of the demand curves used in market clearing can change dynamically with each real-time market clearing case execution. Below is an example of what the demand curve for Synchronized Reserve would look like if the output of the single largest contingency was 1,210 MW for that specific case execution.



#### 4.2.3 Synchronized Reserve Obligation

Each Load Serving Entity (LSE) on the PJM system incurs a synchronized reserve obligation in kWh based on their real-time load ratio share and the Synchronized Reserve Zone total assigned MW. Participants can estimate their share of the PJM Synchronized Reserve Requirement in advance by comparing their hourly load forecast to the PJM hourly load forecasts provided by PJM. During hours when the Synchronized Reserve Market Clearing Price (SRMCP) is the same throughout the Synchronized Reserve Zone, an LSE's synchronized reserve obligation is equal to its obligation load ratio share times the amount of synchronized reserve assigned for the Synchronized Reserve Zone. During hours when congestion causes Synchronized Reserve Market Clearing Prices (SRMCP) to separate, each LSE's obligation is equal to its obligation load ratio share within its sub-zone times the amount of synchronized reserve assigned in that sub-zone. Any PJM market participant may incur or fulfill a synchronized reserve obligation through the execution of a bilateral synchronized reserve transaction as described below.

- Participants may fulfill their synchronized reserve obligations by:
  - o Owning Tier 1 resources from which the Synchronized Reserve Zone obtains synchronized reserve;
  - o Self-scheduling owned Tier 2 resources;
  - o Entering bilateral arrangements with other market participants; or
  - o Purchasing synchronized reserves from the market.

**Note:**

Note that LSEs whose reserve obligations are satisfied through an agreement to share reserves with external entities subject to the requirements in NERC Reliability Standard BAL-002 do not have a synchronized reserve obligation.

#### 4.2.4 Synchronized Reserve Offer Period

Daily Synchronized Reserve offer prices for Tier 2 resources and Synchronized Reserve ramp rates must be supplied prior to 1415 day-ahead.

To accurately reflect each resource's reserve capability and availability during the Operating Day, the following information may be submitted on an hourly basis and/or changed on the Updates screen in Markets Gateway up until 65 minutes prior to the start of the operating hour, at which time the Synchronized Reserve Market closes.

- Synchronized Reserve Availability for Tier 2 resources
- Synchronized Reserve Offer Quantity (MW)
- Synchronized Reserve Maximum (This parameter is called Spin Max on the Markets Gateway Synchronized Reserve Updates screen)

Market participants who did not elect to opt-out of Intraday Updates as detailed in Section 9.1.1 may also submit and/or change:

- Synchronized Reserve Offer Price (\$/MWh)

Any hourly updates supersede the values on the daily Offers page.

#### 4.2.5 Bilateral Synchronized Reserve Transactions

Bilateral synchronized reserve transactions may be reported to PJM. Such reported bilateral synchronized reserve transactions must be for the physical transfer of synchronized reserve and must be reported by the buyer and subsequently confirmed by the seller through the Markets Gateway System no later than 1330 the day after the transaction starts. Bilateral transactions that have been reported and confirmed may not be changed; they must be deleted and re-reported. Deletion of a reported bilateral transaction after its start time has passed will result in a change in the end time of the transaction to the current hour.

Bilateral synchronized reserve transactions reported to PJM may be entered either in MW or as a percentage of the purchaser's obligation. Participants are also required to indicate the reserve zone for which the transaction is applicable.

Payments and related charges associated with the bilateral synchronized reserve transactions reported to PJM shall be arranged between the parties to the bilateral contract.

A buyer under a bilateral synchronized reserve transaction reported to PJM agrees that it guarantees and indemnifies PJM, PJM Settlement, and the market participants for the costs of any purchases by the seller in the Synchronized Reserve Market, as determined by PJM, to supply the reported bilateral transaction and for which payment is not made to PJM Settlement by the seller.

Upon any default in obligations to PJM or PJM Settlement by a Market Participant, PJM shall not accept any new bilateral reporting by the Market Participant and shall terminate all of the market participant's reporting of Markets Gateway schedules associated with its bilateral synchronized reserve transactions previously reported to PJM for all days where delivery had not yet occurred.

PJM calculates and posts Synchronized Reserve Zone preliminary billing data on which market participants can use as a resource for pricing bilateral synchronized reserve transactions. The data can be found via PJM's Data Miner 2 Tool <https://www.pjm.com/markets-and-operations/billing-settlements-and-credit/preliminary-billing-reports/sync-reserve.aspx>.

#### 4.2.6 Synchronized Reserve Commitment

60-minutes prior to the operating hour PJM executes the Ancillary Services Optimizer (ASO). The ASO jointly optimizes energy, synchronized reserves, non-synchronized reserves and regulation based on forecast system conditions to determine an economic set of inflexible reserve resources to commit for the operating hour.

Any self-scheduled offers for synchronized reserves that are available at the time of the ASO execution are assumed valid and committed for the hour.

Any reserve commitments on inflexible resources that are made are locked for the operating hour and communicated via Markets Gateway.

The following reserve information will be posted to Markets Gateway 30-minutes prior to the operating hour:

- Reserve requirements for the RTO and each sub-zone
- Estimated Tier 1 for the RTO and each sub-zone
- Total synchronized and non-synchronized reserves available for the RTO and each sub-zone
- Total pool-committed inflexible reserves for the RTO and each sub-zone
- Total self-scheduled synchronized reserves for the RTO and each sub-zone
- Forecasted reserve shortage quantities for the RTO and any sub-zone
- Any additional Tier 2 synchronized reserves required in real-time in excess of the current Tier 1 on the system and the inflexible Tier 2 commitments will be committed via the joint optimization of energy, reserves and regulation.
- Additional Tier 2 synchronized reserve commitments made in real-time may be made on flexible reserves resources by the RT SCED application and inflexible reserves resources recommendations by the IT SCED application. Commitments on flexible reserves resources may change with each execution of the RT SCED application while commitments on inflexible reserve resources will respect the minimum run time of those resources.
- Flexible reserve resource Tier 2 commitments will not be posted to Markets Gateway but will be telemetered via ICCP or other communication protocol to resource owners.
- Additional inflexible resource commitments will be communicated to the resource owners via phone call and ICCP or other communication protocol.
- Any resource that is committed for Tier 2 when a synchronized reserve event occurs is obligated to respond for their commitment at the start of the event within 10 minutes.
- For the purpose of determining the most economic set of resources with which to meet the Synchronized Reserve requirement, PJM will calculate a resource-specific merit order price for each resource using the following methodology:
  - o Resource merit order price (\$/MWh) = Resource synchronized reserve offer + estimated resource opportunity cost per MWh of capability + energy use per MWh of capability + condense startup cost

**Note:**

Condense startup cost is not included in the determination of the clearing price.

The resource synchronized reserve offer is that which is submitted by the owner via the Markets Gateway System by 1415 hours on the day preceding the operating day.

Estimated resource opportunity cost for condensing CTs is calculated as follows:

$$O.C. = [positive (forecast LMP - energy offer price)] \times MW \text{ capability} / \text{synchronized reserve capability}$$

Estimated resource opportunity cost for non-condensing resources is calculated as follows:

$$O.C. = | LMP - ED | \times GENOFF$$

**Where:**

<b>LMP</b>	is the forecasted hourly LMP at the generator bus,
<b>ED</b>	is the price associated with the set point the resource must maintain to provide its assigned amount of synchronized reserve, and
<b>GENOFF</b>	is the MW amount of synchronized provided.

This formula is somewhat simplistic. The actual calculation is an integration that may be visualized as the area on a graph enclosed by the resource's price curve, the points on that curve corresponding to the resource's desired economic dispatch and the set point necessary to provide the assigned amount of synchronized reserve, and the LMP.

Energy use for each condensing resource is entered in MW by the owner via the Markets Gateway system as part of the synchronized reserve offer. Estimated energy use is calculated as part of the merit order price as follows:

$$E.U. = forecast LMP \times energy use MW / \text{synchronized reserve capability}$$

For each of these calculations, forecast LMP is the result of the 1-hour look-ahead calculated in the ASO. Energy resources for which an energy offer is not submitted will be ineligible for opportunity cost credit.

When calculating the SRMCP in real-time, the actual LMP is used instead of the forecast LMP in the previous equations and calculated in the LPC engine. The actual five minute SRMCP is used for settlements.

The opportunity cost for a Demand Resource is zero.

- PJM may call on resources not otherwise scheduled to run in order to provide synchronized reserve, in accordance with PJM's obligation to minimize the total cost of energy, operating reserves, regulation, and other ancillary services. If a resource is called on by PJM for the purpose of providing synchronized reserve, the resource is guaranteed recovery of synchronized reserve lost opportunity costs as well as start-up, no-load and energy costs. Please refer to PJM Manual 28: Operating Agreement Accounting for additional settlements details.
- Due to transmission considerations on the PJM system, it is sometimes necessary to carry a minimum amount of synchronized reserve in specific areas in PJM such

that loading 100% synchronized reserve will not result in an overload of any of the PJM transfer interfaces. The goal is to minimize the cost of synchronized reserve such that given current system conditions, the flow on binding transmission constraints is not increased after a synchronized reserve event is initiated and the associated response is achieved. Therefore, PJM clears the Tier 2 market based on this locational synchronized reserve requirement and calculates sub-zonal Tier 2 clearing prices. Whenever the locational synchronized reserve constraint is not binding, the clearing prices are equal. However, when more synchronized reserve is required in a given area than would have been assigned without this requirement, the clearing prices will separate. Resources will be identified and receive the applicable clearing price based on their location with respect to the binding constraint(s). That is, resources for which synchronized reserve event response would help the constraint will receive the higher clearing price, whereas resources for which synchronized reserve event response would aggravate the constraint will receive the lower clearing price. Analysis to determine the location of generation and load buses with respect to the binding constraint is performed at least once with each quarterly network model update. The Mid-Atlantic Dominion sub-zone list resulting from this analysis can be found on the PJM Web site under “Mid-Atlantic-Dominion Subzone Bus and Resource List” at this location: <https://www.pjm.com/markets-and-operations/ancillary-services.aspx>. Resource owners should be aware if their resources are listed in the file and are therefore located in the MAD reserve subzone. Resources that do not appear in the list may respond only to PJM’s request for Synchronized Reserve event in the RTO Reserve Zone. Resources that appear in the list may respond to PJM’s request for Synchronized Reserve event in the MAD Reserve Sub-zone and the RTO Reserve Zone.

- Preliminary 5-minute market clearing prices will be made available in real-time through Data Viewer.

#### 4.2.7 Hydro Units

Hydro units condensing to provide synchronized reserve during times when they were not scheduled to generate incur no opportunity cost. There may or may not be an energy use component, as indicated by the owner as part of the synchronized reserve offer. Only hydro units not enrolled in the ESR participation model are considered in the rules below.

- If a hydro unit is held to synchronized reserve condense or reduced to provide synchronized reserve during a time when it is scheduled to generate, it will incur opportunity cost. Since hydro units operate on a schedule and do not have an energy bid, opportunity cost for these units is calculated as follows:
- The formula is the same as that shown under ‘Synchronized Reserve Commitment’,  $O.C. = |LMP - ED| \times GENOFF$ , except the ED value is the average value of the LMP at the hydro unit bus for the appropriate on-peak (0700 – 2259) or off-peak (0000 – 0659, 2300 - 2359) period, excluding those hours during which all available units at the hydro plant were operating. Day-ahead values are used for the purposes of committing Tier 2 resources, and actual LMPs are used in the after-the-fact settlement. If the average LMP value is higher than the actual LMP at the generator bus, the opportunity cost is zero.
- During those hours when a hydro unit is in spilling mode, the ED value is set to zero such that the opportunity cost is based on the full value of LMP. During the operating day, the operating company is responsible for communicating this condition on the Regulation Hourly Updates page in the Markets Gateway System.

- When determined to be economically beneficial, PJM maintains the authority to adjust hydro unit schedules for those units scheduled by the owner if the owner has also submitted a synchronized reserve offer for those units and made the units available for spin.
- An example of Tier 2 synchronized reserve lost opportunity cost calculation is very similar to that of regulation hydro lost opportunity cost calculation detailed on the PJM website at <https://pjm.com/~media/markets-ops/ancillary/regulation-uplift-and-lost-opportunity-cost.ashx>

#### 4.2.8 Demand Resources

Demand resources providing Synchronized Reserve are required to provide metering information at no less than a one minute scan surrounding a synchronized reserve event. Residential customers without one-minute metering may participate using the statistical sampling method detailed in PJM Manual 19: Load Forecasting and Analysis, Attachment D and subject to PJM approval.

Metering information for demand resources is not required to be sent to PJM in real time. Load data for all Synchronized Reserve events must be submitted two business days following the event day.

Members that offer into the Synchronized Reserve market and do not provide complete, accurate and timely load data for all Synchronized Reserve events may be suspended from participating in the Synchronized Reserve Market until corrective measures are implemented and may be referred to the PJM Market Monitor and/or the FERC Office of Enforcement for further investigation as necessary.

Demand resources are limited to providing 33% of the Synchronized Reserve requirement.

Demand resources that are considered to be “batch load” resources are limited to providing 20% of the Synchronized Reserve requirement. If PJM determines that satisfying 20 percent of the Synchronized Reserve requirement from Batch Load demand resources is causing or may cause a reliability degradation, PJM may reduce the percentage of the requirement that may be satisfied by Batch Load demand resources in any hour to as low as 10 percent.

Demand resources must complete initial and continuing training on Regulation and Synchronized Reserve Markets as documented in PJM Manual 40: Certification and Training Requirements, Section 2.6: Training Requirements for demand response Resources Supplying Regulation and Synchronized Reserve.

When a Demand Resource that is eligible for the Synchronized Reserve Market is called for a mandatory Emergency or Pre-Emergency Load Management Event, it will be de-assigned from Synchronized Reserves for any intervals that overlap with the Load Management Event, starting from the notice time of the Load Management Event, unless otherwise approved by PJM. PJM will not assign the resource to Synchronized Reserves for the remainder of the mandatory portion of the Load Management Event.

#### 4.2.9 Synchronized Reserve Market Clearing Price (SRMCP) Calculation

PJM will calculate real-time prices for Synchronized Reserve simultaneously with LMPs every 5-minutes in real-time.

The real-time prices for Synchronized Reserve will be calculated as the marginal cost to serve an additional MW of synchronized reserve demand in the RTO Reserve Zone or



applicable Reserve Sub-zone while simultaneously satisfying energy requirements, regulation requirements, primary reserve requirements and transmission limitations.

Preliminary real-time 5-minute SRMCPs will be published to Data Viewer for public view.

During periods when there is no synchronized reserve shortage, real-time prices for Synchronized Reserve will be determined by the cost of the marginal synchronized reserve resource.

- The cost of the marginal synchronized reserve resource is defined as its synchronized reserve offer plus any opportunity cost for this resource relative to forgone energy or other ancillary service payments.
- Non-shortage prices for synchronized reserves will not exceed the sum of the Primary Reserve and Synchronized Reserve Penalty Factors from the first step of the demand curve.

When there is a simultaneous shortage of primary and synchronized reserves the real-time prices for Synchronized Reserve will be the sum of the primary reserve and synchronized reserve penalty factors.

The real-time prices for Synchronized Reserve will always be greater than or equal to the NSRMCP in the same location because synchronized reserve is a higher quality product than non-synchronized reserves and may be substituted for it.

#### 4.2.10 Settlements

Please refer to PJM Manual 28: Operating Agreement Accounting, Section 6: Synchronized Reserve Accounting for settlement details.

Synchronized Reserve settlement is a zero-sum calculation based on the synchronized reserve provided to the market by generation owners and purchased from the market by participants.

Tier 1 credits will be awarded to each eligible resource for response up to 110% of the resource's capability based on the synchronized reserve ramp rate(s) submitted by the resource's owner day-ahead. Credits to individual resources may be awarded for response greater than 110% of stated capability if other Tier 1 resources under-respond. Credits for response in excess of 110% of capability will be awarded on a pro-rata basis such that the aggregate Tier 1 credits awarded do not exceed 110% of the total possible credits based on the aggregate capability of all eligible Tier 1 resources.

Resources providing regulation at the initiation of a synchronized reserve event will be compensated for Tier 1 response. Tier 1 response is calculated according to the following formula:

$$\left\{ \begin{array}{l} \left\{ \frac{\square}{100} \right\} \\ \left\{ \begin{array}{l} \max(0, (Final\ Output - \min(EcoMax, RegHighLimit))) \\ + \\ \max(0, (\min(EcoMax, RegHighLimit, Final\ Output) - Initial\ Output - (2 * RegMW))) \end{array} \right\} \end{array} \right\}$$

**Where:**

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<b>Final Output</b>	is the resource's greatest telemetered output between 9 and 11 minutes after synchronized reserve event is initiated.
<b>Initial Output</b>	is the resource's lowest telemetered output between 1 minute before and 1 minute after synchronized reserve event is initiated.
<b>RegMW</b>	is the resource's assigned amount of regulation.

As a result of this formula, resources that are assigned regulation when a synchronized reserve event is initiated will be compensated based on the amount of response provided beyond their regulation commitment, as well as for any response in excess of their regulation high limit or economic maximum (whichever is lower.) A resource's regulation maximum commitment will be defined as the resource's full regulating range (i.e. – twice the amount of assigned regulation.)

Details on Tier 1 Synchronized Reserve Credits and Tier 2 Synchronized Reserve Credits can be found in PJM Manual 28, Section 6.

#### 4.2.11 Verification

The magnitude of each resource's response to a synchronized reserve event (both Tier 1 and Tier 2) is the difference between the resource's output at the start of the event and its output ten minutes after the start of the event. In order to allow for small fluctuations and possible telemetry delays, resource output at the start of the event is defined as the lowest telemetered output between one (1) minute prior to and one (1) minute following the start of the event. Similarly, a resource's output ten minutes after the event is defined as the greatest output achieved between nine (9) and eleven (11) minutes after the start of the event. All resources (both Tier 1 and Tier 2) must maintain an output level greater than or equal to that which was achieved as of ten minutes after the event for the duration of the event or thirty (30) minutes from the start of the event, whichever is shorter. The response actually credited to a given resource will be reduced by the amount the MW output of that resource falls below the level achieved after ten (10) minutes by either the end of the event or after 30 minutes from the start of the event, whichever is shorter.

For demand resources that are considered "batch load" resources, a second method of verification will be used for instances where a synchronized reserve event is initiated and the resource is operating at the minimum consumption level of its duty cycle. In this case, the magnitude of the response will be measured as the difference between (a) the resource's consumption at the end of the event and (b) the maximum consumption within a ten (10) minute period following the event provided that all subsequent minutes following that minute are no less than 50% of the consumption in that minute.

#### 4.2.12 Non-Performance

There is no consequence for a Tier 1 resource that does not respond with the amount of Synchronized Reserve that was expected of it in response to a Synchronized Reserve Event. Tier 1 resources are simply credited for the amount of response they provide.

Since Tier 2 resources are credited with a capacity payment any time they are expected to be ready to respond to a Synchronized Reserve Event, failure to provide that response results in an obligation to "repay" that credit following instances of non-performance. The following

consequences exist for a Tier 2 resource that does not respond with its assigned amount of Synchronized Reserve:

- The resource is credited for Tier 2 Synchronized Reserve capacity in the amount that actually responded for all Real-time settlement intervals (5 minutes) the resource was assigned or self-scheduled Tier 2 Synchronized Reserve on the day the event occurred, and;
- The owner of the resource incurs a retroactive obligation to refund at SRMCP the amount of the shortfall measured in MW for all of the Real-time settlement intervals the resource was assigned or self-scheduled over the immediate past interval, the duration of which is equal to the lesser of the average number of days between events as determined by the annual review of the last 2 years, or the number of days since the resource failed to respond with its assigned or self-scheduled Synchronized Reserve amount in response to a Synchronized Reserve Event.
  - o The annual review described above will be completed during the month of November and cover a 2 year window from November 1st (year – 2) through October 31st (current year). The calculation will be the average interval between Synchronized Reserve Events over the last two years of Synchronized Reserve Event data, rounded down to a whole day value. The results will be communicated to the Operating Committee in December and implemented annually on January 1st.

In cases where a Synchronized Reserve Event lasts less than 10 minutes, Tier 2 resources are credited with the amount of Synchronized Reserve capacity they are assigned. The owner of the resource will not incur a retroactive obligation to refund any shortfall between the amount of Tier 2 assigned or self-scheduled and the amount of response provided during the event. Tier 1 resources are credited with the amount of response provided over the length of the event, as determined via measurement parallel to that which is described above in the Verification section. That is, the output of each resource at the start of the event is defined as the lowest telemetered output between one (1) minute prior to the start of the event and one (1) minute after the start of the event, and the output at the end of the event is defined as the greatest telemetered output between one (1) minute prior to the end of the event and one (1) minute following the end of the event.

Resources that choose to respond to a Synchronized Reserve Event for their reserve zone in an hour when they are cleared or assigned regulation are expected to return to their regulating band within 10 minutes of the end of the Synchronized Reserve Event. From the start of the event, through the event, and for the 10 minutes after the end of the event, the performance scores for all regulating resources in the reserve zone where the Synchronized Reserve Event takes place will be null.

## Section 4b: Overview of the Non-Synchronized Reserve Market

Welcome to the Overview of the Non-Synchronized Reserve Market section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the PJM Non-Synchronized Reserve Market (see “Overview of PJM Non-Synchronized Reserve Market”).
- A list of the PJM Non-Synchronized Reserve Market Business Rules (see “PJM Non-Synchronized Reserve Market Business Rules”).

### 4b.1 Overview of the Non-Synchronized Reserve Market

PJM has an obligation to maintain a certain quantity of total 10 minute reserves on the system. Total 10 minute reserve, or Primary Reserve, includes both Synchronized and Non-Synchronized Reserves. As defined in Section 4 of this Manual, a subset of the Primary Reserve capability must be maintained in resources that are synchronized to the system. That quantity is defined by the Synchronized Reserve requirement. The balance between the Primary and Synchronized Reserve requirements can be met by the most economic combination of additional Synchronized Reserve or Non-Synchronized reserve or some combination of the two products. This means that there is no defined, hourly requirement for Non-Synchronized reserves but it will be procured when economic to meet the Primary Reserve requirements.

The PJM Non-Synchronized Reserve Market provides PJM participants with a market-based system for the purchase and sale of the Non-Synchronized Reserve ancillary service. PJM determines the MW capability of each resource based on its operational characteristics and uses this information together with energy offers and resource schedules as input data to real-time market applications. The real-time security constrained economic dispatch (RT SCED) program jointly optimizes the remaining RTO reserve needs simultaneously with energy while honoring effective regulation assignments as described in Section 2.5 of this Manual. Non-Synchronized Reserve commitments are telemetered to each resource. As a result of the real-time joint optimization of energy and reserves, PJM will calculate a clearing price for Non-Synchronized Reserve every 5 minutes by the Locational Pricing Calculator (LPC) as described in Section 2.7 of this Manual. The five minute Non-Synchronized Reserve Market Clearing Prices (NSRMCP) are used for market settlement.

### 4b.2 Non-Synchronized Reserve Market Business Rules

#### 4b.2.1 Non-Synchronized Reserve Resource Eligibility

Non-synchronized reserves may be provided only by generation resources electrically within the PJM RTO.

Non-synchronized reserve resources are defined as generation resources that meet the following eligibility requirements to provide non-synchronized reserve.

The Non-Synchronized Reserve capability of a generation resource shall be the increase in energy output or achievable by the generation resource within a continuous 10-minute period provided that the resource is not synchronized to the system at the initiation of the response

Examples of Non-Synchronized Reserve resources generally include:

- Shutdown run-of-river, pumped hydro (with the exception of pumped hydro that is enrolled in the ESR model), industrial combustion turbines, jet engine/expander turbines, combined cycle and diesels.
- Demand Resources will not be eligible to provide Non-Synchronized Reserve
- Generation resources that have designated their entire output as emergency will not be considered eligible to provide Non-Synchronized Reserves.
- Generation resources that are not available to provide energy will not be considered eligible to provide Non-Synchronized Reserves.
- Energy Storage Resources enrolled in the ESR participation model are not eligible to provide Non-Synchronized Reserve.

In the event PJM forecasts a credible natural gas pipeline contingency(s), as described in PJM Manual 13: Emergency Operations, Section 3.9, PJM Dispatch will determine the eligibility of resources to provide Non-Synchronized Reserve depending on the severity of the contingency and other system conditions in order to ensure system reliability is maintained.

#### 4b.2.2 Non-Synchronized Reserve Zones and Levels

There will be a single RTO Non-Synchronized Reserve Market with a static, nested Mid-Atlantic Dominion Reserve Sub-zone.

- The Mid Atlantic Dominion Reserve Sub-zone is defined to ensure that non-synchronized reserves are available in or deliverable to the eastern part of the system under constrained conditions. The Mid-Atlantic Dominion Reserve Sub-zone is defined by the most limiting monitored transfer interface. The interface modeled may be revised by PJM to match operation and meet the system reliability need.
- Because Synchronized Reserve may be utilized to meet the Primary Reserve requirement, there is no explicit requirement for Non-Synchronized Reserves. Non-synchronized reserve is eligible to be used to meet the difference between the Primary Reserve and Synchronized Reserve Requirements if it is economic.
- During a Synchronized Reserve Event, PJM may request generation resources, which are assigned to provide Non-Synchronized Reserve within ten minutes, to increase their energy output by the amount of assigned Non-Synchronized capability.
- Each Primary Reserve requirement will have an associated reserve demand curve as specified in Section 4.2.2 of this Manual.

#### 4b.2.3 Non-Synchronized Reserve Offer Information

No offer data for non-synchronized reserves will be submitted through Markets Gateway.

Non-emergency generation resources that are available to provide energy and can start in 10 minutes or less will be considered available for Non-Synchronized Reserves.

PJM will calculate the non-synchronized reserve MW quantity available from each generation resource based on the offered in startup and notification time, the economic minimum, the economic maximum, and the energy ramp rate.

$$NSRMW = \max\{0, \min[EcoMax, EcoMin + (10 - Startup - NotificationTime) * EnergyRampRate]\}$$

All offers to provide non-synchronized reserves will be \$0.00/MWh.

#### **4b.2.4 Non-Synchronized Reserve Commitments**

PJM will commit Synchronized and Non-Synchronized Reserve simultaneously in real-time via the joint optimization of energy and reserve.

Non-Synchronized Reserve commitments will be telemetered to each committed generation resource via ICCP or other communication protocol.

Because the requirement for Synchronized Reserves is included within the Primary Reserve requirement, Non-Synchronized Reserves can only be used to meet the difference between the synchronized and primary reserve requirements if it is economic.

Both Synchronized Reserves and Non-Synchronized Reserves can be used to meet the difference between the Synchronized and Primary Reserve requirements. PJM will commit the most economic combination of both resources to simultaneously meet all energy and reserve requirements.

When calculating the 5-minute NSRMCP, the unit-specific opportunity cost for a generation resource that is not providing energy, because it is providing Non-Synchronized Reserves, is calculated as:

- The product of:
  - o The deviation of the value of the generation resource's output necessary to follow PJM dispatch instruction from the value of the generation resource's expected output level if it had been dispatched in economic merit order
  - o The estimated real-time Locational Marginal Price (LMP) at the generation bus of the unit
- Minus:
  - o The applicable offer for energy from the generation resource

If the real-time LMP at the generator bus is less than the generator's cost at its Economic Minimum then the generator has no opportunity cost.

#### **4b.2.5 Non-Synchronized Reserve Market Clearing Price (NSRMCP) Calculation**

PJM will calculate NSRMCPs simultaneously with LMPs every 5-minutes in real-time.

The NSRMCP will be calculated as the cost to serve an additional MW of primary reserve demand in the RTO Reserve Zone or applicable Reserve Sub-zone.

Real-time 5-minute NSRMCPs will be published to Data Viewer for public view.

During periods when there is no Primary Reserve shortage, the NSRMCP is the cost of the marginal primary reserve resource. If the marginal resource is a Non-Synchronized Reserve resource, the cost of the marginal Primary Reserve resource is defined as any opportunity cost for this resource relative to forgone energy or other ancillary service payments. If the marginal resource is a Synchronized Reserve resource, the cost of the marginal Primary Reserve resource is defined as its synchronized reserve offer plus any opportunity cost for this resource relative to forgone energy or other ancillary service payments. Non-shortage prices for Non-Synchronized Reserves will not exceed the Primary Reserve penalty factor.

During periods when there is a shortage of Primary Reserves, the NSRMCP will be equal to the penalty factor of the location where the shortage occurred.

The NSRMCP will always be less than or equal to the SRMCP in the same location because Synchronized Reserve is a higher quality product than Non-Synchronized Reserve and may be substituted for it.

The 5-minute NSRMCPs are used for market settlement purposes.

Resources that are assigned Non-Synchronized Reserve will be paid the NSRMCP corresponding to the location in which they provided the service.

Settlement for the Non-Synchronized Reserve market will function as follows:

- Every five minutes, PJM determines the cost for each pool scheduled resource to provide Non-Synchronized Reserve and compensate it at the higher of the NSRMCP or the cost to provide the service (including any lost opportunity cost).

#### **4b.2.6 Non-Synchronized Reserve Obligation Fulfillment**

Each Load Serving Entity (LSE) on the PJM system incurs a Non-Synchronized Reserve obligation in kWh based on their real-time load ratio share of the Non-Synchronized Reserve assigned. During hours when the Non-Synchronized Reserve Market Clearing Price (NSRMCP) is the same throughout the RTO, an LSE's Non-Synchronized Reserve obligation is equal to its load ratio share times the amount of Non-Synchronized Reserve assigned for the entire RTO for all five minute intervals in the hour. During hours when congestion causes NSRMCPs to separate each LSE's obligation is equal to its load ratio share within its Reserve Sub-zone times the amount of Non-Synchronized Reserve assigned in that Reserve Sub-zone. Any PJM market participant may incur or fulfill a Non-Synchronized Reserve obligation through the execution of a Non-Synchronized Reserve bilateral transaction as described below. Each PJM Member LSE that is not part of an agreement to share reserves with external entities subject to the requirements in NERC Reliability Standard BAL-002 incurs a non-synchronized reserve obligation based on their hourly real-time load ratio share and applicable reserve zone's Non-Synchronized Reserve assigned during that hour.

Participants may fulfill their Non-Synchronized Reserve obligations by:

- Self-supply from its own generation resources capable of providing Non-Synchronized Reserve
- Entering bilateral arrangements with other market participants; or
- Purchasing Non-Synchronized Reserve from the Non-Synchronized Reserve market.

#### **4b.2.7 Non-Synchronized Reserve Bilateral Transactions**

PJM Settlement shall be the Counterparty to the purchases and sales of Non-Synchronized Reserve.

Non-Synchronized Reserve bilateral transactions must be entered by the buyer and subsequently confirmed by the seller through Markets Gateway no later than 1415 the day after the transaction starts. Bilateral transactions that have been entered and confirmed may not be changed; they must be deleted and re-entered. Deletion of a bilateral transaction after its start time has passed will result in a change in the end time of the transaction to the current hour.

Non-Synchronized Reserve bilateral transactions may be entered in MW. Participants will also be required to indicate the Reserve Zone or Reserve Sub-zone for which the transaction is applicable. The minimum MW value is .1 MW

PJM calculates and posts Non-Synchronized Reserve Zone preliminary billing data on which market participants can use as a resource for pricing bilateral Non-Synchronized Reserve transactions. The data can be found via PJM's Data Miner 2 tool <http://www.pjm.com/markets-and-operations/billing-settlements-and-credit/preliminary-billing-reports/non-sync-reserve.aspx>.

#### **4b.2.8 Non-Synchronized Reserve Settlement**

Non-Synchronized Reserve settlement is a zero-sum calculation based on the Non-Synchronized Reserve provided to the market by generation purchased from the market by participants. Details on Non-Synchronized Reserve settlement can be found in PJM Manual 28: Operating Agreement Accounting.

#### **4b.2.9 Verification**

The magnitude of each generation resource's response to a Non-Synchronized Reserve event is its output ten minutes after the start of the event. A generation resource's output ten minutes after the event is defined as the greatest output achieved between nine (9) and eleven (11) minutes after the start of the event. All generation resources that have been committed to provide Non-Synchronized Reserve must maintain an output level greater than or equal to that which was achieved as of ten minutes after the event for the duration of the event or thirty (30) minutes from the start of the event, whichever is shorter. The response actually credited to a given resource will be reduced by the amount the MW output of that resource falls below the level achieved after ten (10) minutes by either the end of the event or after 30 minutes from the start of the event, whichever is shorter.

In cases where a non-synchronized event lasts less than 10 minutes, non-synchronized resources are credited with the amount of Non-Synchronized Reserve event capacity they are assigned.

#### **4b.2.10 Non-Performance**

In the event a resource that has been assigned to provide Non-Synchronized Reserve fails to provide the assigned amount of Non-Synchronized Reserve in response to a Non-Synchronized Reserve Event, the resource will only be credited for Non-Synchronized Reserve capacity in the amount that actually responded for the contiguous five minute intervals the resource was assigned Non-Synchronized Reserve during which the event occurred.



## Section 5: Market Clearing Processes and Tools

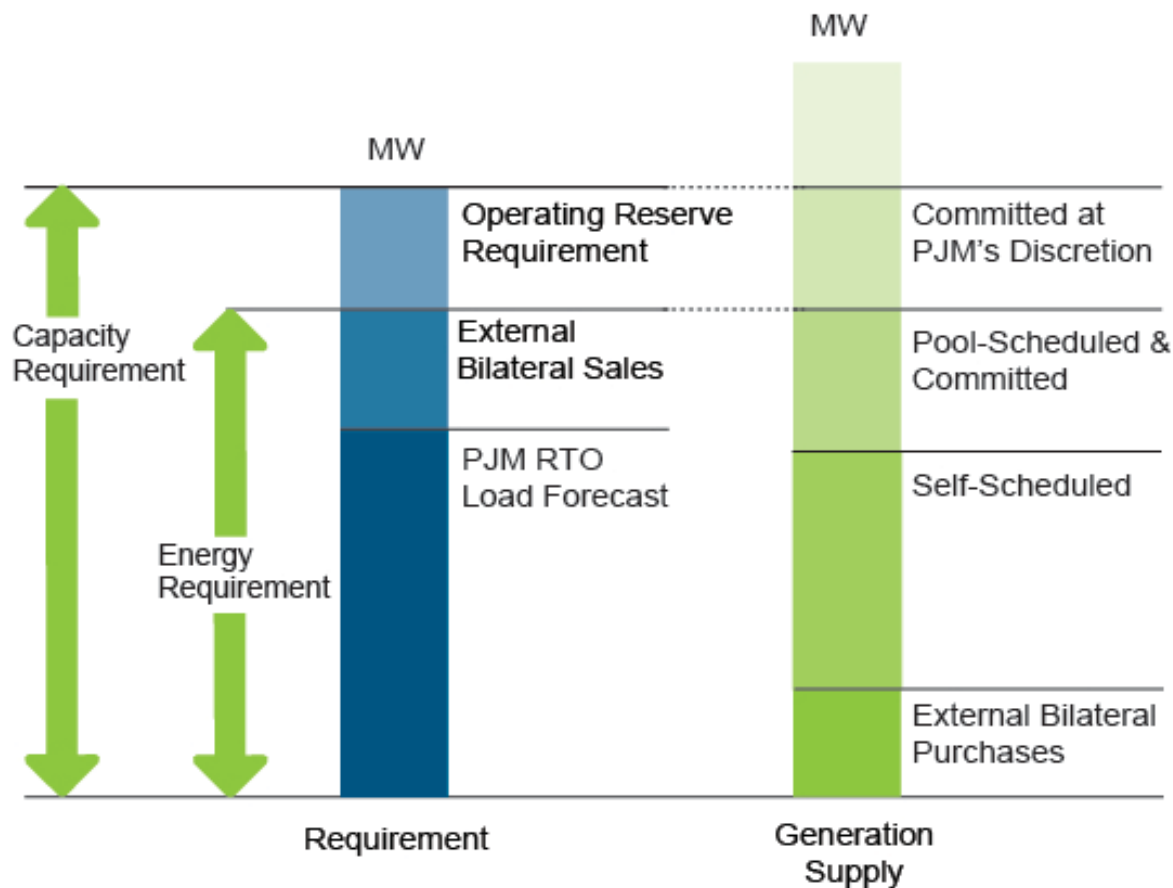
Welcome to the Market Clearing Processes and Tools section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- A description of the PJM scheduling process (see “PJM Scheduling Process”).
- A description of the tools that are used during the scheduling process (see “Scheduling Tools”).

### 5.1 PJM Scheduling Process

The PJM scheduling objective varies depending on the scheduling time horizon (Day-ahead, Reliability Assessment and Commitment (RAC) Run, Real-time Operations). The PJM scheduling process in the Day-ahead Energy Market is to schedule generation to meet the aggregate Demand bids that results in the least-priced generation mix, while maintaining the reliability of the PJM RTO. During the RAC Run, PJM schedules additional resources as needed to satisfy the PJM Load Forecast and the Operating Reserve objective based on minimizing the scheduling cost. PJM also schedules resources based on economics to control potential transmission limitations that are binding in the Transmission Reliability analysis that is performed in parallel with and subsequent to the Day-ahead Market analysis. The scheduling process evaluates the price of each available resource compared with every other available generating resource. The process for scheduling the PJM RTO requires:

- In the Day-ahead Energy Market:
  - Scheduling sufficient generation to cover aggregate Demand bids and Day-ahead Scheduling Reserve (Operating Reserve) requirements calculated as a function of such demand bids
- In the Reliability Assessment and Commitment (RAC) Run (subsequent to the Day-ahead Energy Market):
  - Scheduling sufficient generation to cover the PJM Load Forecast and Operating Reserve requirements
- In Real-time Operations:
  - Scheduling sufficient generation to control potential transmission limitations that are binding in the Transmission Reliability analysis
  - Scheduling sufficient generation to satisfy the PJM Regulation Requirement, PJM Primary Reserve Requirement, and other ancillary service requirements of the PJM RTO.
  - Ensuring PJM Members participate in the analysis and elimination of conditions that threaten the reliable operation of the PJM RTO
  - Exhibit 7 illustrates the Real-time Market scheduling relationships in the form of a bar chart.



### Requirement vs. Resource Supply 1

The exhibit above presents the following information:

- The PJM requirement is represented by the bar on the left. The height of this bar is the total PJM capacity requirement in MW. The capacity requirement consists of two components:
  - Energy requirement, consisting of the PJM load forecast plus External Transaction sales to External Control Areas
  - **Day-ahead Scheduling Reserve (Operating Reserve) requirement**
- The PJM resource supply is represented by the bar on the right which consists of four supply components:
  - External Transaction purchases from External Control Areas
  - Resources that are self-scheduled by the PJM Members
  - Resources and capacity that are bid into the Day-ahead Market and the Real-time Market and are scheduled by PJM to meet the energy and reserve requirement
  - Additional capacity to satisfy the **Day-ahead Scheduling Reserve (Operating Reserve) requirement** is committed at the discretion of the PJM

Scheduling of resources by PJM is performed economically on the basis of the prices and operating characteristics offered by the Market Sellers, using security constrained dispatch and continuing until sufficient generation is dispatched in each five minute interval to serve all energy purchase requirements, as well as the PJM RTO requirements.

## 5.2 Scheduling Tools

Analytical scheduling tools exist to assist PJM with the scheduling process. These tools permit PJM scheduling staff to analyze numerous scheduling scenarios. PJM personnel use several tools to assist in scheduling the resources for short-term and hourly activities. The scheduling tools include:

- PJM ExSchedule
- PJM InSchedule
- Load Forecasting Algorithms
- Markets Gateway and Market Database System
- Hydro Calculator
- Energy Market Technical Software (RSC, SPD and SFT)
- PJM Ancillary Service Optimizer (ASO)
- Real-Time Market Applications
- Transmission Outage Data System

Together these tools recognize the following conditions:

- Reactive limits
- Resource constraints
- Unscheduled power flows
- Inter-area transfer limits
- Resource distribution factors
- Self-Scheduled Resources
- Limited fuel resources
- Bilateral Transactions
- Hydrological constraints
- Generation requirements
- Reserve requirements

### 5.2.1 ExSchedule

ExSchedule is an application that facilitates the scheduling of interchange transactions between PJM and other Balancing Authorities. Market participants can view and reserve a portion of PJM's Net Ramp capability, review Tags linked to their account, and submit Day-Ahead

Bids that align with their Real-Time interchange transactions. ExSchedule is also used to automatically assess and validate bilateral interchange transactions per PJM's interchange scheduling business rules.

Bilateral interchange transactions that are reported to PJM must be for the physical transfer of electric energy. Payments and related charges associated with such bilateral interchange transactions reported to PJM shall be arranged between the parties to the bilateral transaction. A buyer under a bilateral interchange transaction reported to PJM agrees that it guarantees and indemnifies PJM, PJM Settlement, and the market participants for the costs of any Spot Market Backup, as determined by PJM, to supply the reported bilateral interchange transaction and for which payment is not made to PJM Settlement by the seller. Upon any default in obligations to PJM or PJM Settlement by a Market Participant, PJM shall not accept any new bilateral interchange transaction reporting by the Market Participant and shall terminate all of the market participant's reporting of associated with its bilateral interchange transactions previously reported to PJM for all days where delivery had not yet occurred.

### 5.2.2 PJM InSchedule

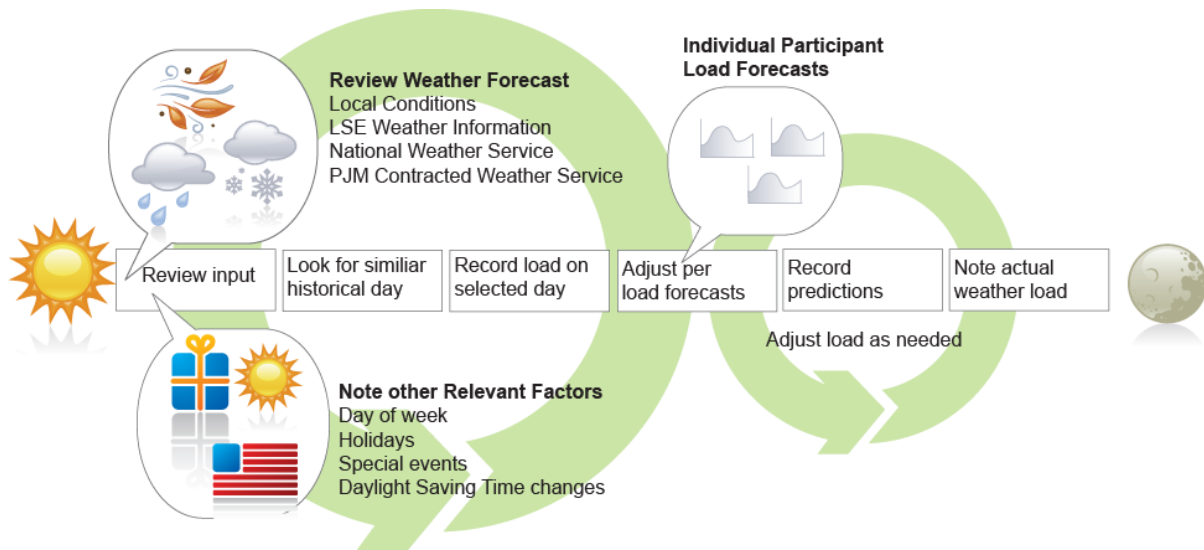
PJM InSchedule is an Internet application that is used, among other functions, to report internal Bilateral Transactions.

### 5.2.3 Load Forecasting

PJM scheduling staff requires load forecasts for up to ten days in the future. For each day, a 24-hour load shape is needed.

- The first step in developing a load forecast is to obtain the weather information for the time period. Weather information is provided to PJM at regular intervals by a contracted-for weather service. Additional weather data sources include the National Weather Service, radio news, LSE weather information, and existing local PJM RTO conditions.
- The forecast period is reviewed to determine any conditions that could affect the PJM RTO's load, including:
  - o Day of week
  - o Holidays
  - o Special events
  - o Daylight savings time changes
  - o Internal participant load forecasts
- Peak loads and load shapes are determined using a similar day's forecast. PJM retrieves the load data from a historical file and adjusts the forecasts, as needed, to reflect growth or other discrepancies.

Exhibit below presents the typical approach PJM uses to forecast load.



*Exhibit 1: Load Forecasting Process*

The load forecasts for each 24-hour period are input in the Marginal Scheduler program. PJM scheduling staff also posts these forecasts on the OASIS.

#### 5.2.3.1 PJM Member Load Forecasts

Each PJM Electric Distribution Company (EDC) within the PJM RTO provides PJM with a forecast of its requirements by 1100 on the day before the Operating Day. Regardless of how the PJM EDC's load is supplied, the PJM EDC submits the following Operating Day forecast information to the PJM:

- Midnight valley MW
- Morning peak MW
- Afternoon peak MW
- Evening peak MW

The hours for which the forecasts apply are specified and changed periodically by PJM and communicated to the PJM Members.

PJM compares the forecasts submitted by the PJM EDCs against the PJM RTO load forecast which is developed by PJM. The PJM EDCs' forecasts cover only four specified hours, while the PJM RTO forecast is for each hour of the Operating Day. Any significant discrepancies between the PJM EDCs' forecasts and the corresponding PJM RTO forecasts are reported to the PJM dispatcher. In general, the PJM RTO forecast takes precedence over the aggregate of the individual PJM EDCs' forecasts.

#### 5.2.4 Markets Database System

The Markets Database System is a two-part system:

- The Markets Database stores the basic resource data supplied by the PJM Members, including operating limits and resource availability.

- The Markets Gateway Web site that provides the Internet-based user interface that allows Market Participants to submit generation offers, Demand resource offers, Demand bids, Increment Offers, Decrement bids Regulation Offers and Synchronized Reserve Offers into the Markets Database.

The Markets Database is a very large database that contains information on each generating resource that operates as part of the PJM Energy Market, Demand resource information, Demand Information, Increment Offers, Decrement Bids, Regulation Offers, Synchronized Reserve Offers, Day-ahead Energy Market results, Day-ahead Scheduling Reserve Market Clearing Prices, Regulation Market Clearing Prices and Synchronized Reserve Market Clearing Prices. A description of the Markets Database can be found in the [Markets Database Dictionary](https://www.pjm.com/-/media/etools/markets-gateway/market-database-data-dictionary.ashx?la=en) (<https://www.pjm.com/-/media/etools/markets-gateway/market-database-data-dictionary.ashx?la=en>).

Market participants may access the Markets Database by using the PJM Markets Gateway Web site via the Internet using manual entry or bulk upload/download via XML format.

Please refer to the Energy Market Daily Exhibit below:

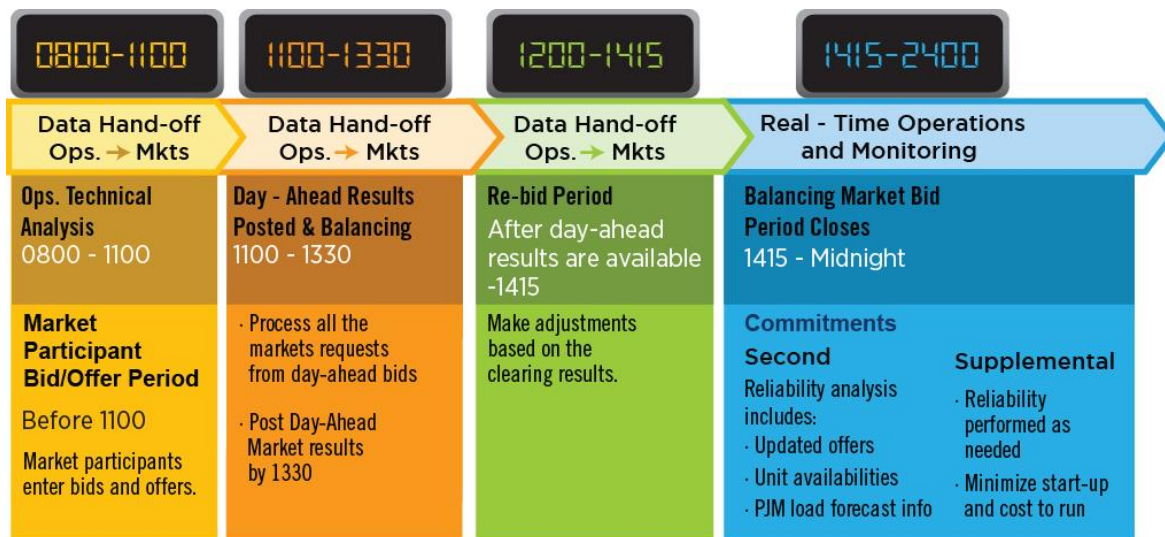


Exhibit 2: Energy Market Daily

- PJM clears the Synchronized Reserve and Regulation markets on an hourly basis. The following is the timeline by which this hourly clearing is accomplished:
  - o 60-minutes prior to the operating hour PJM executes the Ancillary Services Optimizer (ASO). The ASO jointly optimizes energy, synchronized reserves, non-synchronized reserves and regulation based on forecast system conditions to determine an economic set of inflexible reserve resources to commit for the operating hour

The data that needs to be submitted by PJM Members to participate in the Day-ahead Energy, Synchronized Reserve, and Regulation Markets is described in detail in the [Markets Database Dictionary](#).

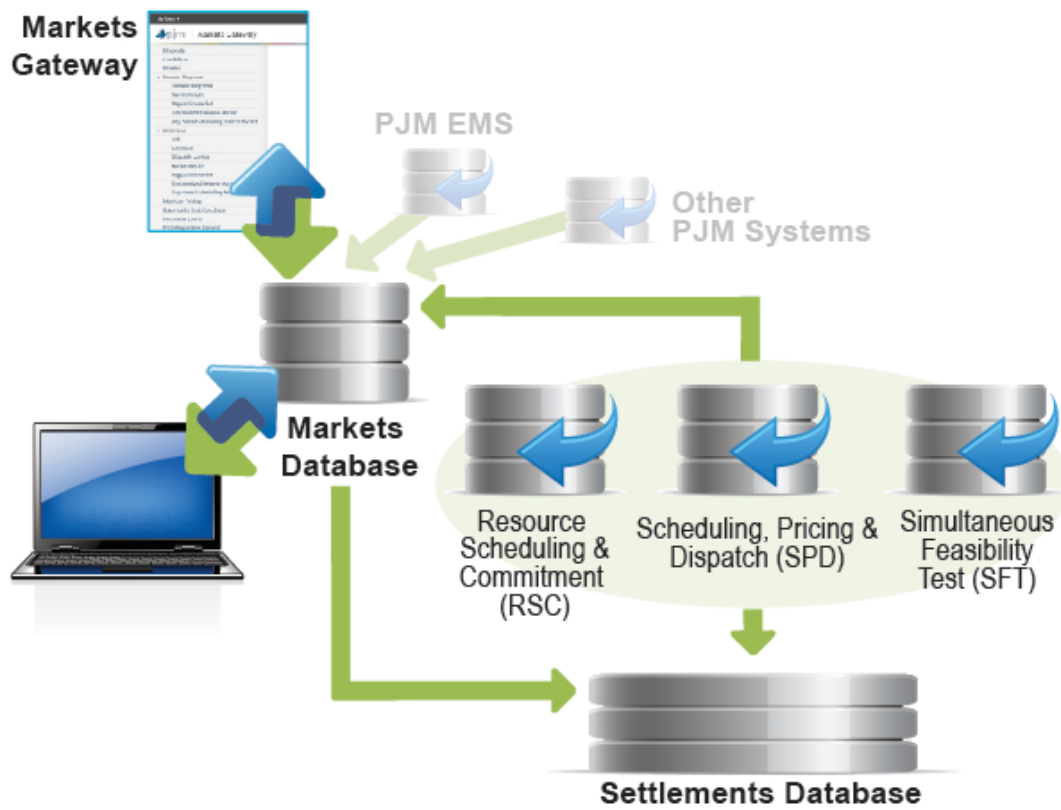
### 5.2.5 Hydro Calculator

For PJM RTO-Scheduled Resources, PJM is responsible for developing the schedules for the run-of-river and pumped storage plants located within the PJM RTO and turned over to PJM for coordination. To assure hydraulic coordination of the hydro plants, PJM uses a computer program called the Hydro Calculator. The Hydro Calculator computes hourly reservoir elevations and plant generation from input river flows and plant discharges. PJM scheduling staff uses the Hydro Calculator to concentrate on economic placement of available hydro energy.

### 5.2.6 PJM Day-ahead Energy Market Technical Software

The PJM Energy Market Technical Software is a set of computer programs, which performs a security-constrained resource commitment and economic dispatch for the Day-ahead Market. The individual programs are:

- **Resource Scheduling & Commitment (RSC)** –Performs security-constrained resource commitment based on generation offers, Demand resource offers demand bids, Day-ahead Scheduling Reserve Offers, Increment Offers, Decrement bids and transaction schedules submitted by participants and based on PJM RTO reliability requirements. RSC enforces physical resource specific constraints that are specified in the generation offer data and generic transmission constraints that are entered by the Market Operator. RSC provides an optimized economic resource commitment schedule for the next 48 hours and it utilizes a Mixed Integer linear programming solver to create an initial resource dispatch for the next operating day.
- **Scheduling, Pricing & Dispatch (SPD)** – Performs security-constrained *economic dispatch* using the commitment profile produced by RSC. SPD calculates hourly resource generation MW levels, LMPs and Day-Ahead Scheduling Reserve Clearing Prices for all load and generation buses for each hour of the next operating day. SPD utilizes a linear programming solver to develop the economic dispatch solution while respecting generic transmission constraints that affect dispatch, such as reactive interface limits, and thermal limits.
- **Simultaneous Feasibility Test (SFT)** – SFT performs AC contingency analysis using a contingency list from PJM EMS and creates generic constraints equations based on any violations that are detected. These generic constraints equations are then passed back to SPD for resolution. SFT ensures that the Day-Ahead Market results are physically feasible considering PJM RTO security constraints and reliability requirements.



*Exhibit 3: Settlement Subsystems*

The Energy Market technical software develops the Day-Ahead Market results based on minimizing production cost of energy and reserve to meet the Demand bids and Decrement bids that are submitted into the Day-Ahead Market while respecting the PJM RTO security constraints and reliability requirements that are necessary for the reliable operation of the PJM RTO.

Subsequent to the close of the generation Re-bidding Period at 1415, the RSC is the primary tool used to determine any change in steam resource commitment status based on minimizing the additional startup costs and costs to operate steam resources at economic minimum in order to provide sufficient operating reserves to satisfy the PJM Load Forecast (if greater than cleared total demand in the Day-Ahead Market) and adjusted Day-Ahead Scheduling Reserve (Operating Reserves) requirements. The purpose of this second phase of resource commitment, known as the Reliability Assessment and Commitment (RAC) run, is to ensure that PJM has scheduled enough generation in advance to meet the PJM Load Forecast for the next operating day and for the subsequent day. CT resources are included in the scheduling process and are scheduled in the Day-Ahead Market. However, the decisions concerning actual operation of pool-scheduled CT resources during the operating day are not made until the current operating hour in real-time dispatch.

### 5.2.6.1 Calculation of Day-Ahead Prices

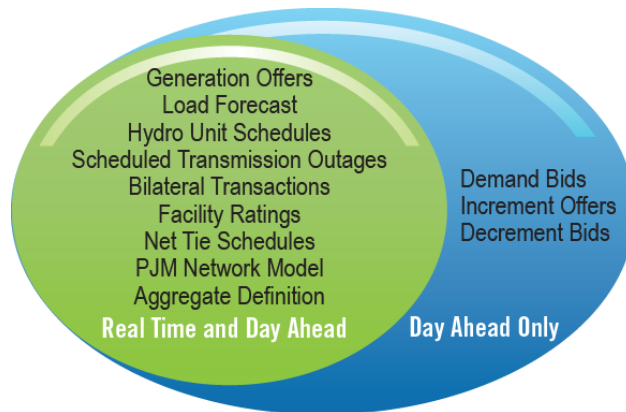
PJM's Day-Ahead energy market uses security constrained economic dispatch optimization software to determine the least-cost means of procuring supply to meet demand and meet



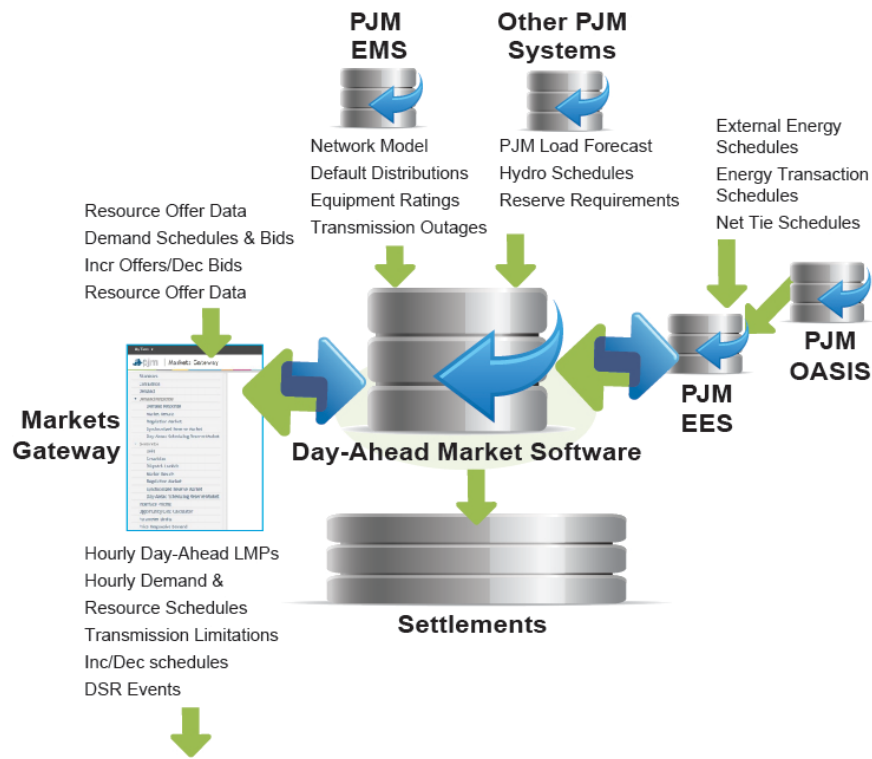
day-ahead scheduling reserve requirements in the PJM Region. The Day-Ahead market includes offers for energy and reserves from generation, bids from fixed and price-sensitive load, Increment Offers, Decrement Bids, Up-to Congestion Transactions, offers for demand reductions, and interchange transactions. Day-Ahead Locational Marginal Prices (LMPs) and reserve Market Clearing Prices (MCPs) are calculated for each hour, using the set of programs described in Section 5.2.6.

In performing this calculation, the Day-Ahead market shall calculate the cost of serving an increment of load at each bus from each eligible offer as the sum of the following components of Locational Marginal Price: (1) System Energy Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, increment offers, import transactions, and/or has offered to decrease consumption by an Economic Load Response Participant resource, Decrement Bid, export transaction or price sensitive demand bid (2) Congestion Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing consumption by a Demand Resource, based on the effect of increased generation from the resource on transmission line loadings, and (3) Loss Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission line losses. The offers that can serve an increment of load at a bus at the lowest cost, calculated in this manner, shall determine the Day-Ahead Price at that bus for each hour. These LMPs and MCPs shall be the basis for purchases and sales of energy and transmission congestion charges resulting from the Day-Ahead Energy Market.

### Download Data from Markets Database



*Exhibit 4: Download Data from Markets Database*



*Exhibit 5: Energy Market Data Flow*

**Section 6: Section Retired**

## Section 7: External Transaction Scheduling

Welcome to the External Transaction Scheduling section of the PJM Manual Energy & Ancillary Services Market Operations. In this section you will find the following information:

- How PJM may utilize a net interchange cap to manage interchange during emergency conditions
- An overview description of PJM-MISO Coordinated Transaction Scheduling (see “Overview of PJM-MISO Coordinated Transaction Scheduling”).
- A list of the PJM-MISO Coordinated Transaction Scheduling Business Rules (see “PJM-MISO Coordinated Transaction Scheduling Business Rules”).

Other information regarding External Transaction Scheduling, including that of PJM-MISO Coordinated Transaction Scheduling, is contained in the [PJM Regional Transmission and Energy Scheduling Practices](#) document.

### 7.1 Net Interchange Cap

During emergency conditions, PJM may elect to implement a cap on net interchange transactions to mitigate the impact of interchange volatility on system and price stability. The net interchange cap represents the maximum level of RTO-wide net interchange beyond which the scheduling of additional non-dispatchable transactions using Spot Market Import or non-firm hourly point to point transmission service is disallowed.

The net interchange cap may be implemented for the peak hour(s) of the day and the several surrounding hours when the following conditions are met. The application of the cap is evaluated individually for each eligible hour.

- A Hot or Cold Weather Alert or escalating emergency procedures as defined in PJM Manual 13: Emergency Operations for the RTO, Mid-Atlantic Dominion or Mid-Atlantic regions is in effect for the hour
- PJM dispatch has called on firm resources whose minimum operating criteria must be honored for the hour (e.g., dispatched demand response resources or combustion turbines)
- The level of interchange anticipated by PJM dispatch at the time the firm resource commitments are made, coupled with the firm resource commitments, are sufficient to meet the projected load pickup for the hour

When implemented, the interchange cap will apply for the entire hour. PJM dispatch may subsequently elect to adjust the interchange cap intra-hour in response to reliability concerns. The interchange cap value will be set equal to the interchange MW anticipated by PJM dispatch at the time the cap is implemented plus a 700 MW margin to allow additional interchange to be scheduled following the implementation of the cap in accordance with interchange scheduling rules.

Market participants will be notified of the potential for the implementation of the interchange cap day-ahead when a Hot Weather Alert or Cold Weather Alert has been issued for the operating day. Notification of the actual implementation of the cap will occur as soon as the cap

is implemented. The interchange cap will typically be implemented one to two hours in advance of the hour to which it is applied, coincident with the scheduling of additional firm resources. The implementation notification will include the hour(s) to which the cap applies and the MW value at which the net interchange cap has been set. Notifications will occur via the Emergency Procedure Posting Application.

## 7.2 Overview of the PJM-MISO Coordinated Transaction Scheduling

PJM-MISO Coordinated Transaction Scheduling (PJM-MISO CTS) is an optional product available for scheduling Real-time energy market transactions between PJM and MISO. PJM-MISO CTS facilitates the efficient scheduling of interchange between the two regional transmission organizations (RTO) by utilizing forecasted LMPs and participant-provided interface bids to clear only those transactions deemed economically consistent with projected interface price spreads.

Market Participants submit PJM-MISO CTS bids in PJM's ExSchedule system. Validated bids are then passed to both PJM and MISO's look-ahead commitment engines. In real-time, PJM sends MISO the forecasted LMPs calculated for PJM's MISO interface, while MISO sends PJM the forecasted LMPs calculated for MISO's PJM interface to use as inputs to the CTS clearing process. Every 15 minutes in real-time, each RTO uses its look-ahead commitment engine to clear only those CTS bids that have an interface bid price that is less than or equal to the projected interface price positive spread and which is scheduled in the direction that is consistent with that price positive spread. PJM and MISO then exchange the CTS clearing results. A common clearing process then reconciles the CTS bids independently cleared by PJM and MISO. For each CTS bid, only those transaction MW that were cleared by both PJM and MISO are scheduled to flow.

## 7.3 PJM-MISO Coordinated Transaction Scheduling Business Rules

Please refer to the PJM Regional Transmission and Energy Scheduling Practices for rules governing submission of PJM-MISO CTS transactions.

### 7.3.1 CTS Bid Clearing

The Intermediate Term Security Constrained Economic Dispatch (IT SCED) engine clears CTS bids in PJM. A similar engine clears CTS bids for MISO. Only the CTS bids commonly cleared between PJM and MISO are scheduled to flow. The reconciliation of commonly cleared CTS bids is discussed in section 7.3.2

In preparation for CTS clearing, IT SCED receives CTS bids plus the forecasted interface LMP for MISO's PJM interface. Using these inputs plus the forecasted LMP for PJM's MISO interface, which is calculated within the IT SCED case, IT SCED clears a CTS bid segment if one of the following conditions is satisfied:

- For a bid scheduled from PJM to MISO:

$$\text{If CTS bid segment price} < = \$MISO\_interface - \$PJM\_interface$$

- For a bid scheduled from MISO to PJM:

$$\text{If CTS bid segment price} < = \$PJM\_interface - \$MISO\_interface$$

**Where:**

**\$PJM\_interface:** LMP for the MISO interface as calculated by PJM

**\$MISO\_interface:** LMP for the PJM interface as calculated by MISO

In the event that only a portion of the CTS MW offered are needed in order to satisfy power balance in the IT SCED case, CTS MW bid segments may be partially cleared. In the case of a tie among multiple bids, cleared MWs are prorated across tying bids based on the size of the marginal MW segment for each tying bid. The proration of cleared MW across tying bids is calculated based on the following formula:

$$MW_{transaction} = MW \text{ needed for power balance} * (MW \text{ from transaction's marginal segment} / \text{total MW available at tying CTS Bid Price})$$

### 7.3.2 CTS Common Clearing

Common Clearing is a process that reconciles the results of CTS clearing from the MISO CTS and PJM IT SCED solutions. For each CTS bid, only those transaction MW that are cleared by both PJM and MISO are scheduled to flow. Therefore:

*Commonly Cleared CTS Transaction MW minimum*

$$(ClearedMW_{PJM\_CTS_x}, ClearedMW_{MISO\_CTS_x})$$

The Common Clearing process executes for each 15 minute scheduling interval (HH:00, HH:15, HH:30, HH:45) at approximately 25 minutes before the start of CTS transaction. For example, the common clearing process for 12:00 runs at approximately 11:35.

The commonly cleared CTS results are posted in the ExSchedule portal immediately following the execution of the common clearing process. Please see the PJM Regional Transmission and Energy Scheduling Practices for additional details regarding the communication of CTS clearing results.

### 7.3.3 CTS Clearing Suspension

For reliability or system maintenance reasons, either PJM or MISO may suspend the evaluation and clearing of CTS transactions temporarily. During the affected time, all CTS transaction are cleared to 0 MW. Possible reasons for CTS suspension include but are not limited to:

- Emergency operational condition where all export transactions with non-firm transmission service are being curtailed;
- Initiation of Maximum Emergency Generation Action procedures;
- Scheduled system outage / maintenance;
- Inability to send or receive accurate forecast LMP data to/from partner RTO;

A message will be displayed in the ExSchedule system whenever CTS suspension is in effect.

### 7.3.4 CTS Settlement

PJM-MISO CTS transactions are settled in the same manner as typical real-time interchange transactions. The projected IT SCED interface LMPs are used for clearing purposes only. CTS transactions are settled at the real-time interface LMPs. CTS transactions are not eligible for

make whole payments if the real-time PJM-MISO interface price spread does not cover the CTS bid price.

## Section 8: Posting OASIS Information

Section Removed: Information regarding Posting OASIS Information is contained in the online OASIS User Guide, which is available at: <https://www.pjm.com/markets-and-operations/etools/oasis/oasis-user-guide.aspx>.



## Section 9: Hourly Scheduling

Welcome to the Hourly Scheduling section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section, you will find the following information:

- How schedules may be adjusted on an hourly basis (see “Hourly Scheduling Adjustments”).
- How pre-planned operating schedules may be changed by PJM or PJM Members to reflect new conditions (see “Self-Schedule Adjustments”).

### 9.1 Hourly Schedule Adjustments

At times Market Sellers may benefit from having the ability to differentiate and update their offers, and other associated parameters, on an hourly basis to more accurately reflect their true cost of generation or account for other operating conditions. This section discusses the timing, parameters, and process for updating schedules for use in the Real-time Energy Market.

Generation and Demand Resources may alter their offers for use in the Real-time Energy Market during the following periods (real-time update periods):

- During the Generation Rebidding Period which is defined from the time the Office of Interconnection posts the results of the Day-Ahead Energy Market until 1415.
- Starting at 1830 (typically after the Reliability Assessment and Commitment (RAC) Run is completed) and up to 65 minutes prior to the start of the operating hour (T-65 min).

The following generation offer parameters may be updated during the real-time update periods, with exceptions as noted below:

- Incremental Offer Price
  - o For Price-based offers, it may be increased or decreased for uncommitted hours, but may only be decreased for committed hours. When determining whether an update constitutes an increase or decrease, each segment of the updated offer curve will be compared to each segment of the incremental offer curve that existed for the schedule and hour at the time the resource most recently received a commitment for that hour.
  - o For Cost-based offers, they may be increased or decreased for both committed and uncommitted hours.
- Incremental Offer MW
  - o During the Generation Rebidding Period, Offer MW may only be updated for hours that did not receive a commitment in the Day-Ahead Market.
  - o Following the close of the Generation Rebidding Period, no updates to the Incremental Offer MW may be made, regardless of resource commitment status.
- Emergency Minimum and Maximum MW Limits
  - o These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply.

- Economic Minimum and Maximum Limits
  - o These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply.
- Startup Cost (Cold, Intermediate, Hot) and No-Load Cost
  - o Cost-based Startup and No-Load values (on either a price-based or cost-based schedule) may be increased or decreased for both committed and uncommitted hours.
  - o Price-based Startup and No-Load values may not be updated outside of the open enrollment periods as specified in Section 2.3.3 of this Manual.
- Minimum Run Time
  - o Hourly differentiated Minimum Run Time values are only considered for use during real-time commitment and dispatch.
  - o Minimum Run Time may not be updated for any hour that has received a commitment in the Day-Ahead or Real-time Market.
- Notification Time
  - o Hourly differentiated Notification Time values are only considered for use during real-time commitment and dispatch.
- Schedule Availability
  - o During the Generation Rebidding Period, Schedule Availability may only be updated for schedules that did not receive a commitment in the Day-Ahead Market.
  - o No updates to Schedule Availability may be made following the close of the Generation Rebidding Period, regardless of schedule commitment status, except for dual fuel resources.
    - Resources designated as “Dual Fuel Capable” in Markets Gateway may submit hourly differentiated schedule availability for cost-based schedules following the close of the Generation Rebidding Period, for uncommitted hours only, in order to communicate fuel availability.
- Switch to Cost Schedule Flag
  - o May not be updated during the Generation Rebidding Period.
- Any hourly updates made to the Offer Updates or Detail Updates pages of Markets Gateway supersede the daily values on the Offer and/or Detail pages. Hourly updates made on the Offer Updates or Detail Updates pages are not automatically carried over into the next operating day.

The following Demand Resource offer parameters may be updated during the real-time update periods, with exceptions as noted below:

- Incremental Offer Price
  - o Offer Price may not be updated for any hour that has received a commitment in the Day-Ahead or Real-time Market.

- Incremental Offer MW
  - During the Generation Rebidding Period, Offer MW may only be updated for hours that did not receive a commitment in the Day-Ahead Market.
  - No updates to Incremental Offer MW may be made following the close of the Generation Rebidding Period, regardless of resource commitment status.
- Economic Minimum and Maximum MW Limits
- Shutdown Cost
  - Shutdown Cost may not be updated for any hour that has received a commitment in the Day-Ahead or Real-time Market.
- Minimum Down Time Limit
  - Hourly differentiated Minimum Down Time is only considered for use during real-time commitment and dispatch.
  - Minimum Down Time may not be updated for any hour that has received a commitment in the Day-Ahead or Real-time Market.
- Notification Time
  - Hourly differentiated Notification Time is only considered for use during real-time commitment and dispatch.
  - Any hourly changes made on the Offer Updates or Hourly Updates screens in Markets Gateway supersede the values on the Offers and Parameter pages.

The following ESR participation model offer parameters may be updated during the real-time update periods, with exceptions as noted below:

- Mode selection (charge, discharge, continuous, unavailable)
- Economic Minimum and Maximum Charge Limits
  - These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply
- Economic Minimum and Maximum Discharge Limits
  - These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply
- Emergency Minimum and Maximum Charge Limits
  - These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply
- Emergency Minimum and Maximum Discharge Limits
  - These parameters are not subject to the T-65 min update deadline and may be updated through the end of the operating hour to which the updates apply
- Hourly state of charge (for informational purposes only)

### 9.1.1 Intraday Offers Optionality

The ability to submit intraday offers in Markets Gateway is an optional feature. Market Sellers who wish to submit updates to their generation resource offers after the close of the Generation Rebidding Period have to formally opt in in the resource's Fuel Cost Policy and in Markets Gateway. By default, generation resources are designated as opted out of intraday offers.

Market Sellers may still submit offers for a generation resource that has been opted out of intraday offers into the Day-Ahead Market and update those offers during the Generation Rebidding Period for any hours not committed in the Day-Ahead Market. However, the Market Seller cannot submit any offer parameter updates following the close of the Generation Rebidding Period, except as follows:

- Economic Minimum and Maximum Operating Limits, Emergency Minimum and Maximum Operating Limits and other information on the Unit Hourly Updates screen in Markets Gateway may still be updated through the end of the operating hour. Hourly differentiated Notification Time may be updated through T-65 minutes.
- Market Sellers that opt-out of Intraday Updates may not specify hourly differentiated Minimum Run Time values.
- Certain Regulation Offer parameters may be updated in real-time as specified in Section 3.2.2 of this Manual.
- Certain Synchronized Reserve Offer parameters may be updated in real-time as specified in Section 4.2.4 of this Manual.

For Market Sellers that have opted in, any intraday updates to cost-based offers must comply with the criteria defined in the resource's approved Fuel Cost Policy.

Market Sellers must specify the opt in/opt out election for each generation resource individually. The election to opt in to intraday offer updates must be specified in the generation resource's Fuel Cost Policy. The Market Seller's election in Markets Gateway must be consistent with the resource's Fuel Cost Policy. Market Sellers should opt the resource out of intraday offer updates in Markets Gateway if the resource's Fuel Cost Policy does not specify methods for intraday offer updates.

Opt in/opt out elections apply at a minimum on a monthly basis. Market Sellers must designate their election by midnight of the 15<sup>th</sup> day of the month prior to the month the election will begin. The election will continue until the user cancels. An exception to this deadline will apply to election changes that are driven by a change to the frequency of cost determination in the resource's approved Fuel Cost Policy. In this case, the election may be changed upon approval of the revised Fuel Cost Policy.

## 9.2 Self-Schedule Adjustments

During the course of Bulk Electric System operations, planned and unplanned events may continually occur. This section discusses the process by which pre-planned operating schedules may be changed by PJM or PJM Members to reflect new conditions.

A PJM Member may adjust the schedule of a resource under its dispatch control (Self-Scheduled Resource) on an hour-to-hour basis beginning at 2200 of the day before the Operating Day under the following conditions:

- Subject to the right of PJM to schedule and dispatch Self-Scheduled Resources in an Emergency.
- Provided that PJM is notified no later than 65 minutes prior to the hour in which the adjustment is to take effect.

The following adjustments may be made:

- A PJM Member may self-schedule any of its resource increments, including hydro power resources not previously designated as Self-Scheduled Resources and not selected as a PJM RTO – Scheduled Resource.
- A PJM Member may request the scheduling of a new Bilateral Transaction that uses non-firm transmission service.
- A PJM Member may remove from service a resource increment, including a hydro power resource that it had previously designated as a Self-Scheduled Resource, provided that PJM has the option to schedule energy from such resource increment at the price offered in the scheduling process, with no obligation to pay any start-up fee.

An External Market Buyer may refuse delivery of some or all of the energy it requested to purchase by notifying PJM dispatcher of the adjustment in deliveries no later than 20 minutes prior to the hour in which the adjustment is to take effect. Any such refusal of delivery shall be subject to non-delivery charges as described in the PJM Manual 28:[Operating Agreement Accounting](#).

## Section 10: Overview of the Demand Resource Participation

Welcome to the Overview of the Demand Resource Participation section of the PJM Manual Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the Demand Resource Participation in the PJM Energy Market (see “Overview of the Demand Resource Participation”).
- A list of the Demand Resource Registration Requirements (see “Demand Resource Registration Requirements”).
- A list of the Demand Resource Energy Market Participation (see “Demand Resource Economic Energy Market Participation”).
- A list of the Demand Resource Metering and Settlement Data Requirements (see “Demand Resource Metering and Settlement Data Requirements”).
- A list of the aggregation rules for Economic and Pre-Emergency/Emergency Demand Resources (see “Aggregation for Economic and Pre-Emergency/Emergency Demand Resources”).
- A list of the interval meter equipment and load data requirements (see “Interval Meter Equipment and Load Data Requirements”).
- A list of the rules regarding the use of Sub-meter load data (see “Use of Sub-meter Load Data to Support Demand Response Regulation Compliance”).

### 10.1 Overview of Demand Resource Participation

The integration of Demand Response into the PJM Markets recognizes the importance of load response to a fully functioning market as well as the effect of load response on the reliability of the grid. The purpose of these rules is to enable Demand Resources under the direction and control of Curtailment Service Providers to participate in the various PJM markets. Curtailment Service Providers (CSPs) are Members or Special Members of PJM that participate in the PJM Markets by causing Demand Resources to reduce demand.

PJM Emergency or Pre-Emergency Load Response enables Demand Resources that reduce load during emergency or pre-emergency conditions to receive payment for those reductions.

- Demand Resources in the Energy Only Option of Emergency Load Response are defined as Demand Resources that receive only an energy payment for reductions.
- Demand Resources in Full Emergency or Pre-Emergency Load Response are defined as Demand Resources that receive both an energy payment for reductions and a capacity payment.
- Demand Resources in Capacity Only Option of Emergency or Pre-Emergency Load Response are defined as Demand Resources that receive only a capacity payment for reduction.

PJM Economic Load Response enables Demand Resources to respond to PJM energy, synchronized reserve, and/or day-ahead scheduling reserve prices by reducing consumption

and receiving a payment for the reduction or following PJM signal to reduce or increase load if providing regulation services.

- The Day-ahead Option provides a mechanism by which any qualified market participant may offer Demand Resources the opportunity to reduce the load they draw from the PJM system in advance of real-time operations and receive payments based on day-ahead LMP for the reductions
- The Real-time Option provides a mechanism by which any qualified market participant may offer Demand Resources the opportunity to commit to a reduction and receive payments based on real-time LMP for the reductions.

Energy Settlements shall be limited to demand reductions that are executed in response to the real-time and/or day-ahead LMP or as dispatched by PJM and that are not implemented as part of normal operations. Reductions that do not meet these requirements are not eligible for settlement. Examples of ineligible settlements include, but are not limited to the following:

- Settlements based on variable demand where the timing of the demand reduction supporting the settlement did not change in direct response to the real-time and/or day-ahead LMP
- Consecutive daily settlements that are the result of a change in normal demand patterns that are submitted to maintain a CBL that no longer reflects the relevant end-use customer's demand.
- Settlements based on On-Site Generator data if the On-Site Generation is not supporting demand reductions executed in response to the real-time and/or day-ahead LMP
- Settlements based on demand reductions that are the result of operational changes between multiple end-use customer sites in the PJM footprint except that settlements based on such demand reduction shall be allowed if the demand reduction alleviates congestion.
- Settlements based on load reductions from normal operations that would have occurred without PJM dispatch, or that would have occurred absent PJM energy market compensation as approved under Order 745.

PJM shall disallow settlements for demand reductions that do not meet the requirements set forth above. If the CSP continues to submit settlements for demand reductions that do not meet the requirements set forth above then PJM shall suspend the CSP's Energy Market activity and refer the matter to the FERC Office of Enforcement.

### **10.1.1 Economic Load Response Participant Review Process**

PJM shall review the participation of a CSP, EDC and/or LSE in the Energy Market under the following circumstances:

- The CSPs registrations are disputed more than 10% of the time by the relevant EDC or LSE.
- The CSP's settlements are disputed more than 10% of the time by the relevant EDC or LSE.

- The CSP's settlements are denied by PJM more than 10% of the time.

PJM shall have 30 days to conduct the required review. PJM may refer the matter to the PJM MMU and/or the FERC Office of Enforcement if the review indicates the relevant CSP and/or EDC or LSE is engaging in activity that is inconsistent with the Economic Load Response rules.

## 10.2 Demand Resource Registration Requirements

Curtailment Service Providers (CSPs) shall register Demand Resources that choose to participate in the PJM Energy, Capacity, Synchronized Reserve, Day-Ahead Scheduling Reserve or Regulation Market according to the rules and requirements set forth below. A CSP is required to have effective agreement with a customer to register a location.

### 10.2.1 Registration combinations

One or more CSPs may register the same location (EDC account number) to one or more registrations based on the following conditions:

Scenario	Economic (Energy, SR, DASR, Reg)	Economic (Energy Only)	Economic Regulation Only	Emergency or Pre-Emergency Capacity Only	Emergency or Pre-Emergency Full (Capacity and Energy)	Emergency Energy Only
CSP1	Yes	No	No	No	Yes	No
CSP1	Yes	No	No	Yes	No	Yes
CSP1	Yes	No	No	No	No	Yes
CSP2	No	No	No	Yes	No	No
CSP1	No	No	Yes	No	No	No
CSP2	No	Yes	No	No	Yes	No
CSP1	No	Yes	Yes	No	No	Yes
CSP2	No	No	No	Yes	No	No
CSP1	No	No	Yes	No	No	No
CSP2	No	Yes	No	No	No	Yes
CSP3	No	No	No	Yes	No	No

Economic (Energy, SR, DASR, Reg) – a registration that allows participation in the energy market and ancillary service market(s) if certified and approved by PJM.

Economic (Energy Only) – an economic registration that only allows participation in the Energy market. This is normally used when one economic CSP has an Economic Regulation Only registration and the second economic CSP has the Economic (Energy Only) registration.



Economic Regulation Only – a registration that only allows participation in the Regulation market.

Emergency Capacity Only – a registration that only allows participation in capacity market as an RPM or FRR capacity resource. If the registration is dispatched for emergency conditions the resource does not receive an energy payment. Only resources that rely on On-Site Generation to fulfill its load reduction obligations and have environmental restrictions as defined and required by applicable local, state or federal law, ordinances and regulations, on when it can operate such that it is only permitted to operate if PJM is in emergency conditions may register as Emergency Capacity Only resource.

Pre-Emergency Capacity Only – a registration that only allows participation in Capacity market as an RPM or FRR capacity resource. If the registration is dispatched for Pre-Emergency conditions the resource does not receive an energy payment.

Emergency Full (Capacity and Energy) – same as Emergency Capacity Only registration but receives emergency energy compensation when dispatched for emergency conditions. Only resources that rely on On-Site Generation to fulfill its load reduction obligations and have environmental restrictions on when it can operate such that it is only permitted to operate if PJM is in emergency conditions may register as Emergency Full resource.

Pre-Emergency Full (Capacity and Energy) – same as Pre-Emergency Capacity Only registration but receives emergency energy compensation when dispatched for Pre-Emergency or emergency conditions.

Locations that register with one CSP for Emergency Full or Pre-Emergency Full can register with second CSP only for Economic Regulation-Only

Locations that register with one CSP for Emergency Capacity Only or Pre-Emergency Capacity Only can register with second CSP for:

- Economic (Energy, SR, DASR, Reg) or;
- Economic (Energy Only) and/or;
- Economic Regulation Only

Locations that register with one CSP for Emergency Capacity Only or Pre-Emergency Capacity Only, and with second CSP for Economic Regulation Only, can also register with third CSP for Economic (Energy Only).

A single location may only register as either Pre-Emergency or Emergency resource for the Delivery Year.

### 10.2.2 Curtailment Service Providers

The following business rules apply to Curtailment Service Providers:

- Prior to participating in the PJM Markets, Curtailment Service Providers must complete a registration in the appropriate PJM Tool which identifies the specific location(s) based on the unique EDC account number that will participate and their associated load reduction capability. Curtailment Service Providers shall maintain the accuracy of the registration information provided to PJM for each demand resource and each time the CSP registers the location or extends the registration, the CSP will review all information to ensure it is reasonably accurate and update as necessary. On a periodic basis, PJM may request

supporting information from the CSP to verify that the information provided by the CSP is reasonably accurate.

- In order to register demand resources all specific information as defined in the DR Hub User Guide shall be provided including the following:
  - o Business Segment - CSPs shall classify locations according to the location's primary purpose or business use. CSP should first determine if the location's business use falls under one of the following primary categories: Hospitals, Industrial / Manufacturing, Multiple Dwelling Unit, Office Building, Residential, Retail Service, Correctional Facilities or Schools. In cases where the location does not fit into one of the primary categories the CSP shall select from one of the following categories: "Agriculture, Forestry and Fishing", "Mining", "Transportation, Communications, Electric, Gas and Sanitary Services" or "Services". A description of each category is included in the DR Hub user guide.
  - o Max Load – CSPs best estimate of annual peak load.
  - o Load Reduction Method and associated Capability - The CSPs shall provide for each location the load reduction method and the associated load reduction kilowatt capability. Load reduction methods indicate the type of electrical equipment that is controlled to provide the demand response activity and include: Heating, Ventilation and Air Conditioning (HVAC), Lighting, Refrigeration, Manufacturing, Water Heaters, Batteries, Plug Load and Generation.
    - A Plug Load represents an electronic device that is plugged into a socket, which is not already represented by the methods described above. Examples of Plug Load include IT Peripherals, such as large computers, monitors, printers, routers, copiers and scanners or appliances such as washers, dryers or dishwashers.
  - o The CSP shall provide the load reduction kilowatt capability for each method which represents a reasonable estimate of the location's expected hourly energy load reduction (at the retail meter) that will be performed during a system emergency when wholesale energy prices are high and the resource participates in the wholesale market. The load reduction kilowatt capability may be significantly different than the capacity commitment or the economic energy offered into wholesale market on a daily basis. The load reduction capability should not reflect the entire load for the location unless the location expects to reduce all loads during a PJM emergency when participating in the wholesale capacity and/or energy market. If Generation will be used to reduce all of the load at the location and the location will reduce load with other load reduction methods then the Generation load reduction capability should reflect the expected load after the other load reduction methods have been deployed (this allows the sum of each load reduction method capability (Max Output) to reflect the total load reduction capability for the location).
  - o The CSP shall report the following generation attributes for each generation unit at the location. Only locations with OnSite Generation that are used to provide the load reduction and have environmental restrictions as defined and required by applicable local, state or federal law, ordinances and regulations that require emergency conditions to operate may qualify as an Emergency Demand Resource. Multiple generators may be listed.

- Non-Retail BTMG – CSPs shall indicate if the generator is used to serve multiple retail electricity customer with use of a distribution system. This would typically be located in a municipal electric system or electric cooperative.
- Max Output – CSPs shall provide PJM with the kW output that the generator will use for PJM Demand Response load reduction.
- Backup Generator Only – CSP shall indicate if the generator is used exclusively to maintain electricity during an unexpected or unplanned disconnection from the grid or for PJM Demand Response load reduction. CSP should select “No”, if a generator typically operates to reduce load (peak shaving, combined heat and power/cogen, etc.).
- On-Site Generator Type - CSPs shall provide PJM with the type of On-Site Generation used for load reduction. On-Site Generator types are: Internal Combustion Engine, Combustion Turbines, Steam Engines and Cogeneration units (this also includes Central Heat and Power units).
- Generator Fuel Type - Locations that use generators, in whole or in part as a load reduction method, shall provide PJM with the primary fuel type used for each generator which includes: Coal, Diesel, Natural Gas, Oil, Gasoline, Kerosene, Propane, Wood, Landfill Gases and Waste products. In cases where the On-Site Generator has a mixed fuel type, CSPs should report on the primary fuel source as the On-Site Generator fuel type.
- Generator Vintage - The year the generator was built (included on nameplate). If you do not know the exact year the CSP should use reasonable estimate.
- Generator Retrofit Year - If the generator was retrofit for pollution control equipment please include the year of the retrofit or a reasonable estimate of year if specific year is not available.
- Nameplate Capacity - MW rated capacity for the generator.
- Permit Status - The current status of environmental permits for the generator where:
  - "Available" - indicates that the CSP represents to PJM that the end-use customer generator has all the Local, State and Federal permits required to operate in the PJM Market as a demand response resource. Unless notified otherwise, the Office of the Interconnection shall deem such representation applies to each time the On-Site Generator is used to reduce demand to participate in the PJM markets and that the On-Site Generator is being operated consistent with all applicable permits.
  - 
  - "Permit Application in Progress" - indicates that the CSP represents to PJM that one or more of the required Local, State and/or Federal permits for the end-use customer generator are pending and are expected to be received prior to the effective date of registration. CSP will terminate the registration, if the On-Site Generator is the only source for the demand response activity, and update the status if necessary permits are not received prior to such end-use customer generator's registration effective date.

- "Not Applicable" – indicates that the CSP represents to PJM that one or more of the Local, State and/or Federal permits for the end-use customer generator are not required for generator to participate as a demand resource and all other necessary permission from appropriate Local, State and Federal environmental agencies has been received.
- Permit Type – The permit type indicates whether On-Site Generators can run during emergency or non-emergency conditions:
  - "Emergency Only" – An "Emergency Only" permit type indicates that the On-Site Generator has the Local, State and Federal permits required to operate in the PJM Market as a demand response resource during grid emergency conditions. This also indicates that such location may qualify as Emergency resource instead of being a Pre-Emergency resource.
  - "Non-Emergency" – A "Non-Emergency" permit type indicates that the On-Site Generator has the Local, State and Federal permits required to operate in the PJM Market as a demand response resource during emergency and non-emergency grid conditions.
- Interconnection Type – The CSP will indicate if the generator is interconnected to allow injections onto the transmission and distribution system. The CSP will designate as: "none", "ISA", "WMPA", "NEM", "PURPA QF" or other category as necessary. If ISA, WMPA, or PURPA QF then CSP will also provide the appropriate PJM reference to the generator and the associated amount of injection rights.
- o The CSP shall report the following battery attributes used as an On-Site Generator at the location
  - Max Output – CSPs shall provide PJM with the kW output that the battery will use for PJM Demand Response load reduction
  - Battery Capacity (kW 1C) – maximum kW discharge capability in one hour
  - Vintage – the year the battery was manufactured
  - Chemistry – indicate the type of battery technology. Chemistry types are: Lithium-Ion, Lithium-Air, Lithium-Metal, Lithium-Sulfur, Lead Acid, Zinc-Ion, Sodium-Ion, Sodium-Metal Halide, Magnesium-Ion, Magnesium-Lithium Hybrid, Zinc-Manganese Oxide, Vanadium-Redox Flow, Zinc-Polyiodide Flow, Organic Aqueous Flow
  - Type – indicate the installation setup for the battery. Types are: Electric Vehicle, PV system, Stand alone.
- Economic registrations must have the same EDC, LSE, Transmission zone and Pricing point where each location is defined as a unique EDC account number and may be included on the registration subject to aggregation rules in this Manual. Emergency registrations, Economic Regulation Only registrations, and Economic registrations for Residential customers that do not participate in the Day-Ahead Market must have the same EDC and Transmission zone.

- If CSP has Economic Regulation Only registration then Economic registration will only allow same location(s) to participate in energy market (“Economic (Energy Only)” in chart above) and they will not be permitted to participate in the SR or DASR market.
- If CSP has Economic registration with any certified Ancillary Service (SR, DASR or Reg) then Economic Regulation Only registration may not be submitted.
- Economic Regulation Only CSP must be able to manage regulation for location whether or not the location has been called to provide capacity during an emergency or pre-emergency situation or is providing a load reduction as an economic resource in the energy market.
- Demand resources may be registered simultaneously as Economic Load Response Resources and Emergency or Pre-Emergency Load Response Resources.
- Demand resources may switch CSPs. The CSP registering the switching Demand resource shall provide PJM with the registration information of the resource. Registrations may only be submitted when there is an effective contract with the customer for the term and product on the registration. CSP shall check their records to ensure they have an effective contract to support the registration and contact customer as appropriate before they submit the registration. PJM treats the switching as a new registration. If the current registration is a full emergency or full Pre-Emergency registration and the Delivery Year has begun, the new registration is denied. Both new and current CSPs are notified by PJM of the switch and are given 5 business days to affirm they have a valid contract with the end-use customer for the term and product as included on their registration and notify PJM through the appropriate system that the customer has affirmed the contract. After 5 business days, if only one CSP has affirmed their registration in the appropriate PJM system, that CSP’s registration continues and the other registration is terminated as soon as possible. If both CSPs have affirmed their registration, both registrations are terminated as soon as possible. In order to accommodate Day-ahead load response the switch or termination becomes effective at 0001 of the third business day after the previous registration is terminated or deemed terminated by PJM. The previous registration will remain active for the sole purpose of settlement of load reductions that occurred before the switch became effective.
- Demand Resources intending to run an On-Site Generator in support of local load represents to PJM that it holds all applicable environmental and use permits for running those generators by submitting a registration. Continuing participation is deemed as a continuing representation by the owner that each time its On-Site Generator is run it complies with all applicable permits, including any emissions, run-time limit or other constraint on plant operations that may be imposed by such permits.
- CSPs with an On-Site Generator with interconnection rights to participate in the wholesale markets with injections onto the grid through an ISA or WMPA shall:
  - o Inform PJM that the On-Site Generator will participate as DR to offset load through existing DR market rules and participate as a generation resource with injections as defined by generation market rules.
  - o Install and maintain telemetry at the point of interconnection and the On-Site Generator, as outlined in PJM Manual 14D: Generator Operational Requirements.
  - o Request CBL review if generator will participate as an Economic DR resource in the energy market. This is to ensure the load reductions from the On-Site Generator

- can be quantified separately from generator injections onto the grid. Load reductions done in order to inject power onto the grid are considered part of normal operations and therefore not eligible for Economic DR settlements.
- o Manage the DR offers to reduce load and/or Generation offers to inject power in the wholesale markets based on the actual generator capability. CSP will make sure that the total offer amount for the modelled resources will not exceed the capability for the generator. All regulation offers will be made through the DR modelled resource or as otherwise approved by PJM.
  - A Curtailment Service Provider shall not submit a request to be an Emergency resource (instead of Pre-Emergency) unless it has done its due diligence to confirm that the Demand Resource meets the requirements and has obtained from the end-use customer documentation supporting the exception request. The Curtailment Service Provider shall provide the Office of the Interconnection with a copy of such supporting documentation within three (3) business days of a request therefor. Failure to provide such supporting documentation by the deadline shall result in the Demand Resource being classified as a Pre-Emergency resource.
  - Emergency and Pre-Emergency resource emergency or pre-emergency offer price may not exceed the following:
    - o 30 minute lead time: \$1,000/MWh, plus the applicable Primary Reserve Penalty Factor from the first step of the demand curve, minus \$1.00
    - o Approved 60 minute lead time: \$1,000/MWh, plus [the applicable Primary Reserve Penalty Factor from the first step of the demand curve divided by 2]; and
    - o Approved 120 minute lead time: \$1,100/MWh.
    - o Please refer to section 2.8 of this Manual for the business rules regarding when emergency or pre-emergency are eligible to set LMP.

#### 10.2.2.1 Dispatch Groups

- Economic demand resource registrations may be associated with a dispatch group. The dispatch group will allow the Curtailment Service Provider to have one Real-time or Day-Ahead energy market bid for the entire dispatch group.
- The dispatch group must have registrations with the same Transmission Zone and energy market pricing point.
- Registrations that participate in ancillary service markets will not be permitted to use a dispatch group unless approved by PJM.
- Registrations cannot be in a dispatch group and as a standalone registration. This will ensure that each registration is only available to bid once in the market and avoid duplications.
- Registrations must be confirmed before they may be added to a dispatch group.
- Registrations that clear in the Day-ahead Market are not allowed to be assigned to dispatch group on same day it cleared in Day-ahead Market. If CSP does try to assign the registration to dispatch group on such day then PJM will remove the registration from

the dispatch group (because this may create a conflict between the single registration that cleared in Day-ahead Market and dispatch group that may be dispatched in the Real-time Market for same Operating Day).

- The CSP is responsible for ensuring that at least one registration is in a dispatch group when bid in the Day-Ahead or Real Time energy market through the appropriate PJM system.

#### 10.2.2.2 Customer Usage Information Authorization

To assist CSPs in obtaining the electric usage information of the end-use customer the following Customer Usage Information Authorization form has been developed.



#### Customer Usage Information Authorization for PJM Load Response Programs (“Authorization”)

\_\_\_\_\_, the end-use customer, (“Customer”) hereby authorizes \_\_\_\_\_, and \_\_\_\_\_, its electric distribution company(ies) (“EDCs”), to release its electric usage information, including hourly or sub-hourly usage history (kWh/kW), EDC loss factors, and peak load contribution assignments for the current delivery year and the upcoming delivery year, if known, to \_\_\_\_\_, the curtail service provider (“CSP”), which has been or may be retained by Customer to act on its behalf in the PJM Load Response Programs. Customer’s EDCs and end-use sites are identified on Attachment A-1 and A-2 hereto, which are incorporated herein by reference.

1. Customer’s contact information for purposes of its participation in the PJM Load Response Programs is as follows:

Customer Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_  
City State Zip Code

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Contact Person’s Email Address: \_\_\_\_\_

2. Customer hereby advises CSP that it deems the information obtained pursuant to this Authorization to be confidential and therefore requests that such information not be divulged to any third party, except as required to participate in the PJM Load Response Programs.

3. This Authorization shall terminate as follows (mark ONE of the options below):

\_\_\_\_ This Authorization shall be perpetual and shall not terminate unless written notice is provided to CSP at least \_\_\_\_ days in advance.

\_\_\_\_ This Authorization shall automatically terminate on \_\_\_\_\_, with no further notice to CSP being required.

4. I understand that termination of this Authorization will not affect any action that CSP took in reliance on this Authorization before it automatically terminated or before CSP received Customer's written notice of termination.

5. The undersigned affirms that he/she has authority to execute this Authorization on behalf of Customer.

IN WITNESS WHEREOF, Customer executes this Authorization to be effective as of the date written below.

Customer: \_\_\_\_\_

By: \_\_\_\_\_

Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

ATTACHMENT A-1

LIST OF SITES FOR WHICH EDC, \_\_\_\_\_, HAS  
AUTHORIZATION TO PROVIDE ELECTRIC USAGE INFORMATION TO CSP

Account Number(s):



Service Address:

Account Number(s):

Service Address:

Account Number(s):

Service Address:

Account Number(s):

Service Address:

### 10.2.3 PJM Activities

The following business rules apply to PJM activities:

- PJM will, as necessary, propose or determine an alternative CBL calculation together with supporting analysis. The process for determining an alternative CBL is set forth below.
- PJM will confirm with the appropriate Load Serving Entity (LSE) and Electric Distribution Company (EDC) whether the load reduction is under other contractual obligations. (The EDC and LSE have ten (10) business days to respond or PJM assumes acceptance.)
- Other contractual obligations may not preclude participation, but may require special consideration by PJM such that appropriate settlements are made within the confines of the existing contract.
- PJM will inform the CSP, EDC and LSE of the demand resource's acceptance into the program as appropriate.
- PJM will create LSE negative DEC bids for DR that clears in DA market for dispatch group based on registration DR load reduction capability. PJM will create LSE negative DEC bids for DR that clears in DA market for registrations based on amount that cleared in DA market.

### 10.2.4 Electric Distribution Company (“EDC”) and Load Serving Entity (“LSE”) activities

EDCs have 10 business days to review all registrations and verify the EDC account number, Zone, Pricing point, Line losses, existence of EDC interval meter if applicable, accuracy of peak load contribution (PLC), and whether or not the customer may or may not participate based on the Relevant Electric Retail Regulatory Authority orders, ordinances or resolutions. If the information provided by the CSP is incorrect the EDC may deny the registration. Once the registration is denied the CSP may correct the inaccurate information and resubmit the registration only to the EDC, as appropriate.

LSEs have 10 business days to review registrations, except Pre-Emergency and Emergency registrations and Economic Regulation Only registrations, and verify whether or not the customer may or may not participate based on the Relevant Electric Retail Regulatory Authority orders, ordinances or resolutions. LSE will also review the registration to determine if the load reductions for the location(s) are subject to an LSE contractual obligation. If the information provided by the CSP is incorrect the LSE may deny the registration. Once the registration is denied the CSP may correct the inaccurate information and resubmit the registration only to the LSE, as appropriate.

### 10.2.5 CBL Certification Process

All Economic registrations, except Economic Regulation Only registrations, should go through the CBL certification process to ensure that the CBL used to predict the customer load and therefore determine the quantity of each hourly load reduction is reasonably accurate and non-biased. All registrations should use a CBL with a relative root mean square error (“RRMSE”) no greater than 20% unless otherwise approved by PJM. Registrations with a RRMSE greater than 20% based on hourly load data provided in the registration process are considered variable load customers.

CBL certification is performed by the CSP prior to registration submission. CSP should always calculate an RRMSE for the standard CBL defined in the tariff. An alternative CBL may be requested if the alternative CBL is more accurate than the standard CBL and has an RRMSE less than or equal to 20%.

The RRMSE is based on 60 most recent days of contiguous hourly load data where the most current load data should be 60 days or less than the date the RRMSE is calculated unless otherwise approved by PJM.

PJM and CSP shall have 30 days from the day the alternative CBL proposal is received by the other party to agree on a proposed alternative CBL calculation. If the parties agree on an alternative CBL calculation, then the agreed upon CBL calculation shall be effective from the date of the registration.

If PJM and CSP do not agree on an alternative CBL calculation within 30 days, then PJM shall determine the CBL calculation within 20 days of the expiration of the prior 30 day period. The CBL established by PJM shall be binding on the parties unless agreement on an alternative CBL is reached before the end of the 20 day period.

The process for determining the appropriate CBL shall not delay the registration, provided that the alternative CBL established shall be used for all applicable energy settlements.

PJM shall periodically publish herein alternative CBL calculations established through this process.

Relative Root Mean Squared ERROR (RRMSE) calculation is performed as follows unless otherwise approved by PJM:

- To perform the RRMSE calculation, daily CBL calculations are first performed for the CBL method using hours ending 14 through hours ending 19 unless otherwise approved by PJM as the simulated event hours for each of the 60 non-event days according to the CBL method rules.
- Actual Hourly errors are calculated by subtracting the CBL hourly load from the actual hourly load for each of the simulated event hours of the non-event day.

- The Mean Squared Error (MSE) is calculated by summing the squared actual hourly errors and dividing by the number of simulated event hours.
- The Average Actual Hourly Load is the average of the actual hourly load for each of the simulated event hours.
- The Relative Root Mean Squared Error (RRMSE) is calculated by taking the square root of the MSE then divide that quantity by the average of the actual load.

### 10.3 Economic DR Energy Market Participation

Qualified Curtailment Service Providers may offer the load reductions of demand resources into the Day-ahead and/or Real-time Energy Market pursuant to the PJM Manuals, Markets Gateway User Guide, and the following rules and requirements.

Curtailment Service Providers that would like to participate in the Energy market shall submit a bid for each demand resource (registration or dispatch group) which includes:

- Transmission zone and pricing point based on where the demand resource is located and the associate pricing point used to settle the load in the retail market and as defined by PJM.
- Demand resource market type which determines how the bid is utilized by the Energy Market:
  - o Day-Ahead Market – If hour clears in Day-Ahead market then demand resource should respond with associated MWs. PJM does not dispatch in Real Time for hours that clear in Day-Ahead market.
  - o Real Time Market (Balancing) – demand resource should follow the Real Time dispatch signal for the MW that have been dispatched
  - o Both:
    - If specific hour clears in Day-Ahead market then demand resource should respond with associated MWs. PJM does not dispatch in Real Time market for hours that clear in Day-Ahead market.
    - If hour does not clear in Day-Ahead market then hour is eligible to be dispatched in Real Time market.
- Hourly Incremental Offer curve (minimum increments of 0.1MW) that represents up to 10 combinations of MW load reduction and offer price. This determines the price offered into the Day-Ahead market for respective MW amount in each hour and the price offered for dispatch in the Real Time market.
- Curtailment Service Providers may only submit an energy offer greater than \$1,000/MWh for an Economic DR resource if the Curtailment Service Provider has verified that the end use customer's incremental cost for each offer is greater than \$1,000/MWh pursuant to the DR Validation Process.
  - o The offer must be equal to or less than the end use customer(s)' incremental cost.

- o Curtailment Service Provider verified energy offers greater than \$1,000/MWh and less than or equal to \$2,000/MWh are eligible to be used in the calculation of the applicable Locational Marginal Price as defined in the tariff.
- o Energy offers with Curtailment Service Provider verified incremental costs greater than \$2,000/MWh are compensated through Operating Reserves.
- Any hourly changes made on the Offer Updates or Hourly Updates screens in Markets Gateway supersede the values on the Offers and Parameters pages.
- Changes made on the Demand Response Updates pages of Markets Gateway are not carried over into the next day.
- Hourly availability which determines the specific hours when the demand resource may be cleared in the Day-ahead Market and the associated MW volume that is available to clear for each hour. This also determines the specific hours when the demand resource may be dispatched in the Real-time market and the associated MW volume that may be dispatched for each hour.
- Economic Min and Max MW used to determine the dispatch of demand resources in the Real-time Energy Market can be changed up to 65 minutes before the operating hour by the CSP. For example, hourly updates for HE 15 which starts at 1400 can be changed up to 1255 during the same day.
- Shut down costs, for each period. The default is zero if not submitted. Shutdown costs are expressed in dollars, and represent the fixed cost associated with committing a load response resource. Shutdown costs may not be updated for any hours in which the resource received a commitment in the Day-ahead or Real-time Market.
- Minimum down times for which the load reduction must be committed. The default is zero if not submitted. Minimum down time is expressed as a number of hours, and represents the minimum number of contiguous hours for which a load response bid must be committed in the Day-ahead Market or dispatched in Real-time Market. Hourly differentiated minimum down times can be specified but are only for use during real-time commitment and dispatch.
- Load Response bids in the Day-ahead market or hourly MW availability in the Real-time market should exclude losses (transmission zone losses and share of 500 kV losses). This means bids should be based on expected retail metered load reductions grossed up for line losses.
- Day-ahead Energy Market bids and associated information must be submitted based on overall Energy Market rules and associated time line as described in this Manual.
- Demand resources are eligible to set Day-ahead and Real-time Energy market prices if selected as the marginal resource.

### **Demand Response Validation Process**

Curtailment Service Providers must validate the end use customer(s) incremental costs for Economic demand response energy offers in accordance with the following provisions before it can be used for dispatch and in the calculation of LMP:

- The Curtailment Service Provider must provide a summary of the incremental cost on a \$/MWh for each cost category in the appropriate PJM system. Supporting documentation that explains and quantifies the end-use customer's incremental costs included in the summary must also be submitted.
  - o The end-use customer's incremental costs shall include the quantifiable cost incurred for not consuming electricity when dispatched by PJM, such as wages paid without production, lost sales, damaged products that cannot be sold, or other incremental costs as approved by PJM,
  - o Incremental costs may not include shutdown costs,
  - o Incremental costs should reflect those incurred during the energy offer period. The Curtailment Service Provider shall review and update the incremental cost on a daily basis when energy offers submitted are greater than or equal to \$1,000/MWh.

### 10.3.1 Net Benefits Test to determine Net Benefits Threshold

The Net Benefits Threshold is the point on the aggregate supply curve at which the participation of Demand Response Resources results in a greater overall savings to the load on the system compared to the Demand Response Resources remaining on the system as load. PJM shall compute the Net Benefits Threshold monthly as described below. PJM shall post the Net Benefits Threshold and associated supporting information for each month by the 15th of the prior month on [pjm.com](http://pjm.com). CSPs only receive compensation for demand resources cleared in Day-Ahead market or dispatch by PJM in the Real Time market if the applicable LMP is greater than or equal to the monthly NBT.

The Net Benefits Test is executed using the following steps:

- Step 1: Retrieve generation offers from the same calendar month of the prior calendar year for which the calculation is being performed. These generation offers use market-based price offers to the extent available, and cost-based offers to the extent market-based price offers are not available.

#### Note:

To the extent that generation offers are unavailable from historical data due to the addition of a Zone to the PJM Region, PJM shall use the most recent generation offers that best correspond to the characteristics of the calendar month for which the calculation is being performed, provided that at least 30 days of such data is available. If less than 30 days of data is available for a resource or group of resources, such resource[s] shall not be considered in the Net Benefits Test calculation.

- Step 2: Adjust a portion of each prior-year offer representing the typical share of fuel costs in energy offers in the PJM Region for changes in fuel prices based on the ratio of the reference month spot price to the study month forward price. To accomplish this adjustment, spot fuel prices for the reference month are compared to forward prices for the study month. First, the spot prices for representative PJM fuels are averaged together for the reference month.
  - o For natural gas, the Henry Hub price is used, since natural gas prices tend to move in concert with Henry Hub. For oil, the New York Harbor price for No. 2 fuel oil is used. For coal adjustments, PJM has determined a mix of 20% Powder River Basin,

- 50% Northern Appalachia, and 30% Central Appalachia coal to be representative of the fuel used by PJM resources. Representative coal prices are combined in a weighted average to form a representative RTO coal price for the reference month.
- o Forward prices are used to determine a similar representative price for the study month. These two values are used as a ratio. If the representative price from June 2010 was \$4.10, and the forward price for June 2011 was \$4.51, then the ratio is 1.1 (prices were up 10%, or June 2011's price is 110% of June 2010's price.)
  - o The offers of generation units are then be adjusted by this scaling factor. The price of fuel typically represents 80 to 90 percent of a generator's offer with the remainder being variable operations and maintenance costs and other uncertainties. As such, 85 percent of each generator's offer is scaled by the fuel scalar.
  - o Where generators offer multiple points on a curve, each point on the curve is adjusted in this manner.
- Step 3: Combine the offers to create daily supply curves for each day in the period.
  - Step 4: Average the daily curves for each day in the month to form an average supply curve for the study month.
  - Step 5: Use a non-linear least squares estimation technique to determine an equation that reasonably approximates and smooths the average supply curve. PJM shall publish the details of the equation and parameters each month along with the Net Benefit Threshold results.
  - Step 6: Determine the net benefit level as the point at which the price elasticity of supply is equal to 1 for the estimated supply curve equation established in Step 5.

## 10.4 Demand Resource Metering and Settlement Data Requirements

The settlements submitted to PJM by Curtailment Service Providers must conform to the following requirements for data, including metered data, and Customer Baseline Load (CBL) calculations. All settlement related calculations for economic and emergency demand resources are provided in PJM Manual 28: Operating Agreement Accounting.

### 10.4.1 Metered Data

Demand Resources must be equipped with interval meters recording electrical usage at the EDC account level. The interval of data collection must be sufficient to provide PJM with hourly, one minute or real time load data as applicable for wholesale market. Residential Direct Load Control aggregates may have interval meters installed on a statistical sample of EDC accounts per PJM Manual 19: Load Forecasting and Analysis, Attachment D and subject to PJM approval.

For load reduction that is not metered directly by PJM, Curtailment Service Providers are responsible for forwarding the appropriate meter data (as defined in this Manual) to PJM within 60 days of the reduction. Participants submitting a settlement for an energy payment when load reduction complies with a synchronized reserve event or regulation assignment must use data provided by the load meter. This data shall be forwarded through the appropriate PJM system.

If the meter data files are not received within 60 days, no payment for participation is provided.

Load data must be provided for all hours of the day and for all days necessary for PJM to calculate the CBL for settlements or to measure compliance as necessary.

When On-Site Generation is used solely to enable the Participant to provide demand reductions then the CSP may provide qualified meter generation output data, upon approval by PJM, from the On-Site Generation for each hour of the event day instead of actual load metered data. Provision of hourly meter data from the On-Site Generation is deemed a certification by the CSP that the On-Site generation was not used for any purpose other than to support the load reduction during the event day. If the On-Site Generator is used on a regular basis for normal operations then the CSP may provide qualified meter data from the On-Site Generator for each hour of the event provided the amount of generation run to provide Economic Load Response can be quantified in a manner that is acceptable to PJM. For example, if a 5 MW On-Site Generator that normally provides 3 MW boosts its output to 5 MW in response to LMPs the CSP is eligible to receive a demand response energy settlement for the additional 2 MW of output.

Meter data is forwarded to the EDC upon receipt, and these parties have 10 business days to review accuracy and provide feedback to PJM.

Objection by the EDC to the Meter Data shall be clearly set forth in the Comments related to the Settlement Data. The CSP shall correct and re-submit the Settlement Data within 2 business days. The objecting EDC shall have 5 business days to review the re-submitted Settlement Data or PJM assumes acceptance.

All load reduction data are subject to PJM Market Monitoring Unit audit.

#### **10.4.2 Customer Base Line (CBL)**

The following tables list all available CBLs and represent the different parameters used for each calculation. The 3 Day Type with SAA (symmetric additive adjustment) represents the standard, tariff defined CBL which is utilized for most Non-Variable economic demand resources and is set forth in section 3.3A.2 of the PJM Tariff. The alternative CBLs on the list have been created over time to provide options, especially for Variable Load customers that have an RRMSE above 20%.

PJM makes available the Customer Baseline (CBL) calculations to the appropriate EDC and LSE for optional review.

The CSP shall inform PJM, of any significant change to the demand resource's operations that increases or decreases the demand resource's CBL. A significant incremental change is defined as any operational or physical change to the demand resource's facilities that adjusts more than half the hours in the demand resource's CBL by at least 20% for more than twenty consecutive days. PJM may require and approve such adjustments to the CBL as are necessary to reflect the significant incremental change.

Parameter/CBLs	3 DayTypes		3 Day Types with SAA (Tariff Default)		3 Day Types with WSA	
	Weekdays,	Sat ,Sun/Hol	Weekdays	Sat,Sun/Hol	Weekdays	Sat, Sun/Hol
<b>DayType</b>	Average	Average	Average	Average	Average	Average
<b>Calculation<sup>1</sup></b>	Average	Average	Average	Average	Average	Average
<b>CBL Basis Window<sup>2</sup></b>	5	3	5	3	5	3
<b>CBL Basis Window Limit<sup>3</sup></b>	45	45	45	45	45	45
<b>Start Selection From Days Prior to Event<sup>4</sup></b>	1	1	1	1	1	1
<b>Exclude Previous Curtailment Days<sup>5</sup></b>	Y	Y	Y	Y	Y	Y
<b>Exclude Long/Short DST Days<sup>6</sup></b>	N/A	Y	N/A	Y	N/A	Y
<b>Exclude Avg. Event Period Usage Less than Threshold<sup>7</sup></b>	25%	25%	25%	25%	25%	25%
<b>Exclude # of Low Usage Days<sup>8</sup></b>	1	1	1	1	1	1
<b>Use Previous Curtailment if CBL Basis Window incomplete<sup>9</sup></b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Use Highest or Recent Previous Curtailment Day<sup>10</sup></b>	Highest	Highest	Highest	Highest	Highest	Highest
<b>Adjustments<sup>11</sup></b>	None	None	Symmetric Additive	Symmetric Additive	Weather Sensitive	Weather Sensitive
<b>Allow Negative Adjustments<sup>12</sup></b>	N/A	N/A	Yes	Yes	Yes	Yes
<b>Adjustments Start (HE0-x)<sup>13</sup></b>	N/A	N/A	4	4	0	0
<b>Adjustment Basis Hours<sup>14</sup></b>	N/A	N/A	3	3	Event Hours	Event Hours



Parameter/CBLs	7 DayTypes	7 Day Types with SAA	MBL(Max Base Load) <sup>A</sup>		Metered Generation <sup>B</sup>
			Weekdays	Sat,Sun/Hol	
DayType	Mon,Tue,Wed,Thu,Fri,Sat,Sun/Hol	Mon,Tue,Wed,Thu,Fri,Sat,Sun/Hol	Weekdays	Sat,Sun/Hol	N/A
Calculation <sup>1</sup>	Average	Average	Average	Average	N/A
CBL Basis Window <sup>2</sup>	3	3	5	3	N/A
CBL Basis Window Limit <sup>3</sup>	60	60	45	45	N/A
Start Selection From Days Prior to Event <sup>4</sup>	1	1	1	1	N/A
Exclude Previous Curtailment Days <sup>5</sup>	Y	Y	Y	Y	N/A
Exclude Long/Short DST Days <sup>6</sup>	Y	Y	N/A	Y	N/A
Exclude Avg. Event Period Usage Less than Threshold <sup>7</sup>	25%	25%	25%	25%	N/A
Exclude # of Low Usage Days <sup>8</sup>	0	0	0	0	N/A
Use Previous Curtailment if CBL Basis Window incomplete <sup>9</sup>	Yes	Yes	Yes	Yes	N/A
Use Highest or Recent Previous Curtailment Day <sup>10</sup>	Highest	Highest	Recent	Recent	N/A
Adjustments <sup>11</sup>	None	Symmetric Additive	None	None	N/A
Allow Negative Adjustments <sup>12</sup>	N/A	Yes	N/A	N/A	N/A
Adjustments Start (HE0-x) <sup>13</sup>	N/A	4	N/A	N/A	N/A
Adjustment Basis Hours <sup>14</sup>	N/A	3	N/A	N/A	N/A

Parameter/CBLs	Same Day (3+2) <sup>D</sup>	Match Day (3 Day Average) <sup>E</sup>
<b>DayType</b>	N/A	N/A
<b>Calculation<sup>1</sup></b>	Average	Average
<b>CBL Basis Days<sup>2</sup></b>	N/A	3
<b>CBL Basis Day Limit<sup>3</sup></b>	N/A	45
<b>Start Selection From Days Prior to Event<sup>4</sup></b>	N/A	1
<b>Exclude Previous Curtailment Days<sup>5</sup></b>	N/A	Y
<b>Exclude Long/Short DST Days<sup>6</sup></b>	N/A	Y
<b>Exclude Avg. Event Period Usage Less than Threshold<sup>7</sup></b>	N/A	N
<b>Exclude # of Low Usage Days<sup>8</sup></b>	N/A	0
<b>Use Previous Curtailment if CBL Basis Window incomplete<sup>9</sup></b>	N/A	Y
<b>Use Highest or Recent Previous Curtailment Day<sup>10</sup></b>	N/A	Recent
<b>Adjustments<sup>11</sup></b>	None	None
<b>Allow Negative Adjustments<sup>12</sup></b>	N/A	N/A
<b>Adjustments Start (HE0-x)<sup>13</sup></b>	N/A	N/A
<b>Adjustment Basis Hours<sup>14</sup></b>	N/A	N/A

**Notes:**

A) MBL(Max Base Load). The MBL CBL for weekdays shall be the average of the daily minimum hourly loads during the event hours over the 5 most recent weekdays preceding the load reduction event within the 45 calendar day period preceding the load reduction event. The daily minimum load calculation must be based on a minimum of three hours. If the number of event hours is less than three, then the daily minimum load calculation uses the following hours of the same calendar day: hour prior to event, event hour(s), hour after event, in that order until three hours are attained. Exceptions: use only event hours in same calendar day if start of event is sometime between 2100 and midnight OR if end of event is sometime before 0300.

B) Metered Generation. The use of this methodology must be approved by PJM. Historical data is required showing that the unit does not normally run or is not normally active. If the data indicates that the unit runs normally, is active, or if the unit is a cogen operation then another

CBL methodology may be required to ensure economic dispatch activity is isolated from normal operations.

C) Same Day (3+2). Average of 3 hours prior to event (after skipping first hour before the event) and 2 hours after the event (after skipping first hour after the event) to determine CBL that is used for all event hours. If there are multiple non-contiguous events during same day PJM uses earliest 3 hours and last 2 hours from same day. PJM uses hours available on the operating day to calculate the CBL, where at least 3 hours are used. Resource may not participate in HE 1, 2, 3, 23, 24 to ensure there are enough hours to calculate the CBL. The CSP ensures there is no significant pre-event or post-event change in operations during the operating day that will increase the load in the hours selected for the CBL beyond what would have normally occurred. If the load is shifted to one of the 3 + 2 hours and therefore significantly increases the CBL, the CSP may not use this CBL for such resource.

D) Match Day (3 Day Average). Determine event day non-event hours or “comparison hours”. Comparison hours are all hours in operating day except for the hour before the earliest event hour through the hour after the last event hour. For example, if economic DR resource is dispatched HE12 – HE14 and then re-dispatched in HE17-HE20 the comparison hours are HE1- HE10 and HE22-HE24 (13 comparison hours in total). For each non-event day within the CBL Basis Day limit:

(1) Take the difference between each comparison hour from the event day and the same hour in each day in the CBL Basis Day Limit to determine the hourly difference for each comparison hour for each day.

(2) Square all the hourly differences for each day and then sum the squared differences to determine the daily differences.

(3) Select the 3 days from the CBL Basis Day Limit with the smallest daily differences to determine the CBL Days. Average each of the event hours across the three CBL Days to determine the CBL.

Additional Notes:

1. Calculation. Whether to use median or average to calculate the CBL after the CBL Basis Window has been defined and high and low usage days are excluded.
2. CBL Basis Days. This is the set of days that serve as representative of end-use customer’s typical usage. If the number of days specified is 5, then after all exclusions (e.g.: before excluding event days and Low Usage Days), the set contains 5 days.
3. CBL Basis Day Limit. Limit on number of historical calendar days used to select the CBL Basis Days (e.g.: If 45 this means CBL days must be selected from prior 45 calendar days). This ensures recent information is used to predict future consumption.
4. Start Selection from Days before Event Day. Determines most recent historic CBL day to select (e.g. if 1 then select most recent day with same daytype, if 2 then skip most recent day with same daytype and select next day with same daytype).
5. Exclude Previous Curtailment Days. If this is set to “Y”, exclude all previous curtailment days. Previous Curtailment Days are previous economic settlements days that include at least 1 hour in pending or confirmed status.
6. Exclude Long/Short DST Days. If this is set to "Y", then any long/short DST day is excluded from the CBL Basis Window.

7. Exclude Avg. Daily Event Period Usage Less than Threshold. If the Average Daily Event Period Usage for the CBL day selected is less than the threshold indicated, then that day is excluded from the CBL Basis Window.
8. Exclude # of Low Usage Days. If the CBL Basis Days is set to 5 and this switch is set to 1, then the 1 day with the lowest Average Daily Event Period Usage is excluded from the CBL calculation.
9. Use Previous Curtailment Day if CBL Incomplete. If this is set to "Y", and if the CBL is unable to attain the minimum number of days required to calculate the CBL, then Previous Curtailment Days are used as CBL Basis Days until such minimum is attained. If this is set to "Y", then Exclude Previous Curtailment Days must also be set to "Y".
10. Use Highest or Recent Previous Curtailment Day. Required if the Use Previous Curtailment Day if CBL Incomplete is set to "Y". "Highest" means that the model ranks Previous Curtailment Days based on event period usage within the CBL Basis Day Limit and add them to the CBL Basis Days in descending order until the CBL Basis Days contains the minimum number of days required to calculate CBL. "Recent" means that the model starts adding days to the CBL Basis Days starting with the Most Recent Curtailment Day that was excluded until the CBL Basis Days contains the minimum number of days required to calculate CBL.
11. Adjustments. Symmetric Additive Adjustment is CBL average usage for Event Day divided by Adjustment Basis Hours for same hours. Weather Sensitivity Adjustment compares difference in average weather over CBL days to weather on event day and then calculates adjustment based on weather sensitivity as described in this Manual.
12. Allow Negative Adjustments. If this is set to "Y", then the Adjustments may be positive or negative. Otherwise, Adjustments are always greater than zero.
13. Adjustment Start (HE0-x). The starting point for the hour(s) to be used in calculating the Adjustments. If the event starts with HE13 and Adjustment Start is 4, then HE9 is the first hour used to calculate Adjustments.
14. Adjustment Basis Hours. Determines total number of hours to use in the adjustment from the Adjustment Start. If the event is on HE13, Adjustment Start is 4, and Adjustment Basis Hours is 3, then the adjustment is based on the load from HE9-HE11.

### Weather Sensitive Adjustment

The WSA Factor Method adjusts the hourly CBL (up or down) to compensate for the average hourly temperature differences between the CBL basis days and the temperature of the event hour.

The WSA Factor represents the kW change in load for each degree of temperature change within a specified temperature range. The WSA factor is the slope of the line that describes the load and temperature relationship at the customer site between two temperature set points. The WSA Factor or slope of the line is obtained by performing a linear or piecewise linear regression analysis on the load and temperature data from the customer site. There should be at least two years of data used in the linear regression analysis to indicate the normal operation of the facility. Exceptions may be granted by PJM to use less data in cases where the normal operations have changed significantly between years. The analysis data should only include the day types and hours where load reductions are expected. For example, if the customer is

only expected to respond during the hours of 0800 to 1800 from Monday through Friday during non-holidays, then such historic hours should be used in the regression model.

The hourly CBL Adjustment is obtained by multiplying the WSA Factor by the temperature of the event hour minus the hourly average temperature of the CBL. The hourly average temperature of the CBL is the hourly average of the basis days used for the CBL.

Example 1:

- Hourly average temperature of the CBL for hour ending 12 = 86°
- Event temperature for Hour Ending 12 = 81°
- WSA Factor = 688 kW/°F
- CBL Adjustment for Hour Ending 12 = Temperature Delta \* WSA Factor = (81° - 86°) \* 688 kW/°F = -3440 kW

The CBL is adjusted down because the temperature of the event day is lower than the average hourly temperature of the CBL basis days

A simple linear regression analysis fits a straight line through the set of points (load and temperature data) in such a way that makes the sum of squared residuals as small as possible. The first and last points of the estimated line are known as the Temperature Set Points. The Slope of the line between the two Temperature Set points is the WSA factor.

A piecewise linear regression analysis fits multiple contiguous straight lines through the set of data points (load and temperature data) in such a way that makes each of the sum of squared residuals as small as possible. The piecewise linear regression analysis results in multiple lines with multiple slopes that estimate the load and temperature relationship of the customer site data. The end points of each of the estimated lines are known as the Temperature Set Points. Determining the number Temperature Set Points can be accomplished by using a Piecewise Linear Regression Break Point algorithm or by data observation at points where the slope of the data appears to change significantly. Either methodology should result in minimizing the sum of squared residuals for each of the estimated lines.

The following table represents the weather station used for each Transmission Zone

Zone	Weather Station Short Name	Weather Station
AECO	ACY	Atlantic City International
AEP	CMH	Port Columbus International
APS	PIT	Pittsburgh International
ATSI	CAK	Akron Canton International
BGE	BWI	Baltimore Washington International
COMED	ORD	Chicago O'Hare International
DAY	DAY	Cox-Dayton International

Zone	Weather Station Short Name	Weather Station
DEOK	CVG	Cincinnati/Northern Kentucky International
DOM	RIC	Richmond International
DPL	PHL	Philadelphia International
DUQ	PIT	Pittsburgh International
EKPC	SDF	Louisville International-Standiford
JCPL	EWR	Newark International
METED	PHL	Philadelphia International
PECO	PHL	Philadelphia International
PENELEC	JST	Johnstown Airport
PEPCO	DCA	Washington Reagan National
PPL	ABE	Allentown Lehigh Valley International
PSEG	EWR	Newark International
RECO	EWR	Newark International

### 10.4.3 Economic Energy Settlements

The CSP is responsible for providing all necessary information for each EDC account number unless otherwise approved by PJM for settlement and compliance calculations. CSPs are eligible to be paid full LMP for the Registrant's or dispatch group's reductions, provided that the LMP at the pricing point is at or above the Net Benefits Price and in accordance with PJM Manual 28: Operating Agreement Accounting.

All Registrations or dispatch groups must either clear in the Day-ahead Market or be dispatched by PJM in order to be eligible for settlement revenue.

All Registrations or dispatch groups are eligible for Make Whole payments subject to performance. The Make Whole calculation is detailed in PJM Manual 28: Operating Agreement Accounting, Section 11.2.

All Registrations or dispatch groups are subject to Balancing Operating Reserve (BOR) charges for deviations greater than 20% from the PJM Day-Ahead or Real-Time Dispatch instructions.

DR resources may submit bids that are less than the Net Benefits price but are only paid if appropriate LMP is greater than or equal to NBT.

All settlements that are not submitted within 60 days of the economic event are settled by PJM with 0 kW hourly reductions. BOR is assessed based on the deviations of the stand-alone settlement or Dispatch Group settlement.

All settlements that are still pending, denied or withdrawn after 75 days from the economic event are settled by PJM with 0 kW hourly reductions. BOR is assessed based on the deviations of the registration settlement or Dispatch Group settlement, as appropriate.

### Dispatch Group Settlements

To calculate the reductions achieved by the Dispatch Group after an economic event, individual settlements need to be created in DR Hub.

- The CBL needs to be calculated in order to calculate the reductions for the individual registrations.
- The Dispatch Group economic events are de-aggregated to the registration level settlements based on the registrations in the Dispatch Group early in morning the day after the operating day. The individual settlements are submitted by the CSP based on the normal registration level settlement process.
- The total reduction for the Dispatch Group is calculated once a day as the sum of all the reductions of the settlements. Once all of the settlements in the Dispatch Group reach their final state, the Dispatch Group load reduction is settled.
- The final state for a Dispatch Group economic settlement is achieved when all of the individual settlements within the Dispatch Group achieve the following status:
  - o All settlements in Dispatch Group are confirmed.
  - o Prior to the 60th day after the event, the CSP may mark the Dispatch Group ready for settlement. No further updates to any settlements may be done in the Dispatch Group.
  - o On the 61st day after the event and all settlements are either confirmed, withdrawn or expired.
  - o The 75th day after the event has been reached, the Dispatch Group settlement is sent to settlements regardless of the individual status of any settlements in the group
- Dispatch Groups that are cleared or dispatched are evaluated at the Dispatch Group level when evaluating BOR. Deviations and BOR are assessed based on the reduction of the Dispatch Group.
- Market Settlements provides settlement report based on Dispatch Group(s) and not by registrations.

#### 10.4.4 Economic Energy Settlements Cost Allocation

The cost of Economic Demand Response settlements is allocated to all of the Market participants with real-time exports from PJM and LSE's within a zone where zonal LMP is greater or equal to the appropriate Net Benefits Price and as described in PJM Manual 28: Operating Agreement Accounting.

#### 10.4.5 Emergency and Pre-Emergency Energy Settlements

The CSP is responsible for providing all necessary information for each EDC account number unless otherwise approved by PJM for energy settlement. Locations with approved economic registrations prior to a Load Management Event that have an economic CBL different than the maximum base load as defined in Section 10 of this Manual will use the associated economic CBL to determine the energy load reduction subject to the following:

- A registration that is already responding to a PJM economic event where the economic CBL is based on SAA will use a SAA period prior to economic and emergency or pre-emergency event.
- Locations that do not have an approved economic registration prior to a Load Management Event and have an economic CBL different than the maximum base load will use the CBL as defined in section 3.3A.2 and associated Symmetric Additive Adjustment as defined in section 3.3A.2, unless an alternative CBL is approved pursuant to section 3.3A.2.01 to determine the energy load reduction.
- Locations on economic registrations dispatched in the Real-time Energy market or cleared in Day-ahead Energy market that are also included on an Emergency or Pre-Emergency full registration and have been dispatched as part of an emergency event for the same hour (“overlapping dispatch hour”) are compensated for energy based on intra-hour dispatch time for both events. If there is overlap of intra-hour dispatch intervals then the overlapping intervals are based on emergency energy settlement and cost allocation rules as outlined in this section, and PJM Manuals. Overlapping dispatch intervals use shutdown cost based on what was considered for the economic event and no balancing operating reserve charges are assessed for deviations from real time dispatch amount or from cleared Day-Ahead amount. Overlapping dispatch intervals for aggregate registrations (multiple locations on same registration) or Dispatch Groups where locations on Emergency or Pre-Emergency registration are not the same as locations on the economic registration will have interval economic energy load reduction with associated cleared Day-Ahead or real time dispatch amount and/or interval emergency energy load reduction prorated based on load reduction capability provided by the Curtailment Service Provider for the location to avoid duplicative energy payment and appropriate balancing operating reserve charges, as applicable.
- Emergency and Pre-Emergency registration dispatched by PJM for less than 1 hour are eligible for compensation for 1 hour (i.e.: minimum run time is 1 hour)
- The Curtailment Service Provider may only submit energy settlements for Load Management Events that occur outside of the product specific availability period as defined for each product specified in the Reliability Assurance Agreement for each Demand Resource type if the Curtailment Service Provider confirmed that the customers on the registration did take action to reduce load or the registration reflects the entire group of mass market customers for which an energy settlement is submitted either for all or none of the mass market customers, as approved by PJM. Curtailment Service Provider confirmation may include email, voicemail, letter or other form of confirmation that indicates the registration took actions to reduce load in response to PJM dispatch. The Curtailment Service Provider may only submit energy settlements for each registration for Load Management Events that occur during the product specific availability period as defined for each product in the Reliability Assurance Agreement if the Curtailment Service Provider also provides associated load data for each registration in order to calculate that registration’s capacity compliance.

#### **10.4.6 Emergency and Pre-Emergency Energy Settlements Cost Allocation**

See PJM Manual 28: Operating Agreement Accounting, section 10.2 for cost allocation rules.



## 10.5 Aggregation for Economic, Pre-Emergency and Emergency Demand Resources

The purpose for aggregation is to allow the participation of end-use customers in the Energy Market that can provide less than 100 kW of demand response when they currently have no alternative opportunity to participate on an individual basis or can provide less than 100 kW of demand response in the Day-Ahead Scheduling Reserve (DASR), Synchronized Reserve (SR) or Regulation (REG) markets when they currently have no alternative opportunity to participate on an individual basis. An aggregation shall meet the following requirements:

- If the aggregation only provides energy to the market then only one end use customer within the aggregation shall have the ability to reduce more than 99kW of load unless the CSP, LSE and PJM approve. If the aggregation provides a DASR or SR to the market then only one end use customer within the aggregation shall have the ability to reduce more than 99kW of load unless the CSP, LSE and PJM approve. If the aggregation provides Regulation Only through and Economic Regulation Only registration to the market then only one end use customer within the aggregation shall have the ability to reduce more than 99kW of load unless the CSP and PJM approve.
- All end-use customers in an Economic registration shall be served by the same electric distribution company and Load Serving Entity (LSE) and have the same energy pricing point. All end-use customers in an Emergency and Pre-Emergency registration, Economic registration of residential customers not participating in the Day-ahead market, and Economic Regulation Only registration shall be served by the same electric distribution company and located in the same Transmission Zone. If the aggregation provides Synchronized Reserves, all customers in the aggregation must also be part of the same Synchronized Reserve sub-zone.
- All end-use customers in an aggregation that settle at Transmission Zone, existing load Aggregate, or nodal prices shall be located in the same Transmission Zone, existing load Aggregate, or at the same node except for an Economic Regulation Only registration.
- Each end-use customer site must meet the requirements for market participation by a demand resource except for the 100 kW minimum load reduction requirement for energy and ancillary services.
- An end-use customer's participation in the Energy and Ancillary Service markets shall be administered either under one Economic registration or if only providing Regulation service then with an Economic Regulation Only registration and an Economic (Energy Only registration) as outlined in this Manual.

### 10.5.1 Calculations for the weighted average line loss factor

When all end-use customers in a Registration are not subject to the same line loss factor, the factor for the Registration shall be the registration load reduction weighted average of the factors for end-use customers in an aggregation.

PJM shall calculate the Ratio Share for each end-use customer as the percentage share of the summation of the individual anticipated load reduction capabilities (Total kW).

PJM shall calculate the Weighted Average line loss factor (WA LF) by multiplying the Ratio Share times the loss factor (LF) for each end-use customer and totalizing the results. The WA LF shall represent the loss factor of the Registration.

PJM shall provide the calculation of all load weighted values and their supporting data to the LSE and CSP at the time of registration.

Customer	1	2	3	Total
kW	32.02	22.46	50.91	105.38
Ratio Share	30.38%	21.31%	48.31%	100.00%
G&T	\$0.0500	\$0.0660	\$0.0890	
LF	1.0680	1.0790	1.0900	
WA G&T	\$0.0152	\$0.0141	\$0.0430	\$0.0722
WA LF	0.32448	0.22995	0.52654	1.08097

### 10.5.2 Settlement for Aggregation

All end-use customers in the Registration are considered to have individually participated in each curtailment event if cleared in Day-Ahead market or dispatched by PJM in Real Time market for the Registration. All supporting details as outlined below will be available to the LSE after the settlement is submitted by the CSP, except where the end-use customers in the registration are not required to have the same LSE.

- Registration Customer Baseline (CBL) based on the sum of the each end use customer's meter data where each end use customer is defined as a unique EDC account number.
- Meter data for each end use customer in the aggregation, except for non-interval metered residential Direct Load Control registrations, where a statistical sample of end use customers may be used for meter data, in accordance with PJM Manual 19: Load Forecasting and Analysis, Attachment D.
- Metered Load - Each individual end-use customer in the aggregation will have its own metered load and the summation of the individual metered loads will represent the Registration metered load. Non-interval metered residential Direct Load Control registrations may use a statistical sample of end-use customers' meter data to represent the Registration metered load in accordance with PJM Manual 19: Load Forecasting and Analysis, Attachment D.
- Weighted Average Loss Factor - The load reduction weighted average loss factor shall be the value calculated for registration.

## 10.6 Interval Meter Equipment and Load Data Requirements

A CSP, LSE, EDC or agent designated by the CSP may fulfill the interval metering equipment and load data responsibilities that are required by PJM of the CSP for Economic, Pre-Emergency and Emergency demand response resources including Ancillary Services. Interval

metering equipment and load data used for retail electricity service are deemed to meet PJM requirements for energy settlement and capacity compliance.

The following documentation shall be provided by the CSP to PJM when non-retail electric service metering equipment and load data will be utilized for settlements or compliance. The CSP shall verify that all documentation is accurate and maintain compliance to PJM metering equipment and load data requirements.

- The date the metering equipment was installed, tested and ready to record, store and communicate interval load data for DSR activity
- The person that installed the metering equipment
- The make and model of the meter
- Metering equipment accuracy (meter, CT and PT)
- CT & PT type designation
- CT ratio
- All metering equipment shall, at a minimum, meet appropriate ANSI c12.1 and c57.13 standards to ensure the metering equipment is within the Tariff defined accuracy standards.
- Metering equipment used for Ancillary Services shall meet additional requirements as defined in the PJM Tariff and/or Manuals.
- If equipment does not meet these standards, then on an exception basis, a field test may be conducted to validate the accuracy as long as the electricity service is less than 600 volts. PJM will review the field test results and associated metering equipment configuration to determine whether or not the use of metering equipment will be permitted.
- Metering equipment may include a pulse data recorder used in conjunction with a meter.

The CSP or designated agent shall maintain the relationship between the load data, metering equipment, EDC account number and other Customer Identifiers as defined. Further, the CSP or designated agent shall submit to PJM the quality assurance protocol used to ensure metering equipment accuracy over time. All interval load data, except where also used for retail electric service, shall at a minimum comply with the NAESB VEE (validate, edit & estimate) standards, where applicable, for retail electric service to ensure the quality of the information. If a pulse data recorder is utilized then time shall be managed on a daily basis or per communication whichever is least frequent. Time may be checked and reconciled through the network time protocol. Load data, including both pre and post VEE data shall be maintained for 36 months by CSP or designated agent. The CSP and/or designated agent will comply with requests for metering equipment and load data audit as necessary that may include but not be limited to the following:

- Be available for on-site verification of metering equipment
- Provide load data history for Pre and Post VEE load data
- Provide work order, cut sheet or other documentation to validate the installation of the metering equipment

- Load data reconciliation where there are two metering systems present

A CSP or their designated agent that violate these standards is not allowed to manage the installation/maintenance of metering equipment and associated load data for PJM settlements or compliance.

Non-retail electric service load data used for settlements or compliance is not reconciled by PJM to the retail electric service load data unless, to troubleshoot an issue or as part of an audit.

If the CSP elects to utilize non-retail electric service load data for settlements then CSP will provide 90 consecutive days of load data on an annual basis near the effective date of the registration to PJM and PJM will make this load data available to the appropriate LSE. In addition, CSP or PJM shall provide load data to the EDC, as appropriate, for the peak load contribution add back process.

## 10.7 Use of Sub-meter Load Data to Support Demand Response Regulation Compliance

“Sub-meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

“Location” as used in the Economic Load Response rules shall mean an end-use customer site as defined by the relevant electric distribution company account number.

Curtailed Service Providers that have end-use customers that participate in the Regulation market may be permitted to use Sub-metered load data instead of load data at the electric distribution company account number level for Regulation measurement and verification as set forth in the PJM Manuals and subject to the following:

- Curtailed Service Providers, must clearly identify for the Office of the Interconnection all electrical devices that provide Regulation and identify all other devices used for similar processes within the same Location do not provide Regulation. The Location must contribute to management of frequency control on the PJM electric grid or PJM shall deny use of Sub-metered load data for the Location.
- The CSP shall submit single line diagrams to PJM unless otherwise approved by PJM with sub metered device(s) clearly specified at the location. PJM verifies that all similar devices at the location are sub metered and if the similar devices are not sub metered, PJM will deny the use of Sub-meter load data unless the CSP can demonstrate that the electricity usage of such similar devices that are not sub-metered do not offset the change in electricity usage of the electrical device that provides the regulation service.
- If the registration to participate in the Regulation market contains an aggregation of Locations, the relevant Curtailed Service Provider will provide the Office of the Interconnection with load data for each Location’s Sub-meter through an after-the-fact load data submission **process upon request by PJM.**

- All telemetry load data to PJM is based on device electricity consumption for each registration. The registration load data must include load data from all locations and from all devices approved at each location on the registration. For example, if the registration has 3 locations and each location has 1 pump that regulate then the telemetry load data will include the aggregate load data for all 3 pumps.
- If the registration is an aggregation of locations, the CSP will provide PJM with load data for each location's sub-meter through an after the fact load data submission process as determined by PJM. This allows PJM to confirm that the aggregate load data sent through telemetry consist of all locations on such registration.

PJM may conduct random, unannounced audits of all Locations that are registered to participate in the Regulation market to ensure that devices that are registered by the Curtailment Service Providers as providing Regulation service are not otherwise being offset by a change in usage of other devices within the same Location.

Auditing includes a method of sampling location level load data without CSP's prior knowledge of sites sampled. CSP will provide location level load data (which represents load data for the EDC account number) to PJM upon request through after the fact meter data submission process as determined by PJM.

All CSP meter equipment will conform to meter data standards set forth in the PJM Tariff and the PJM Operating Agreement and as defined in Section 10 of this Manual and all CSP telemetry will comply with the standards set forth in the PJM Tariff, PJM Operating Agreement and PJM Manual 12: Balancing Operations, Section 4.

The Office of the Interconnection may suspend the Regulation market activity of Economic Load Response Participants, including Curtailment Service Providers, that do not comply with the Economic Load Response and Regulation market requirements as set forth in Schedule 1 and the PJM Manuals, and may refer the matter to the Independent Market Monitor and/or the Federal Energy Regulatory Commission Office of Enforcement.

## Section 11: Overview of the Day-Ahead Scheduling Reserve Market

Welcome to the Overview of the Day-Ahead Scheduling Reserve Market section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the PJM Day-ahead Scheduling Reserve Market (see “Overview of PJM Day-Ahead Scheduling Reserve Market”).
- A list of the PJM Day-Ahead Scheduling Reserve Market Business Rules (see “PJM Day-Ahead Scheduling Reserve Market Business Rules”).

### 11.1 Overview of Day-Ahead Scheduling Reserve Market

The Day-Ahead Scheduling Reserve Market is a construct for a market based mechanism for the procurement of supplemental, 30-minute reserves on the PJM System. The Day-Ahead Scheduling [30-Minute] Reserve Market is an offer-based market that clears existing reserve requirements on a day-ahead, forward basis.

The Day-Ahead Scheduling Reserve Market is designed to create an explicit value for an additional ancillary service in the PJM Markets, on a short-term basis. The Day-Ahead Scheduling [30-Minute] Reserve Market provides a pricing method and price signals that encourage generation and demand resources to provide Day-Ahead Scheduling reserves and encourage new resources to be deployed with the capability to provide such services.

### 11.2 PJM Day-Ahead Reserve Market Business Rules

#### 11.2.1 Day-Ahead Scheduling Reserve Market Reserve Requirement

Current reserve requirements are detailed in PJM Manual M 13: Emergency Operations, Section 2, and vary according to the specific PJM region. The requirements for each region are combined to determine the overall requirement for the RTO, and the overall RTO requirement forms the basis for clearing the forward market.

The Day-Ahead Scheduling Reserve Requirement adheres to the requirements for Day-Ahead Scheduling [30-Minute] Reserve defined by Reliability First Corporation and all applicable reliability councils for areas within the PJM RTO.

The PJM RTO Day-Ahead Scheduling Reserve Requirement is defined as the sum of the Day-Ahead Scheduling Reserve requirements defined for all zones and areas within the PJM RTO, including any additional Day-Ahead Scheduling reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

Following the issuance of a Hot or Cold Weather Alert or escalating emergency procedures as defined in PJM Manual 13: Emergency Operations for the RTO, Mid-Atlantic Dominion or Mid-Atlantic region, PJM increases the Day-ahead Scheduling Reserve requirement to reflect the additional reserves typically carried under such conditions and to ensure that adequate resources are procured to meet real-time load and reserve requirements. The increased reserve requirement is applied to the days for which the alert(s) are issued, provided that the alerts are issued prior to the close of the Day-ahead Market bidding period. Under such conditions, the hourly Day-ahead Scheduling Reserve requirement is increased by no more than the following amounts:

- The amount of any additional generation committed for that hour by PJM dispatch in advance of the Day-ahead Market in order to account for operational uncertainty
- For each hour of the day, the Additional Day-Ahead Scheduling Reserve Requirement is calculated as the greater of:
  - o Forecasted RT load minus Adjusted Fixed Demand bids, OR
  - o Zero
- Adjusted Fixed Demand = Total Fixed Demand \* (1 + Seasonal Conditional Demand Factor)
  - o The Seasonal Conditional Demand Factor scales up the sum of Fixed Demand Bids by the average percentage of additional net demand that historically cleared from the net of price sensitive demand bids, decrement bids and increment offers during peak hours (conditional demand)
  - o The Seasonal Conditional Demand Factor is calculated separately for the winter and summer seasons. The Winter Seasonal Conditional Demand Factor is based on the top ten peak load days from November through March of the prior year. The Summer Seasonal Conditional Demand factor is based on the top ten peak load days from April through October of the prior year. In the event the same season in the prior year was not representative of typical seasonal conditions, PJM may use a different, more typical year as the reference season in this calculation.
    - For each of the ten peak days within the reference season, PJM calculates the hourly conditional demand factor for each of the peak hours, which for these purposes are defined as hours beginning 7 through 10 and 17 through 20 in the winter and hours 14 through 19 in the summer.
  - o The Hourly Conditional Demand Factor is calculated as:
    - $\text{Sum}(\text{price sensitive demand} + \text{decrement bids} - \text{increment offers}) / \text{Sum}(\text{fixed demand})$
  - o The Hourly Conditional Demand factors for each day are then averaged to calculate a daily conditional demand factor
  - o The ten daily conditional demand factors are then averaged to arrive at the Seasonal Conditional Demand Factor
- PJM calculates the Seasonal Conditional Demand Factors and posts them to PJM.com by no later than November 15 of each year.
- Future reserve requirements may be defined locationally based on operation criteria as documented in the PJM Manuals.

In the event PJM forecasts a credible natural gas pipeline contingency(s), as described in PJM Manual 13: Emergency Operations, Section 3.9, the hourly Day-Ahead Scheduling Reserve Requirement is calculated as the greater of:

- The Day-Ahead Scheduling Reserve Requirement as defined above,

OR

- The sum of the Economic Max of Resources defined as part of the largest credible natural gas pipeline contingency

The detailed contingency assessment process and the pre-defined gas infrastructure contingencies are documented in the CEII portion of PJM Manual 03: Transmission Operations, Section 5.

### **11.2.2 Day-Ahead Scheduling Reserve Market Eligibility**

Day-Ahead Scheduling Reserve Resources are defined as resources that meet the following eligibility requirements to provide Day-Ahead Scheduling Reserve:

Day-Ahead Scheduling Reserve Resources comprise of all those resources that can provide reserve capability that can be fully converted into energy within 30 minutes from the request of the PJM dispatcher at the time of the request and is provided by equipment which may not necessarily at the time of the request be electrically synchronized to the system.

A Day-Ahead Scheduling Reserve Resource may be:

- Equipment not electrically synchronized to the system. The equipment that generally qualifies in this category includes pumped hydro, industrial combustion turbines, jet engine/expander turbines, combined cycle and diesels; or
  - Additional generating capacity that is synchronized to the grid and scheduled and can increase output in 30 minutes (including condensing mode and pumped hydro that is in pumping mode) to provide additional Day-Ahead Scheduling Reserve;
- or
- Load response resources registered in the Economic Load Response program that indicate that they can be dispatchable by PJM in real-time can reduce within 30 minutes.
  - Load response resources that are considered “batch load” resources as defined in Section 1.3.1A.001 of the Operating Agreement, may participate in the Day-Ahead Scheduling Reserve market under the same conditions that exist for the Synchronized Reserve Market with respect to having already reduced prior to receiving a PJM dispatch instruction to do so. Such resources must remain off line for the duration of the PJM dispatch request in order to receive the Day-Ahead Scheduling Reserve market payment.
  - Day-Ahead Scheduling Reserve Market offers may be submitted only for those resources located electrically within the PJM RTO. Resources that cannot reliably provide Day-Ahead Scheduling Reserve obligations in real-time shall be excluded from the Day-Ahead Scheduling Reserve process. Such resources types include, but are not limited to: Nuclear units, run-of-river and self-scheduled pumped hydro units, Wind units, ESR model participants, Solar units, and non-energy resources such as batteries which do not have capability to provide the obligations of Day-Ahead Scheduling Reserve for entire hour. Owners of any specific resource(s) or these resource types may request an exception from the default non-eligibility to provide Day-Ahead Scheduling Reserve if they notify PJM that the resource(s) are able to reliably provide Day-Ahead Scheduling Reserve Obligation in real-time.
  - Resources may participate and be compensated in both the Day-Ahead Scheduling Reserve and Synchronized Reserve Markets. In addition, resources may participate and



be compensated in both the Day-Ahead Scheduling Reserve and Regulation Markets. However, since resources cannot participate in both the Synchronized Reserve and Regulation markets; no resources can participate in the Day-Ahead Scheduling Reserve, Synchronized Reserve AND Regulation markets and be compensated for all three.

- The following additional Demand Resource requirements must also be met in order to participate in the Day-Ahead Scheduling Reserve Market:
  - o Demand resources' response controls must be approved by PJM prior to participation in the Day-Ahead Scheduling Reserve Market including ability to be dispatched by PJM's Security Constrained Economic Dispatch system.
  - o Demand resources providing Day-Ahead Scheduling Reserve are required to provide telemetry that is capable of providing metering information at no less than a one minute scan rate.
- Metering information of demand resources is not required to be sent to PJM in real-time. Daily uploads at the close of the next business day after the operating day if an event has occurred are sufficient, as the response evaluation is performed after the fact.
- Demand resources may be aggregated and offered into the PJM Day-Ahead Scheduling Reserve Market as one combined resource if the appropriate telemetry is provided for the aggregated resource.
- Demand resource participation is limited to 25% of the RTO Day-Ahead Scheduling Reserve Requirement.
- Demand Resources are allowed to participate in the Day-Ahead Scheduling Reserve Markets if approved by the appropriate Regional Reliability Council.
- Dynamic Transfer resources are eligible to provide Day-Ahead Scheduling Reserve as per Attachment F of PJM Manual 12: Balancing Operations.

In the event PJM forecasts a credible natural gas pipeline contingency(s), a resource that is part of the credible natural gas pipeline contingency(s) is not eligible to be a Day-Ahead Scheduling Reserve Resource. Please refer to PJM Manual 13: Emergency Operations, Section 3.9 and the CEII portion of PJM Manual 03: Transmission Operations, Section 5 for details on the process for assessing gas infrastructure contingency impacts on the PJM RTO.

### **11.2.3 Day-Ahead Scheduling Reserve Market Rules**

The following offer and operational information must be supplied through the Markets Gateway System:

- Day-Ahead Scheduling Reserve Availability.
- Day-Ahead Scheduling Reserve Offer Price - Offers to provide Day-Ahead Scheduling [30-Minute] Reserve are in dollars/MW of reserve to be provided, and \$0/MW is a valid offer.
- A valid generator or demand response energy offer must be available in the Day-Ahead Energy Market to participate.
- Energy resources need to have an energy offer available in the Day-Ahead Market to participate in the Day-Ahead Scheduling Reserve Market.

- All generator units submit Day-Ahead energy offers and meet the Day-Ahead Scheduling Reserve Market Eligibility requirements are considered available to provide Day-Ahead Scheduling reserve (Must offer requirement).
- All demand resources that submit Day-Ahead energy offers and meet the Day-Ahead Scheduling Reserve Market Eligibility requirements may provide Day-Ahead Scheduling reserve (Markets Gateway System default = unavailable). Demand resources may voluntarily make themselves available to provide Day-Ahead Scheduling Reserve.
- Day-Ahead Scheduling Reserve Offer Quantity (MW) for Online Units is derived as the lesser of:
  - o difference of the Economic Max – DA Dispatch Point scheduled
  - o Ramp Rate \* (30 minutes)
- Day-Ahead Scheduling Reserve Offer Quantity (MW) for Offline Units is derived as the lesser of:
  - o Economic Max
  - o Economic Min + (Ramp Rate \* (30 minutes – Startup Time plus Notification Time in minutes))

#### **11.2.4 Day-Ahead Scheduling Reserve Market Offer Period**

Market participants wishing to offer into the Day-Ahead Scheduling Reserve Market must supply offer and operational data on a day-ahead basis, with offers due to PJM by 1100 EPT on the day before the operating day (same timeline as Day-Ahead Energy Market).

Day-Ahead Scheduling Reserve offers are locked as of 1100 EPT the day prior to operation. All generating units listed as available for Day-Ahead Scheduling Reserve with no offer price have their offer prices set to zero.

#### **11.2.5 Day-Ahead Scheduling Reserve Market Clearing**

PJM clears the forward market for Day-Ahead Scheduling Reserves via a simultaneous optimization with the Day-Ahead Energy Market as part of the Day-Ahead Market mechanism.

The Operating Reserve objective utilized in the Day-Ahead Market and on which the Day-Ahead Scheduling [30-Minute] Reserve market clears is calculated based on the PJM load forecast for the upcoming operating day.

The market clearing results in an hourly price for Day-Ahead Scheduling [30-Minute] Reserve for the next day, and is posted along with the resource-specific Day-Ahead Scheduling [30-Minute] Reserve awards by 1330 EPT via the PJM Markets Gateway System.

The hourly Day-Ahead Scheduling Reserve clearing price is fixed once calculated and posted by 1330 EPT the day before the Operating Day.

The hourly clearing price for Day-Ahead Scheduling Reserve is based upon the offer prices submitted by the selected resources, together with any opportunity cost a resource incurs in the day-ahead market as a result of being backed down in the day-ahead joint-optimization process in order to meet the RTO Day-Ahead [30-minute] reserve requirement.

The Day-Ahead Scheduling Reserve Market clearing price is set equal to the merit order price of the highest cost Day-Ahead Scheduling Reserve resource necessary to meet the remaining requirement.

Resource merit order price (\$/MWh) = resource Day-Ahead Scheduling Reserve offer + resource Day-ahead Scheduling Reserve opportunity costs.

Both generator startup costs and demand resource shutdown costs are divided over the expected commitment period for the resource, as part of the market clearing process. Neither of these costs are including in the clearing price.

Day-Ahead Scheduling Reserve start-up costs are defined as applicable generator startup costs required to provide Day-Ahead Scheduling Reserve or demand resource shutdown costs required to provide Day-Ahead Scheduling Reserve.

Day-Ahead Scheduling Reserve opportunity costs are defined as applicable generator opportunity costs required to provide Day-Ahead Scheduling Reserve or applicable demand resource opportunity costs required to provide Day-Ahead Scheduling Reserve. Opportunity cost for Demand Resources is zero.

The resource Day-Ahead Scheduling Reserve offer is that which is submitted by the owner via the Markets Gateway System by 1100 on the day preceding the operating day.

The Day-Ahead Energy Market LMP is used in the Day-Ahead Scheduling Reserve opportunity cost calculations.

#### **11.2.6 Day-Ahead Scheduling Reserve Market Operations**

Resources that receive a day-ahead award for Day-Ahead Scheduling [30-Minute] Reserve receive the hourly clearing price for the awarded MW amount as long as they were capable of providing the reserve in real time as outlined in the Day-Ahead Scheduling Reserve Performance section below.

#### **11.2.7 Day-Ahead Scheduling Reserve Performance**

Resources that receive a Day-Ahead Scheduling [30-minute] Reserve award are not required to maintain the awarded amount of reserve capability in real-time operations.

Measurement of the performance of assigned resources is as follows:

- For resources with a start time plus notification time of greater than 30 minutes, the resource is required to be on line and operating at PJM's direction during the hour of the award with a real-time dispatchable range (Real-time Economic Maximum – Real Time Economic Minimum) at least as great as day-ahead dispatchable range (Day-Ahead Economic Maximum – Day-Ahead Economic Minimum).
- For resources with a start time plus notification time of less than or equal to 30 minutes, the resource is required to be available to the PJM operator for dispatch during the hours of the award and start within 30 minutes if dispatched by PJM.

If a unit with a Day-Ahead Scheduling Reserve award for any hour in the day is requested to start in an hour that it did not receive a Day-Ahead Scheduling Reserve award, the unit must start within 30 minutes in order to receive the award for the day.

Hydro resources are required to be available to the PJM operator for dispatch during the hours of the award.

- For Demand Resources, measurement is the difference between the demand resource's MW consumption at the time a resource is requested by PJM dispatch to reduce and its MW consumption after 30 minutes of the request. In order to allow for small fluctuations and possible telemetry delays, demand resources consumption at the start of the event is defined as the greatest telemetered consumption between one (1) minute prior to and one (1) minute following the issuance of the dispatch instruction. Similarly, a demand resource's consumption thirty minutes after the dispatcher request is defined as the lowest consumption measured between twenty nine (29) and thirty (31) minutes after the start of the request.

### **11.2.8 Day-Ahead Scheduling Reserve Market Obligation Fulfillment**

Each Load Serving Entity (LSE) on the PJM system incurs a Base Day-Ahead Scheduling Reserve obligation in kWh based on their real-time load ratio share of the Base Day-Ahead Scheduling Reserve eligible MW as defined in PJM Manual 28: Operating Agreement Accounting. Each LSE's obligation is equal to its load ratio share within the RTO times the amount of Base Day-Ahead Scheduling Reserve eligible MW in the RTO. Any PJM market participant may incur or fulfill a Base Day-Ahead Scheduling Reserve obligation through the execution of a bilateral Day-Ahead Scheduling Reserve transaction as described below.

Participants may fulfill their Day-Ahead Scheduling Reserve obligations by:

- Owning Day-ahead Scheduling Reserve resources from which the RTO obtains Day-Ahead Scheduling Reserve;
- Entering bilateral arrangements with other market participants; or
- Purchasing Day-Ahead Scheduling Reserve from the Day-Ahead Scheduling Reserve market.

If PJM issues a Hot or Cold Weather Alert or escalating emergency procedures resulting in an increase in the Day-ahead Scheduling Reserve Requirement, charges for the additional requirement resulting from the difference between fixed demand and forecasted load will be allocated to differences in Day-ahead demand and Real-time load when Day-ahead demand is less than Real-time load. See PJM Manual 28: Operating Agreement Accounting, Section 19.3 for additional details.

### **11.2.9 Day-Ahead Scheduling Reserve Bilateral Transactions**

Bilateral Day-ahead Scheduling Reserve bilateral transactions may be reported to PJM. Such reported bilateral Day-Ahead Scheduling Reserve transactions must be for the physical transfer of Day-Ahead Scheduling Reserve and must be reported by the buyer and subsequently confirmed by the seller through the Markets Gateway System no later than 1330 the day after the transaction starts. Bilateral transactions that have been reported and confirmed may not be changed; they must be deleted and re-reported. Deletion of a reported bilateral transaction is interpreted as a change in the end time of the transaction to the current hour, unless the transaction has not yet started.

Bilateral Day-Ahead Scheduling Reserve transactions reported to PJM may be entered in MW of the purchaser's obligation. The minimum MW value is .1 MW

Payments and related charges associated with the bilateral Day-Ahead Schedule Reserve transactions reported to PJM posts shall be arranged between the parties to the bilateral contract.

A buyer under a bilateral Day-Ahead Scheduling Reserve preliminary billing data transaction reported to PJM agrees that it guarantees and indemnifies PJM, PJM Settlement, and other market participants for the costs of any purchases by the seller in the Day-Ahead Scheduling Reserve Market, as determined by PJM, to supply the reported bilateral transaction and for which payment is not made to PJM Settlement by the seller.

Upon any default in obligations to PJM or PJM Settlement by a market participant, PJM shall not accept any new bilateral reporting by the Market Participant and shall terminate all of the Market Participant's reporting of Markets Gateway schedules associated with its bilateral Day-ahead Scheduling Reserve transactions previously reported to PJM for all days where delivery had not yet occurred.

PJM posts Day-Ahead Scheduling Reserve preliminary billing data on which market participants can use as a resource for pricing bilateral Day-Ahead Scheduling Reserve transactions. The data can be found via PJM's Data Miner 2 tool <http://www.pjm.com/markets-and-operations/billing-settlements-and-credit/preliminary-billing-reports/dsr-pjm.aspx>.

#### **11.2.10 Day-Ahead Scheduling Reserve Market Settlement**

Please refer to PJM Manual 28: Operating Agreement Accounting, Section 19: Day-Ahead Scheduling Reserve Accounting for settlement details.

Day-Ahead Scheduling Reserve settlement is a zero-sum calculation based on the Day-Ahead Scheduling Reserve provided to the market by generation and demand resource owners and purchased from the market by participants.

## Section 12: Overview of the Price Responsive Demand

Welcome to the Overview of the Price Responsive Demand section of the PJM Manual for Energy & Ancillary Services Market Operations. In this section you will find the following information:

- An overview description of the Price Responsive Demand (see “Overview of PJM Price Responsive Demand”).
- A list of the Price Responsive Demand Business Rules (see “PJM Price Responsive Demand Business Rules”).

### 12.1 Overview of Price Responsive Demand

The development and implementation of dynamic and time-differentiated retail rates, together with utility investment in Advanced Metering Infrastructure (AMI) led an increasing quantity of load in PJM to be responsive to changing wholesale prices. Through enabling technology and behavioral changes, consumers modify their demand as prices change without being centrally dispatched by PJM or bidding demand reductions into the PJM markets. Given the linkage between dynamic retail rate structures and wholesale prices, this price responsiveness is predictable and needs to be accounted for in the wholesale market design and operations. This predictable reduction in consumption in response to changing wholesale prices is known as Price Responsive Demand (PRD). The continued development of Price Responsive Demand requires coordination between the wholesale market and the retail rate design to maximize its benefit to consumers. The deployment of AMI for small commercial and residential customers enables dynamic and time-differentiated retail rate structures linked to wholesale prices. AMI supports dynamic retail rate structures and these types of retail rates provide the exposure to market prices necessary to provide the incentive for retail customers to reduce or shift consumption in response to price.

Although Price Responsive Demand is not directly dispatchable by PJM, automated retail customer response to real time energy prices signals can produce a predictable demand curve as a function of price. Prices typically increase during capacity emergencies and as a consequence demand drops. Price Responsive Demand will therefore be able to reduce the installed capacity required to meet Loss of Load Expectation (LOLE) based reliability standards.

PRD is provided by a PJM Member that represents retail customers that have the capability to reduce load in response to price. The PJM Member acting on behalf of such retail customers for the purpose of providing PRD is referred to as the PRD Provider. A PRD Provider for a given retail customer **must** may be the customer’s retail Load Serving Entity (LSE). However, PRD may also be provided in the PJM markets by an entity such as an Electric Distribution Company (EDC), or Curtailment Service Provider (CSP) that does not have direct responsibility for serving the retail load but meets all of the eligibility requirements for providing PRD.

## 12.2 Price Responsive Demand Business Rules

### 12.2.1 Price-Demand Curves in the Energy Market

Price Responsive Demand committed in RPM for the current Delivery Year bids in the PJM Energy Market per the business rules below. For details about PRD participation in the PJM Capacity Market, refer to PJM Manual 18: PJM Capacity Market.

Price Responsive Demand that is not committed in RPM for the current Delivery Year has the option to bid in the Energy Market as an “Energy Only” bid. If PRD is bid into the market as “Energy Only”, the Maximum Emergency segments that are not committed MW of capacity may submit a bid price up to the energy market offer cap.

End-use customer loads identified as Price Responsive Demand may not, (i) be registered as Economic Load Response or Emergency Load Response; (ii) be used as the basis of any Demand Resource Sell Offer or Energy Efficiency Resource Sell Offer in any RPM Auction; or (iii) be identified in a PRD Plan or PRD registration of any other PRD Provider.

### 12.2.2 Characteristics of Price-Demand Curves in PJM Energy Market

The Price-Demand Curves (PRD Curves) for Price Responsive Demand committed in RPM for a Delivery Year will have the following characteristics and can be submitted in the PJM Energy Market on a daily basis:

- PRD Curves accepted at the time of PRD registration, are used as default Price Responsive Demand bids in the Day-Ahead Market clearing process. Updates to the default curves may be submitted into the Day-Ahead Market on a daily basis by 1100 at the closing of the Day-ahead bid period.
- PRD Curves in the Energy Market are modeled in the real-time dispatch algorithms and can set Real-Time LMP. Price Responsive Demand will set Real-Time LMP based on offer price on the PRD curve, as described in next section. If a PRD Curve is marked as “unavailable”, the PRD curve is ineligible to set Real-Time LMP. PRD Curves in the Energy Market must be submitted locationally; identified at the substation location within a transmission zone as electrically close as practical to the applicable load (i.e., PNODE). PJM will provide assistance to EDCs to post mapping files that map PNODES to geographic locations such as zip codes.
- PRD curves include the following parameters:
  - o Availability flag
  - o Response rate
  - o Minimum quantity of PRD
  - o Maximum quantity of PRD
- PRD Curves in the Energy Market must be non-increasing and can have up to 10 price-quantity segments for each hour.
- PRD Providers with committed PRD are required to have automation of PRD that is needed to respond to Real Time LMPs for the PRD Curves that are submitted.
- The maximum bid price of the PRD Curve is the applicable energy market offer cap

### 12.2.3 Section Deleted

No longer relevant.

### 12.2.4 Price-Demand Curves in Real-time Energy Market Operations

During normal Economic conditions:

- PRD Curves are included in Security Constrained Energy Dispatch (SCED)
- Price Responsive Demand can set Real-time LMP up to the energy market offer cap

During Emergency conditions:

- Price Responsive Demand must be curtailed once PJM has;
  - o Prior to the 2022/2023 Deliver Year:
    - Declared and loaded Max Emergency Generation; or
    - Loaded emergency purchases; or
    - Initiated a voltage reduction; and
    - The real-time LMP at the applicable location meets or exceeds the price on the submitted PRD curve at which the load has committed to curtail.
  - o Effective with the 2022/2023 Delivery Year and thereafter:
    - Declared a Performance Assessment Interval; and
    - The real-time LMP at the applicable location meets or exceeds the price on the submitted PRD curve at which the load has committed to curtail.
- Prior to the 2022/2023 Delivery Year, PJM will issue an emergency procedures notification to clearly indicate when PRD must be reduced to its committed value based on the MESL, as follows: “At this time, PRD Providers are required to take all actions, including use of supervisory control if necessary, to reduce Price Response Demand (PRD) down to the Maximum Emergency Service Level (MESL)”.
- Effective with the 2022/2023 Delivery Year and thereafter, PJM will issue an emergency procedures notification to indicate when there is a Performance Assessment Interval so PRD providers know when they are required to reduce load.
- During Emergency conditions, PJM will use real-time data submitted by PRD Providers to determine the availability and actual response of PRD, per the rules for Load Management Operational Reporting.

### 12.2.5 ~~Section Deleted~~ Balancing Operating Reserves Deviations

~~No longer relevant. While PJM will not send dispatch signals to PRD load, PRD load that reduces consumption in real time in response to price will be viewed as having “followed dispatch instructions” and therefore does not accrue Balancing Operating Reserve (BOR) deviations for the reduced demand.~~

- ~~PJM sums an LSE's total fixed and price sensitive demand cleared in the Day-Ahead market in each zone.~~
- ~~PJM sums the LSE's total real time load in each zone.~~



- The LSE does not accrue BOR deviations for the amount by which the Day Ahead cleared price sensitive demand exceeds the real time load minus the Day Ahead fixed demand if the LSE has PRD load in the given zone, and:
  - o the Real-Time LMP at the PNODEs where such PRD was modeled for a given hour is higher than the Day-ahead LMP at those PNODEs for that hour, and
  - o the LSEs real time load minus its Day Ahead fixed demand is less than the LSE's Day Ahead cleared price sensitive demand in that zone.

#### 12.2.6 PRD Curves Submitted by PRD Providers Curtailment Service Providers (CSPs)

PRD Curves may be submitted by PRD Providers without direct load responsibility in the PJM energy market by 1100 at the closing of the Day-ahead bid period.

PRD Curves submitted by PRD Providers without direct load responsibility are identified as CSP-PRD bids in the Day-ahead Market software and user interface.

CSP-PRD bids are modeled in the Real-time Energy market only, and are modeled in the real-time dispatch algorithms. CSP-PRD curves bids are not modeled in the Day-ahead Market Clearing process.

CSP-PRD curves bids do not result in any energy market charges or credits to the CSP-PRD Provider.

## **Attachment A: Interchange Energy Schedule Curtailment Order**

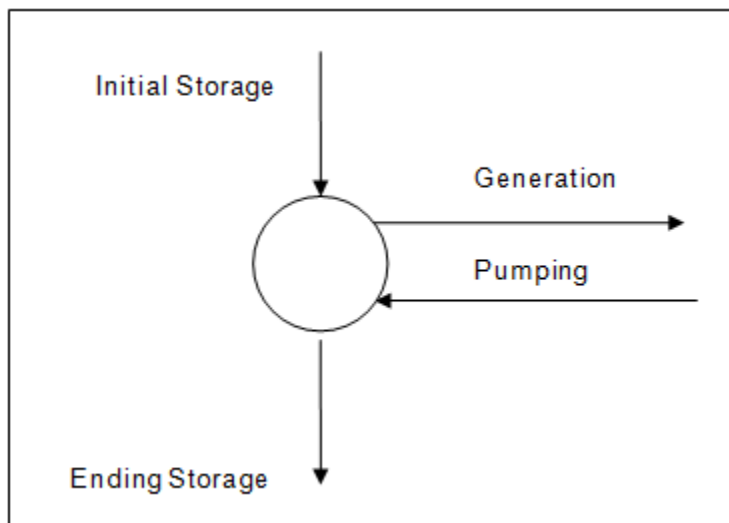
Interchange Energy Schedule Curtailment Orders are detailed in Section 2.6 of the OASIS Business Practices.

## Attachment B: Pumped Storage Modeling

This Attachment describes the pumped storage model developed by PJM that can be used by participants to schedule their pumped storage plants optimally.

### Description of Model

The model treats the pumped storage plant as a MWh reservoir. When the plant generates MW are removed from the reservoir, when the plant pumps MW are added. A pumping efficiency factor is used to translate the pump load to energy transferred into the reservoir. The following figure illustrates the model for a single time period.



This model enforces the classical “Conservation of Flow” constraint for each hour.

Hourly PlantStorage may also be constrained by MaxStorage and MinStorage values.

The Beginning and Ending storage for the day can then be constrained by setting MaxStorage and MinStorage values.

Since the objective of the unit commitment software is to minimize total cost over the study period, the resulting generation and pumping schedule will be maximized so as to produce the lowest possible system cost (maximum benefit). The conservation of flow constraint assures us that pumping will only occur if the cost of pumping can be offset by an associated benefit of generating.

The inputs to the model include:

- **Plant Data:**
  - o Initial Storage Level
  - o Final Storage Level
  - o Maximum Storage Level
  - o Minimum Storage Level

- o Pumping efficiency factor.
- **Unit Data:**
  - o Minimum and Maximum generating and pumping limits

**Note:**

Note that pumping increases the storage by – Pumping Efficiency \* Pumping Mwh and generation decreases the storage by Mwh the plant is generating.

## Attachment C: PJM Procedure for Cost Adjustment

This section addresses the procedures by which Market Sellers may report differences between cost-based offers and actually incurred costs for resettlement. These differences may result in a settlement credit adjustment if a generation resource's costs were underestimated or overestimated at the time the offer was selected and cleared. This section also addresses the procedures by which Market Sellers may request reimbursement for manning units above normal station manning levels at the direction of PJM. The aim of the procedure is to:

- Enable generation resources that are requested to operate by PJM System Operations outside of a day-ahead commitment and cannot accurately estimate intraday costs as described in the Generation Owner's Fuel Cost Policy.
- Explain the process for the recovery of costs to staff the station above normal station manning levels at the direction of PJM ("manning costs") that cannot be submitted in the cost-based startup, because they are unknown at the time of the offer submittal. These manning costs are considered to be "start cost" as defined in PJM Manual 15: Cost Development Guidelines. This procedure is not intended to guarantee cost recovery nor is it intended to address compensation of units for normal manning costs.

### Eligibility

Generation resources must meet the following criteria in order to be compensated for differences between cost-based offers and actually incurred costs for resettlement using this procedure:

- The generation resource must have a Fuel Cost Policy that has been submitted to the MMU as described in PJM Manual 15: Cost Development Guidelines.
- The generation resource has documented in the generation resource's Fuel Cost Policy the conditions under which the resource cannot accurately estimate intraday costs and therefore are allowed to be compensated using this procedure. For example, if there is no publicly traded commodity or index that could be used to reflect the generation resource's fuel cost and the fuel cost is only known at the time of purchase.

### Offers

Market Sellers who elect to make their price-based schedules unavailable should make their most applicable cost-based schedule available. In every case, the submitted costs must follow the current PJM Manual 15: Cost Development Guidelines. Participants are required to provide fuel cost documentation as documented in Section 1.8: Cost Methodology and Approval Process in PJM Manual 15: Cost Development Guidelines for the basis for the estimated fuel cost(s) and associated operating cost(s).

### Operations

If a generation resource has been asked by PJM System Operations to operate and has no prior commitment, the Market Seller may elect to make its price-based schedule unavailable and update their cost-based schedule availability in real time. If the Market Seller elects to do this, the Market Seller must update the offer of their submitted schedules in Markets Gateway to ensure their actual cost is reflected. All schedules submitted must be based on a verifiable methodology documented in the generation resource's Fuel Cost Policy. The PJM operator

evaluates whether the specified cost-based schedule is economic and if so, logs and dispatches the unit on the applicable schedule.

If a station is directed by PJM to be manned beyond normal and required operating hours, the unit may submit the additional costs – manning costs – as defined below. Participants choosing to self-schedule a unit after PJM has directed the station to be manned above normal station manning levels are not eligible for recovery of manning costs.

### Settlements

Generation owners of resources committed by PJM that meet the eligibility criteria to be compensated using this procedure have until 1100 on the business day following the operating day to submit an e-mail to [mrkt\\_settlement\\_ops@pjm.com](mailto:mrkt_settlement_ops@pjm.com) with the following information:

- Unit Name
- Date of operation
- Applicable time of operation
- Contact information (name of sender, phone, e-mail)
- Date and time of PJM Dispatch contact to generator
- Invoice with actual fuel cost. The invoice must include:
  - o Fuel cost in dollars per unit of volume (e.g. \$/bbl, \$/ccf) and heat content in MMBTU per unit of volume (e.g. MMBTU/bbl, MMBTU/ccf) or fuel cost in dollars per MMBTU.
  - o Actual fuel consumed for power generation.
- Revised cost-based schedule using actual fuel costs and actual fuel consumption. The revised cost-based schedule should include startup cost, no load cost and incremental offer curve. Because Market Sellers are compensated based on actual costs, Market Sellers shall not be allowed to include the 10 percent adder defined in Section 6.4 of PJM Tariff Attachment K - Appendix in their revised cost-based schedule.

The information shall be reviewed by PJM and the MMU. PJM Market Operations personnel confirm the operation of the unit with PJM System Operations. The MMU shall inform PJM if it considers the information to be accurate or not after discussion with the participant. If PJM approves the submitted information, the revised cost-based schedule is forwarded to the PJM Market Settlements department for the settlement credit adjustment. In the event that PJM and the Market Seller cannot come to agreement regarding the revised cost-based schedule, the generation resource is paid based on the cost-based schedule determined by PJM. The Market Seller shall have the option to request a determination by FERC at its discretion. The MMU shall have the option to request a determination by FERC at its discretion.

If a unit uses a cost-based start-up and is manned above normal station manning levels at the direction of PJM and all units at the station do not run during the operating day, written confirmation of actual costs incurred due to such manning requirements can be submitted to PJM as cancellation fees per Section 1.10.2 of Schedule 1 of the PJM Operating Agreement and the parallel provisions of Attachment K Appendix of the PJM Tariff. Submittal should follow the “Credits for Canceled Pool-Scheduled Resources” timelines in PJM Manual 28: Operating Agreement Accounting (to be received within 45 days of date invoice was received by participant for the month in question). Request should include the normal station manning hours, the hours outside of normal station manning levels in which the unit was requested to

be manned by PJM and the actual costs incurred for manning above normal station manning levels. The Balancing Operating Reserve credit for manning costs equals the actual costs incurred less any CT Lost Opportunity Credit in excess of day-ahead scheduled MW times the difference in real-time and day-ahead LMPs.

If a unit uses a price based start-up and is manned above normal station manning levels at the direction of PJM and all units at the station do not run during the operating day, written confirmation of actual costs incurred due to such manning requirements can be submitted to PJM as cancellation fees per Section 1.10.2 of Schedule 1 of the PJM Operating Agreement and the parallel provisions of Attachment K Appendix of the PJM Tariff. Submittal should follow the “Credits for Canceled Pool-Scheduled Resources” timelines in PJM Manual 28: Operating Agreement Accounting (to be received within 45 days of date invoice was received by participant for the month in question). Requests should include the normal station manning hours, the hours outside of normal station manning levels in which the unit was requested to be manned by PJM and the actual costs incurred for manning above normal station manning levels. The Balancing Operating Reserve credit for manning costs equals the actual costs incurred less any CT Lost Opportunity Credit in excess of day-ahead scheduled MW times the difference in real-time and day-ahead LMPs, capped at the appropriate price based start cost as specified in the generating resource’s offer data.

If a unit uses a cost-based start-up and is manned above normal station manning levels at the direction of PJM and any unit at the station does run during the operating day, the manning costs that are not included in their cost-based start recovered through normal operations may be submitted to the PJM Market Settlements Department ([mrkt\\_settlement\\_ops@pjm.com](mailto:mrkt_settlement_ops@pjm.com)). Requests should include the normal station manning hours, the hours outside of normal staffing hours in which the resource was requested to be manned by PJM and the additional actual costs incurred for manning that is not included in the cost-based start. These manning costs are added to startup costs and are evaluated with Balancing Operating Reserve credits for the unit.

## Attachment D: Verification of Offers greater than \$1,000/MWh that were not eligible to set LMP

This section addresses the procedures by which Market Sellers that incur incremental operating costs for a generation resource greater than \$1,000/MWh can receive credit for Operating Reserves. The aim of the procedure is to:

- Enable generation resources with cost-based offers greater than \$1,000/MWh, and less than \$2,000/MWh, which did not pass the offer screening process in time to set LMP for all or a portion of the operating day, and which are scheduled or requested to operate by PJM System Operations to be paid Operating Reserve credits under certain conditions:
  - A generation resource may be eligible for Day-Ahead Operating Reserve credit if it was scheduled by PJM and the submitted offer is verified after the Day-Ahead Market closes.
  - A generation resource may be eligible for Balancing Operating Reserve credit if that resource is dispatched and the resource's submitted offer is verified following the operating interval.
- Enable generation resources with validated cost-based offers greater than \$2,000/MWh that are scheduled or requested to operate by PJM System Operations to be made whole under certain conditions:
  - A generation resource may be eligible for Day-Ahead Operating Reserve credit if it was scheduled by PJM and the submitted offer is verified.
  - A generation resource may be eligible for Balancing Operating Reserve credit if that resource is dispatched and the resource's submitted offer is verified.
- Enable generation resources with price-based offers greater than \$1,000/MWh and less than or equal to their cost-based offer to be made whole if the reference cost-based offer did not pass the offer screening process in time to allow the price-based offer to be greater than \$1,000/MWh for all or a portion of the operating day to be paid Operating Reserve credits under certain conditions:
  - A generation resource may be eligible for Day-Ahead Operating Reserve credit if it was scheduled by PJM and the submitted offer's reference cost-based offer is verified after the Day-Ahead Market closes
  - A generation resource may be eligible for Balancing Operating Reserve credit if that resource is dispatched by PJM and the submitted offer's reference cost-based offer is verified following the operating interval.
- Explain the process Market Sellers can request to be paid Operating Reserve credits based on the resource's cost-based offer, which did not pass the offer screening process can submit relevant documentation to PJM and the MMU to verify the cost-based offer. The cost-based offer must be consistent with the PJM approved Fuel Cost Policy. This procedure does not guarantee cost recovery. PJM must review and approve the Market Seller's costs before any Operating Reserve credits are paid to a Market Seller under this Attachment D.



### Eligibility

A generation resource with a cost-based offer greater than \$1,000/MWh developed in accordance with PJM Manual 15: Cost Development Guidelines and the Market Seller's PJM-approved Fuel Cost Policy is eligible when:

- A generation resource's cost-based offer did not pass the offer screen or a generation resource has a cost-based offer greater than \$2,000/MWh.
- PJM and the MMU have received the Market Seller's submitted documentation that supports the payment of Operating Reserve credits.
- PJM, with timely input and advice from the MMU, has verified all costs, including start-up, no-load, and incremental energy, used to calculate the Operating Reserve credits using the exception process described in Section 2.3.6.2, and PJM has approved the credits.

### Settlements

Generation owners of resources committed by PJM that meet the eligibility criteria to be compensated using this procedure have until 1100 on the business day following the operating day to submit an e-mail [EnergyOfferVerification@pjm.com](mailto:EnergyOfferVerification@pjm.com) to with the following information:

- Unit Name
- Date of operation
- Applicable time of operation
- Contact information (name of sender, phone, e-mail)
- Date and time of PJM Dispatch contact to generator
- Documentation of the Market Seller's calculation of the cost-based offer in accordance with PJM Manual 15: Cost Development Guidelines and applicable Fuel Cost Policy.

## Revision History

### Revision 111 (11/19/2020):

- Updates for increased transparency stemming from work at Five Minute Dispatch and Pricing MIC Special Session
- Changed LMP Verification to Price Verification to incorporate verification of Market Clearing Prices (MCPs) in addition to LMPs.
- Updates to Sections 2.2, 2.10, 2.11, 5.2.6

### Revision 110 (10/28/2020):

- Section 12.2.4: Update PRD business rules for performance assessment trigger based on FERC Order ER20-271-00

### Revision 109 (10/15/2020):

Revision includes:

- Updates for Five Minute Dispatch and Pricing Short Term implementation that aligns dispatch and pricing intervals
- Updates for increased transparency stemming from work at Five Minute Dispatch and Pricing MIC Special Session
- Updates to Sections 2.1, 2.2, 2.4, 2.5, 2.6, 2.7, 2.9.1, 3.1, 4.1, 4b.1

### Revision 108 (12/03/2019):

- Updates for FERC Order 814 Electric Storage Resource Participation Model
- Added Section 2.3.4B Energy Storage Resource (ESR) Participation Model and updated Sections 2.3, 3.2, 4.2, 4b.2, 9.1, 11.2 where appropriate

### Revision 107 (09/26/2019):

- Document ownership updated from Lisa Morelli to Philip D'Antonio
- Section 3.2.9: Inclusion of process for addressing regulation historic performance scores for an operating day that fail to bridge over into the market clearing system
- Section 4.2.2: Clarifying language on reserve requirement determination for market clearing purposes

### Revision 106 (05/30/2019):

Language to address a credible gas contingency(s) in the calculation for increasing the Day-Ahead Scheduling Reserve Requirement:

- Section 11.2.1 Day-Ahead Scheduling Reserve Market Reserve Requirement

Language added to clarify the reserve market eligibility of resources impacted by a credible gas pipeline contingency(s):

- Section 4.2.1 Synchronized Reserve Market Eligibility
- Section 4b.2.1 Non-Synchronized Reserve Resource Eligibility
- Section 11.2.2 Day-Ahead Scheduling Reserve Market Eligibility

**Revision 105 (04/25/2019):**

- Cover to cover periodic review.
  - o Updated grammar throughout
  - o Updated “About this Manual” section to account for Additional Manual References
  - o Reorganized Sections 2.3.2, 2.3.3, 2.3.4, 2.3.6 and 10.2.2 for readability
  - o Removed irrelevant data in:
    - Section 1 (Figure 1)
    - Section 1.2.2: Reference to Member Administrative Committee
  - o Clarified commitment requirements for Capacity Resource Energy Market Offer rules to align with Tariff (Sections 1, 2.3)
  - o Section 2.3.4: Removed CP Transition Year language
  - o Section 2.3.4A: Relocated UTC business rules to Section 2.3.2 Market Buyers
  - o Section 2.3.10: Clarified process for addressing data input/system failures when calculating LMPs under 5-minute Settlements
  - o Section 2.14: Clarified cap to resource offers includes the lesser of a 10% adder or \$100. Added missing Delmarva and OVEC zones to Region lists.
  - o Section 3.2.7: Clarified use of LOC in Regulation clearing and pricing
  - o Section 6: Removed most of section, relocated language to existing sections as appropriate.
  - o Section 11.2.1: Incorporated previously approved language that was lost due to versioning issue
  - o Attachment A: Removed detailed language and provided a reference to OASIS Business Practices Section 2.6
- Updates to Location Fields in DR hub
  - o Updates to Section 10.2.2 to add new fields for Location Generators and Batteries and minor formatting for clarity

**Revision 104 (02/07/2019):**

- Updated NSR Eligibility Requirements to require real-time telemetry.

**Revision 103 (2/01/2019):**

- Added Section 2.17 to describe the use of transmission constraint penalty factors in the Day-ahead and Real-time Market Clearing Engines per FERC Order (Docket: ER19-323-000)

**Revision 102 (1/22/2019):**

- Conforming change in Section 3.2.7 to specify only resources with a benefits factor of 0.1 or greater may clear in the Regulation Market per FERC Order (Docket: ER19-383-000)

**Revision 101 (01/09/2019):**

- Updates to Sections 2.7, 2.8, 2.9.1 to clarify the use of approved RT SCED solution in determination of Shortage Pricing in Locational Pricing Calculator (LPC).

**Revision 100 (12/20/2018):**

- Distributed Energy Resources (DERS)
  - o Section 10.2 – clarified requirements for On-Site Generator used as demand response resource to reduce load and to inject power with appropriate interconnection agreement.

**Revision 99 (12/06/2018):**

- Conforming changes throughout to reflect Day-Ahead Market Closing change from 1030 to 1100.

**Revision 98 (10/25/2018):**

- Section 2.3.3: define business rules to allow Price-based offers to exceed \$1,000/MWh
- Section 2.3.4A: define business rules for Day-ahead Pseudo-Tie Transactions

**Revision 97: (07/26/2018):**

- Updates to Section 2.3.3 and Attachment D to align price-based offer cap with Tariff/OA language.

**Revision 96 (07/01/2018):**

- Updates to Section 4.2.1 to add language to address the synchronized reserve maximum in order to increase the accuracy of Tier 1 estimation

**Revision 95: (06/01/2018):**

- Conforming change in Section 2.3.2 and Section 2.3.3 regarding Virtual Bidding Locations as per FERC order (Docket Nos. ER18-88-000, ER18-88-001).
- Updates to sections 2.3.7, 9.1, 9.1.1, 10.3 to increase flexibility for resource offer submission to PJM systems.
- Renamed Section 9.1 – Hourly Scheduling Adjustments to Section 9.2 – Self-Schedule Adjustments

**Revision 94 (04/12/2018):**

- Updates to sections 2.3.2, 2.3.3, 2.3.6.2, and Attachment D associated with FERC Order No. 831 to implement Offer Verification for Offers > \$1,000 effective April 12, 2018.

**Revision 93 (04/01/2018):**

- Conforming revisions throughout to reflect change in Real-time Settlement Interval (5 minute settlements)

**Revision 92 (11/01/2017):**

- Revisions throughout to implement hourly differentiated offers and the ability to update offers intraday

**Revision 91 (10/03/2017):**

- Revised Section 7 to include PJM-MISO Coordinated Transaction Scheduling
  - o Added Sections 7.2 and 7.3 to support the Coordinated Transaction Scheduling implementation

**Revision 90 (07/27/2017):**

- Section 2.3.7 – describe the items needed in each energy offer that is needed to qualify for exempt or bonus MW during a Performance Assessment Hour

**Revision 89 (07/12/2017):**

- Section 2.3.2 and 2.3.3 – added clarity to which step in the demand curve is used
- Section 2.5 – removed wording describing the demand curve and penalty factors and reworded within, Section 4.2
- Section 2.9 and 2.9.1 – capitalization and removal of requirement to report false positives to FERC
- Section 4.2.2, 4.2.2.1, 4.2.9 and Section 4b.2.2 – incorporated language from Section 2.5 and clarified how the demand curves, penalties factors and requirements are structured
- Section 4.2.2.1 is a new section defining the shape of the demand curve and adding the additional permanent 190 MWs associated with Step 2

**Revision 88 (5/11/2017):**

- Sections 2.5; 2.9 and 2.9.1 Edits associated with FERC Order No. 825 to implement the transient shortage rule changes effective May 11, 2017

**Revision 87 (3/23/2017):**

- Section 4.2.2; 4b.1 and 6.2 – Providing one location on where to find the Primary Reserve and Synchronized Requirements (Manual 13, Section 2.2)

- Section 4.2.2 – provided updated explanation of what resources and the associated MWs are used for “double spin?; removed on peak / off peak requirement differentiation during “double spin?”
- Section 4b.2.3 – added clarity that the NSRMW should not go negative

**Revision 86 (02/01/2017):**

- Revision to sections 3.2.4 and 6.1.1: updated the regulation requirement period and the regulation requirement effective MW to defer to Manual 12 Section 4.4.3 – Determining Regulation Assignment.
- Removed references to Manual 35 as this manual was retired on November 17, 2016.

**Revision 85 (11/01/2016):**

- Revisions to 10.4.5 Emergency and Pre-Emergency Settlements to use Economic CBL for energy settlements instead of “hour before?” CBL method. Corresponding tariff provisions approved by FERC under ER16-2460.

**Revision 84 (08/25/2016):**

- Cover to Cover Periodic Review

**Revision 83 (07/28/2016):**

- Revisions to section 11.2.2 regarding the default non-eligibility in Day-Ahead Scheduling Reserve process for certain unit types.

**Revision 82 (07/01/2016):**

- Revisions to section 11.2.2 regarding Day-Ahead Scheduling Reserve eligibility for Dynamic Transfer resources.

**Revision 81 (06/01/2016):**

- Revisions to section 2.3.4 for ‘Real Time Values’.

**Revision 80 (03/31/2016):**

- Revisions to various sections regarding effective operating day of 04/01/2016 for Day-Ahead Market timeline changes related to dockets No. ER14-24-000 & ER15-2260-001
- Changed all timings to 24 hour format
- References to eMKT application were updated to Markets Gateway
- Revisions to sections 2.3.3 and 2.3.4 for Parameter Limited Schedule changes related to the implementation of Capacity Performance effective from 06/01/2016 (dockets No.ER15-623 and EL15-29).
- New section 2.3.10 for operating parameter definitions
- Revisions to section 6.3.5 for cancellation fee of pool-scheduled resources

**Revision 79 (12/17/2015):**

- Revisions to section 2.3.2 Market Buyers, 2.3.3 Market Sellers, 2.3.9 Day-ahead Locational Marginal Price (LMP) Calculations, 2.7.2 Determination of LMPs for Generation Resources with offers greater than \$2,000/MWh, 2.9 The calculation of Locational Marginal Prices (LMPs) During Reserve Shortages, 2.14 Balancing Operating Reserve Cost Analysis, 2.15 Maximum Emergency Energy in the Day-Ahead Market, and Attachment D: Verification of Cost Offers greater than \$2,000/MWh effective 12/14/2015 offer cap language conforming change related to Docket No. ER16-76-000.

**Revision 78 (12/14/2015):**

- 3.1 – Revisions for clarity and to clean up formatting
- 3.2.4 – Minor revision for clarity
- 3.2.7 – Revised the Benefits Factor Curve to a more steeper slope intersecting x-axis at 40 (from 62)
- 3.2.7 – Updated business rules to recognize hours of the day with need for more sustaining regulation (RegA) and where RegD with benefits factor less than 1 will not be considered in the regulation clearing because of its reduced benefits
- 3.2.7 – Added frequency of benefits factor calculation
- 3.2.7 – Added benefits factor calculation steps
- 3.2.9 – Removed a bullet about operating bandwidth around the RTO regulation requirement. A new requirement had been defined during the Performance Based Regulation implementation in section 4.4.3 of Manual 12 – Balancing Operations

**Revision 77 (08/27/2015):**

- Added language in Section 1.1 to clarify the stakeholder notification process related to the creation of new closed loop pricing interfaces and the timing of their use to set Local Marginal Prices.
- Administrative Change: Updated references from edata to Data Viewer.

**Revision 76 (08/03/2015):**

- Conforming revisions for FERC Order ER15-1849, accepted on 7/23/15 and effective 8/3/15, to improve measurement and verification procedures for CSPs with Residential Demand Response Customers. Residential customers without interval metering may participate in the DA, RT, and SR market using the statistical sampling method detailed in Manual 19 Attachment D and subject to PJM approval (sections 4.2.8, 10.4.1, 10.5.2). Residential customers that do not participate in the Day Ahead market do not need to have the same LSE on economic registrations (sections 10.2.2, 10.5)
- Cleanup from a previous change in section 10.4.1: LSEs do not review meter data for DR.

**Revision 75 (04/09/2015):**

- Added second step on the reserve demand curves in section 2.5.5
- Added language in sections 4.2.2 to address the extension of the synchronized reserve requirement under certain emergency conditions
- Added language in sections 11.2.1 and 11.2.8 detailing the increase in the day-ahead scheduling reserve requirement under certain emergency conditions to account for the difference between fixed demand and forecasted load in the day-ahead market

**Revision 74 (04/09/2015):**

- Added language in section 2.3.2 and 2.3.7 for Demand Bid Screening Process that was implemented in Day-Ahead market.

**Revision 73 (04/01/2015):**

- Removal of revisions to section 2.3.2 Market Buyers, 2.3.3 Market Sellers, 2.9 The Calculation of Locational Marginal Prices (LMP) during Reserve Shortages and 2.15 Maximum Emergency Energy in the Day-Ahead Market effective 01/16/2015 – 03/31/2015 offer cap language conforming change related to Docket No. EL15-31-000.
- Administrative changes to Exhibit numbering.

**Revision 72 (01/16/2015):**

- Revisions to section 2.32 Market Buyers, 2.3.3 Market Sellers, 2.9 The Calculation of Locational Marginal Prices (LMP) during Reserve Shortages and 2.15 Maximum Emergency Energy in the Day-Ahead Market effective 01/16/2015 – 03/31/2015 offer cap language conforming change related to Docket No. EL15-31-000.

**Revision 71 (01/01/2015):**

- Section 2.3.3 and Attachment C– Added business rule regarding Intraday Cost Schedule updating. The effective date of the business rule is February, 2015
- Intermediate business rules for Manual Intraday Cost Schedule updating can be referenced at <http://www.pjm.com/markets-and-operations/etools/markets-gateway.aspx>

**Revision 70 (01/01/2015):**

- Section 2.3.6 – Added business rule regarding the commitment of long lead resources in the day-ahead market
- Section 4.2.2 – Added business rules surrounding the increase to the Primary Reserve Requirements under emergency procedures
- Section 11.2.3 – Updated the calculation of the DASR Offer quantity
- Other minor revisions to clean up formatting and references to retired applications

**Revision 69 (10/30/2014):**

- Sections 3.2.1 and 3.2.7 – Corrected typographical errors of mileage ratio to mileage, and multiply by to divide by



- Section 3.2.1 – Added business rules regarding Demand Resources that have overlapping commitments in Regulation and Load Management
- Section 4.2.1 – Added business rules around resources Tier 1 MW estimation in the clearing process, and Tier 1 MW credit when Non-Sync Reserve MCP is above zero
- Section 4.2.8 – Added business rules regarding Demand Resources that have overlapping commitments in Synchronized Reserves and Load Management

**Revision 68 (08/21/2014):**

- Updated section 2.8 to include new Pre-Emergency Load Management resource types that was accidentally not included in revision 67. Changes were approved at 8/21/14 MRC.

**Revision 67 (06/01/2014):**

- Section 2.3.2 added language detailing that PJM may require a specific bid limit volume on virtual bid/offer segments in the Day-ahead market.
- Section 2.3.4 added language detailing that PJM may require a specific bid limit volume on 'up to' congestion transactions in the Day-ahead market.
- Section 2.3.3 added requirement for units with notification and startup exceeding 24 hours to modify notification and startup time to allow unit to be committed in the Day-ahead Market if the unit was scheduled by PJM dispatch in advance of the close of the Day-ahead Market bidding period
- Section 4.2.2 added language detailing the increase of Synchronized Reserve and Primary Reserve requirements following Hot or Cold Weather Alerts or Maximum Generation Emergency Alerts to reflect additional reserves being carried to cover operational uncertainty.
- Section 11.2.1 added language detailing the increase of the Day-ahead Scheduling Reserve requirement following Hot or Cold Weather Alerts or Maximum Generation Emergency Alerts.
- Effective date 6/1/14 unless otherwise approved by FERC based on PJM compliance filing regarding the conforming manual changes for tariff changes approved in ER14-822- proceeding (improve DR resource operational flexibility). The DR operational changes for this manual include: (i) Section 10, requiring all Demand Resources participating in PJM's capacity market to serve as Pre-Emergency Load Response, unless the resource utilizes behind-the-meter generation that is subject to an environmental restriction; (ii) Section 10.4.5, limiting the duration of the required minimum load response reduction period from two hours to one; (iv) Section 2.3.3, establishing revised Demand Resource offer price caps which vary based on the registrations lead time.

**Revision 66 (03/07/2014):**

- Section 10.1 - included conforming language to tariff provisions approved under order 745 that customer baseline should represent what the load would have otherwise been and therefore settlements are not permitted for load reductions that would have otherwise occurred as part of normal operations.

**Revision 65 (01/21/2014):**

- Conforming changes to Docket No Docket No. ER14-373-000 approved on December 11, 2013 and approved by the PJM Markets and Reliability Committee on August 1, 2013. The changes are in section 2.3.4 and change the periods and requirements for parameter limited schedule exceptions.

**Revision 64 (01/06/2014):**

- Conforming changes to Docket No14-277 tariff changes approved on 12/17/13 by FERC and approved at 9/26/2013 by PJM Markets and Reliability Committee. The changes are in Section 10 and remove the requirement to include the LSE on PJM Emergency DR registrations.

**Revision 63 (01/01/2014):**

- Section 2.7 – Removing Regulation Marginal Benefits Factor from 5 minute LPC posting as directed by the FERC in ER12-1204.
- Section 3.2.7- Removing Regulation Marginal Benefits Factor from market settlements as directed by the FERC in ER12-1204.
- Section 3.2.10- Removing Regulation Marginal Benefits Factor and inserting Regulation Mileage Ratio into market settlements as directed by the FERC in ER12-1204 and consistent with Manual 28, Section 4.2.
- Section 4.2.1 – clarifying updates for the Tier 2 Synchronized Reserve must offer requirement.
- Section 4.2.4 – Rewording of Synchronized Reserve offer period.
- Section 4.2.12 – Augment language for Tier 2 Synchronized Reserve non-performance to a Synchronized Reserve Event.
- Section 7 – Updated link to retired Manual 41.

**Revision 62 (8/30/2013):**

- Section 10.4.2 updated to include 2 additional alternative CBLs: Same Day (3+2) and Match Day (3 day average).

**Revision 61 (06/27/2013):**

- Clarifying updates throughout sections 1, 2, 4 and 6 for shortage pricing.
- Section 3.2.9 documents that intra hour commitment or re-commitment for dual qualified regulation resources will continue to use the signal type (RegA or RegD) the resource cleared for the hour.
- Corrections to section 4
  - o Rewording of section 4.2.7 for hydro synchronized reserve events.

- o Conforming change to section 4.2.12 from to Manual 12, Section 4.5.8 regulating resources responding to a synchronized reserve event should return to their regulating band within 10 minutes of the end of the event.
- Clarification added to Attachment C to address the number of cost schedules, add clarity to units that change fuels after their DA commitment or minimum runtime has been met and unforeseeable manning cost recovery.

**Revision 60 (06/01/2013):**

- Conforming changes to incorporate rules for Residual Zone Pricing as approved by FERC in Docket (s) ER13-347. Residual metered load pricing is effective 6/1/2015. Conforming revisions made to section 2.
- Updates for EKPC Market Integration:
  - o Section 2.13: Added EKPC to Western Region BOR.
  - o Section 10.4.2: Added EKPC and DEOK to the weather station used for each Transmission Zone.

**Revision 59 (04/01/2013):**

The following changes were approved at the 3/28/13 MRC

- Changes to Section 2 outlining the allocation of Day-ahead Operating Reserve Credits for resources scheduled to provide Reactive Services or transfer interface control per Docket #ER13-418.
- Updated section 3.2.7 to provide refinement to the reduced energy ramp rate logic with the reduced ramp rate floor percent.

**Revision 58 (3/1/2013):**

- The following changes were approved at the 2/28/13 MRC.
  - o Update section 10.2 to provide additional clarification on load reduction capability, business segment and generation attributes provided by CSPs.
  - o Update section 10.2 to clarify and change the CSP duplicate registration resolution process.
  - o Update section 10.4 to clarify how load reductions for emergency energy settlements are calculated and to determine rules for energy settlements when hourly emergency and economic event overlap. Update to section 10.4.5 are subject to FERC approval of corresponding tariff changes (expect to file in April and receive FERC decision by June 1, 2013).

**Revision 57 (12/01/2012):**

- Changes to Section 2.13 outlining the allocation of Operating Reserve Credits for the scheduling of units for Black Start service and testing of Black Start units.
- References to the eSchedules application were updated to InSchedule to reflect the recent upgrade and renaming of this PJM application.

**Revision 56 (11/29/2012):**

Section 4.2.9 updated for the following:

- Change language to require load data to be provided by CSP for all SR events and for all DR resources with an SR commitment.
- Change CSP load data submission deadline from 1 business day to 2 business days after the SR event,
- Include clarification that CSPs that fail to provide complete, accurate and timely load data may be suspended from participating in the Synchronized Reserve Market until corrective measures are implemented and may be referred to the PJM Market Monitor and/or the FERC Office of Enforcement for further investigation as necessary,
- Increase limit on DR resources from 25% of hourly SR requirement to 33% of the hourly SR requirement.

**Revision 55 (10/25/2012):**

- Conforming changes to incorporate rules for Shortage Pricing as approved by FERC in Docket (s) ER09-1063 and ER12-2262, effective 10/01/2012.
- Conforming revisions made to sections 2, 4, 5, & 6.
- An additional section created, Section 4b – Non-Synchronized Reserve Market, to incorporate new rules.
- Revisions endorsed by Markets & Reliability Committee on 10/25/2012.

**Revision 54 (10/01/2012):**

- Conforming changes to section 10 (demand response participation) based on order 745 (ER11-4106-000). Changes include DR compensation, cost allocation, CBL and associated approval process, elimination of self scheduling, implementation of dispatch group. Conforming changes to section 10 based on elimination of compensation based on LMP-G&T under NBT (ER12-1705-000). Conforming changes to section 10 based regulation market changes (ER12-1430) for demand response (Economic Regulation Only registration and ability to use additional CSP, modified aggregation rules for Economic Regulation Only registration and use of submeter load data to determine regulation performance. This change also included miscellaneous clean up and reformatting for section 10.

**Revision 53 (10/01/2012):**

- Added Section 12: Overview of the Price Responsive Demand. Conforming revisions for FERC Order ER11-4628 accepted on 12/14/2011 and effective 05/15/2012 to integrate Price Responsive Demand (PRD) in PJM Capacity Market.

**Revision 52 (10/01/2012):**

Based on FERC Order 755 for Frequency Regulation Compensation in the Organized Wholesale Power Markets encompassed in FERC Docket Nos. ER12-1204 and ER12-2391, the following changes were made to these sections in this Manual:

- Section 1.1 – PJM Responsibilities added detail about two-part regulation offer.
- Section 2.5 – Unit Dispatch System added detail about Regulation A and Regulation D.
- Section 3.1 – Overview of the PJM Regulation Market added detail about two-part regulation offer for capability and performance.
- Section 3.2.1 – Regulation Market Eligibility added detail about cost and price offers under the new two-part offer for capability and performance.
- Section 3.2.1 – Regulation Market Data Timeline added detail about two part regulation offer.
- Section 3.2.4 – Regulation Requirement Determination edited section to refer back to Manual 12, Section 4.4.3 Determining Regulation Assignment.
- Section 3.2.6 – Regulation Offer Period added detail about cost and price offers under the new two-part offer for capability and performance.
- Section 3.2.7 – Regulation Market Clearing and Dispatch added detail about two-part regulation offer for capability and performance and their impact on offer adjustment, three pivotal supplier test, lost opportunity cost, benefits factor and market clearing.
- Section 3.2.8 – Hydro Units reorganized to mirror corresponding language in Manual 28, Section 4.2 Regulation Credit.
- Section 3.2.9 – Regulation Market Operations added detail about two-part regulation offer for capability and performance.
- Section 3.2.10 – Settlements added detail about two-part regulation settlement for capability and performance including the use of the marginal benefit factor, as well as, hourly performance threshold of 25%.
- Section 5.2.7 – ASO edited section to reflect the new Ancillary Service Optimizer engine, which replaces SPREGO.
- Section 6.1.1 – PJM Regulation Requirement edited section to refer back to Manual 12, Section 4.4.3 Determining Regulation Assignment.

**Revision 51 (08/08/2012):**

- Add bullet to 3.2.1 to clarify priority of the regulation signal and economic dispatch.
- Add subsection Dispatch to 3.2.7 for the reduced energy ramp rate check to prevent units from over ramping when following both regulation and economic dispatch. Also added a check on the set points based on the MW output of the resource.

**Revision 50 (04/03/2012):**

- Add bullet to Section 2.3.3 pointing to Manual M-28 regarding make whole provisions for generators committed in the Day-ahead Market and not run in real-time.

- Republished 04/12/2012 to remove an erroneous bullet point that had stated: “A Generator that has been notified of a restriction due to a projected reliability condition, should not submit an economic maximum or maximum emergency bid into the Day-Ahead market higher than the communicated restriction. A forced outage ticket should be entered into eDART (Outside Management Control) for the duration of the restriction.?”

**Revision 49 (01/01/2012):**

- Revisions made to reflect integration of the DEOK zone into the PJM footprint.

**Revision 48 (10/20/2011):**

- Revision made to change the Synchronized Reserve Market interface from APSOUTH to the most limiting monitored transfer interface
- Revision made to the Synchronized Reserve maximum such that it can be less than or equal to the economic maximum for qualified resources that are granted exception due to a physical limitation
- Revision made to include Tier2 Synchronized Reserve floor offer of 0.1 MW in section 4.2.1

**Revision 47 (10/20/2011):**

- Updated Section 3.2.1 to state that both Generation and Demand Resources must be able to provide 0.1 MW of Regulation Capability in order to participate in the Regulation Market.

**Revision 46 (06/01/2011):**

- Revisions made to reflect integration of the ATSI zone into the PJM footprint.

**Revision 45 (06/23/2010):**

- Revisions approved by stakeholders at MRC on June 23, 2010 to incorporate changes due to PJM markets manuals review.
- Revisions made to clarify that PJM will be the counterparty to all transactions, unless market participants expressly and mutually contract between themselves (or self schedule to themselves). Revisions have been approved at the Markets and Reliability Committee on April 21, 2010 and by FERC (Order ER10-1003 issued on May 5, 2010) (Reference: [FERC Order ER10-1003](#))

**Revision 44 (01/01/2010):**

- Revisions approved by stakeholders at MRC on November 11, 2009 to incorporate the following revision:
- One CSP rule (Section 10)

**Revision 43 (9/24/2009):**

- Revised Section 2: Overview of Two-Settlement System section to reflect revisions to rules for submitting PLS, as approved by, as approved by the Markets & Reliability Committee on September 23, 2009

**Revision 42 (07/31/2009)**

- Revised Section 2: Overview of Settlement System section to reflect Balancing Operating Reserve construct change as approved by FERC (ER08-1569).
- Revised Section 2: Overview of Settlement System to incorporate revisions to allow generators with negative offers to set price in the Day-ahead Market during a Minimum Generation event, as approved by the Markets & Reliability Committee on July 30, 2009
- Revised Section 10: Overview of Demand Response Participation to incorporate enhancement to DSR economic aggregation rules for resources providing Ancillary Services, as approved by the Markets & Reliability Committee on July 30, 2009

**Revision 41 (06/18/2009)**

- Revisions to Section 3 to incorporate rules as approved by FERC on March 29, 2009 (Docket No. ER09-789) to allow for the recovery of lost opportunity costs incurred by generating market buyers and market sellers during the hour preceding the initial regulating hour and the hour following the final regulation hour.
- Cleanup revision on page 121.

**Revision 40 (03/18/2009):**

- Revision to Section 10 to change the current rule requiring a participating end-use customer site have only one Curtailment Service Provider. Revision approved by Markets Reliability Committee on April 23, 2009.

**Revision 39 (03/18/2009):**

- Revisions to Section 10 for Interval Meter Equipment and Load Data Requirements for DSR resources, Revisions approved by the Markets and Reliability Committee on March 18, 2009. Interval Meter Equipment and Load Data Requirements become effective on **October 1, 2009**.

**Revision 38 (01/15/2009):**

- Revised Section 3 to incorporate rules to implement the Three Pivotal Supplier Test in the Regulation Market as approved by FERC (ER09-013) on November 26, 2008.
- Revisions to Section 10 to incorporate Customer Usage Information Form

**Revision 37 (11/24/2008):**

- Revised Synchronized Reserve Market rules to allow recalculation of Tier 1 Synchronized Reserve estimates 60 minutes prior to the market hour [as approved by MRC on June, 2008]

**Revision 36 (08/06/2008):**

- Revised offer capping rules to eliminate exemptions per FERC Order EL08-34 (Effective May 16, 2008). Revisions made to Section 2.
- Revised terminology for revised RFC Definition for Bulk Electric System (BES). Revisions made to Sections 1, 11 & 9.
- Created new Section 11: Overview of Day-ahead Scheduling Reserve Market to incorporate markets rules approved per FERC Order ER08-780 (Effective May 30, 2008). Additional revisions made to Sections 1, 2, 5 & 6 for consistency.
- Revised the Regulation Market Requirement to calculate on and off peak values. Revisions made to Sections 3 & 6.

**Revision 35 (06/13/2008):**

- Section 10: Demand Resources Participation
- Revised Demand Response Participation Rules effective June 13, 2008 for calculation of Customer Baseline (CBL) and associated rules per FERC Order ER08-824.

**Revision 34 (2/29/2008):**

- Corrected typographical error made in Revision 33 on page 23.

**Revision 33 (02/21/2008):**

- Section 2 – Revisions to reflect changes to the business rules for ‘up-to-congestion’ transactions.

**Revision 32 (09/28/2007):**

- Section 2 – Revisions to reflect changes to the Day-ahead modeling of external bilateral transactions to put the generator or load (for import or export respectively) at the interface point.

**Revision 31 (06/01/2007):**

- Revisions for the implementation of Marginal Losses
- Revisions for the implementation of the Reliability Pricing Model

**Revision 30 (03/20/2007):**

- Section 2: Clarifying changes for consistency
- Section 3: Clarifying changes to reflect the implementation of Mixed-Integer Programming (MIP) in SPREGO optimization. Clarifying changes to reflect posting of Regulation Market Results.
- Section 4: Clarifying changes to reflect the implementation of Mixed-Integer Programming (MIP) in SPREGO optimization. Clarifying changes to reflect posting of Synchronized Reserve Market Results.
- Section 4: Revised rules to reflect the requirements of Demand Resources that are considered “batch load”



- Section 4: Revised rules to reflect Synchronized Reserve Market Consolidation for Reliability First Corporation.
- Section 5: Clarifying changes for terminology
- Section 6: Clarifying changes for consistency and terminology
- Section 6: Clarifying changes to reflect the scheduling process for External Market Sellers (XIC Units)
- Revision History permanently moved to the end of the manual.

**Revision 29 (08/11/2006):**

- Exhibit 1: Updated to include the new Manual 30: Alternative Collateral Program.
- Section 2: Revised rules to clarify the determination of a resource's hourly Desired MWh value and no-load compensation values.
- Section 7: Timing requirement updates made regarding ramp reservations that are not scheduled against and ramp reservations that are placed In-Queue.
- Added new section (Section 10) for Demand Response Participation

**Revision 28 (06/13/06):**

- Revised Ancillary Services Rules for DSR.
- Revised Ancillary Services Rules for RFC.
- Revised for Three Pivotal Supplier rules.

**Revision 27 (05/12/06):**

- Section 7: Overview of External Transaction Scheduling
- Removed exception for spot import service.
- Revisions were made to the following pages: 101 and 106.

**Revision 26 (11/09/05):**

- Section 7: Overview of External Transaction Scheduling
- Revised wording in paragraph 1 to reflect PJM's compliance with NERC Standard INT-001.

**Revision 25 (08/19/05):**

- Section 3: Overview of PJM Regulation Market
- Revised PJM Regulation Market Business Rules to create a single regulation market for the PJM RTO effective August 1, 2005.

**Revision 24 (05/09/05):**

- Section 3: Overview of PJM Regulation Market

- Revised PJM Regulation Market Business Rules to identify Ancillary Services Market Areas for Market Integration.
- Revised PJM Spinning Reserve Market Business Rules to define Southern Spinning Reserve Requirement.
- Section 4: Overview of the PJM Spinning Reserve Market
- Revised PJM Spinning Reserve Market Business Rules to identify Ancillary Services Market Areas for Market Integration.
- Revised PJM Spinning Reserve Market Business Rules to define Southern Spinning Reserve Requirement.
- Section 7: External Transaction Scheduling
- Revised expiration times for reservations that are not scheduled against that are made to start the following day.

**Revision 23 (12/7/04):**

- Section 2: Overview of PJM Settlement System
- Changed PJM Settlement Business Rules for to allow Unit Modeling Changes quarterly.

**Revision 22 (10/01/04):**

- Section 2: Overview of PJM Settlement System
- Changed PJM Settlement Business Rules for Virtual Bidding at External Interfaces
- Added PJM Settlement Business Rules for modeling multiple units for operating reserve calculations.
- Section 3: Overview of PJM Regulation Market
- Changed PJM Regulation Market Business Rules to identify Ancillary Services Market Areas
- Added/Changed PJM Regulation Market Business Rules for Market Integration
- Changed PJM Regulation Market Business Rules to define Main/ECAR regulation requirement
- Changed PJM Regulation Market Business Rules to define new information supplied through the Settlement Market User Interface
- Section 4: Overview of the PJM Spinning Reserve Market
- Changed PJM Spinning Reserve Market Business Rules to identify Ancillary Services Market Areas
- Added/Changed PJM Spinning Reserve Market Business Rules for Market Integration

**Revision 21 (01/31/04):**

- Created a new section (Section 7: External Energy Scheduling)

- Revised Exhibit 1: List of PJM Manuals to reflect additional manuals which have been created in 2003.

**Revision 20 (09/01/03):**

- Section 1: Overview of Scheduling Operation
- Revised exhibit 2.
- Section 2: Overview of PJM Settlement System
- Revised exhibit 2.
- Section 3: Overview of PJM Regulation Market
- Changed High Regulation Limit to Regulation Max
- Changed Low Regulation Limit to Regulation Min
- Section 4: Overview of the PJM Spinning Reserve Market
- Changed PJM Spinning Reserve Market Business Rules to define new information supplied through the Settlement Market User Interface: Condense Startup Cost, Condense Hourly Cost, Condense Notification Time, and Spin as Condenser.
- Added Spinning Reserve Market Business Rule regarding Balancing Operating Reserves for units that are pool-assigned Tier 2 spinning reserve.
- Section 5: Scheduling Philosophy and Tools
- Revised exhibit 4.
- Added exhibit 5.
- Revised exhibit 12.
- Revised exhibit 13.
- Removed all Attachments
- Attachment A: Markets Database Dictionary has been removed
- The Markets Database Dictionary provides PJM market participants with definitions for each of the data elements in the Markets Database. The Markets Database is an Oracle database that replaced the PJM unit commitment database. It is the repository of all generation offers, demand bid data and schedules for the Day-ahead Energy Market, Real-time Energy Market, Regulation Market, and Spinning Reserve Market. The Markets Database Dictionary can be found on the PJM Web site at <http://www.pjm.com/etools/downloads/emkt/market-database-data-dictionary.pdf>.
- Attachment B (Offer Forms) has been deleted since the forms are no longer used
- Attachment C (eMKT User's Guide) has been removed
- The PJM eMKT Users Guide provides market participants with the information needed to participate in the PJM settlement, regulation markets and spinning reserve markets. The user guide describes the settlement software, the spinning reserve and regulation software, and the tasks that market participants can perform, as well as the expected

system responses. The eMKT Users Guide can be found on the PJM Web site at <http://www.pjm.com/documents/downloads/user-guides/ts-userguide.pdf>

- Attachment D (Source & Sink List) has been removed
- Instructions on how to download the valid sources and sinks for the Day-ahead Energy Market can be found in the PJM eMKT Users Guide. The eMKT Users Guide can be found on the PJM Web site at <http://www.pjm.com/documents/downloads/user-guides/ts-userguide.pdf>
- Participants can also download the PJM Network Model information from the PJM Web site at [www.pjm.com/markets/energy-market/bus-price-model.html](http://www.pjm.com/markets/energy-market/bus-price-model.html).
- Attachment E: Interchange Energy Schedule Curtailment Order
- This attachment has been renamed “Attachment A.?”
- Attachment F: External Interface Specification Guide has been removed
- The External Interface Specification Guide is intended to help market participants in the PJM settlement, regulation and spinning reserve markets who want to develop their own interfaces for exchanging market data with PJM instead of using the default Market User Interface provided in PJM. The External Interface Specification Guide can be found on the PJM Web site at <http://www.pjm.com/services/training/downloads/externalspecs1.pdf>.

**Revision 19 (12/01/02):**

- Revised Attachment E: Interchange Energy Schedule Curtailment Order.

**Revision 18 (12/01/02):**

- Revised Attachment E: Interchange Energy Schedule Curtailment Order.

**Revision 17 (12/01/02):**

- Added new Section 4: Overview of the PJM Spinning Reserve Market.
- All remaining sections re-numbered respectively.

**Revision 16 (05/18/01):**

- Revised Section 2: Overview of the PJM Settlement System. Updated ‘Market Sellers’ subsection to include rules involving the designation of Maximum Emergency and Maximum Economic generation, numbered items 22 and 23, respectively.

**Revision 15 (02/01/01):**

- Revised Section 5: Scheduling Strategy & Method. Under subsection ‘External Transactions’, updated 60/45/30 minute rule to the new 60/30/20 minute rule. Also added bullet: “Hourly transactions will only be accepted after 1600 EPT (1400 EPT on non-business days) of the day before the Operating Day. Lastly, listed under ‘Validating and Confirming Transaction Requests’, a bullet was added to read:
- “Ensure a valid NERC Tag has been associated. A valid NERC Tag is one in which:?”

- The profile is entirely covered by the tag
- The tag duration is not longer than the schedule
- The tag does not overlap profiles within a schedule
- The tag is not used for multiple schedules
- Removed Attachment A: Definitions and Abbreviations, and all references. Attachment A is being developed into a new PJM Manual for Definitions and Abbreviations (M-35). All remaining attachments have been renumbered and all references have been corrected.

**Revision 14 (08/24/00):**

- Revised Section 5: Scheduling Strategy & Method. In subsection “Processing Market Information?”, added text pertaining to Deviations from Day-ahead Market for Pool Scheduled Resources, and Credits for Cancellation of Pool Scheduled Resources.

**Revision 13 (08/15/00):**

- Revised Section 5: Scheduling Strategy & Method. Added text pertaining to Ramp Violations.

**Revision 12 (07/25/00):**

- Revised Section 5: Scheduling Strategy & Method.

**Revision 11 (06/16/00):**

- Attachment F: Interchange Energy Schedule Curtailment Order
- Revised Curtailment of Capacity Backed Resources.
- Capacity Backed Exports are those transactions sourced from generators or portions of generators on the PJM system that are not designated as PJM installed capacity.
- At Maximum Emergency, PJM will not recall any energy from a resource that is not included in PJM Installed Capacity. If a resource has been de-rated from summer peak capacity, any export that exceeds the pro-rated capacity not attributed to PJM will be reduced to that pro-rated level.
- Example: Unit A has a summer rated capacity of 80 MW, where 60 MW is designated as installed capacity and 20 MW is not. A 20 MW export is scheduled from PJM. There is no outage on the unit. The full 20 MW export will be scheduled.
- Example: Unit A has a summer rated capacity of 80 MW, where 60 MW is designated as installed capacity and 20 MW is not. If there is a 40 MW partial outage of the unit, 3/4 (or 60/80) of the remaining capacity is considered installed. 1/4, or 20/80, of the remaining capacity is available as non-installed capacity and will not be curtailed during a PJM Maximum Emergency. In this example 30 MW remains as PJM installed capacity and 10 MW remains available for capacity backed exports. If the owner of Unit A scheduled a 20 MW export, 10 MW could be recalled during PJM Maximum Emergency. At the conclusion of Maximum Emergency or at the conclusion of the outage, the export would be restored to the full 20 MW.

**Revision 10 (06/01/00):**

- Attachment F: Interchange Energy Schedule Curtailment Order
- Removed Non-Firm over Secondary Points schedules requested after 2:00 p.m. of the day before operations and Non-Firm schedules requested after 2:00 p.m. of the day before operations from curtailment order.
- Added category: Curtailment of Capacity Backed Resources.

**Revision 09 (06/01/00):**

- Revised to reflect the Multi-Settlement Process implementation.

**Revision 08 (04/01/00):**

- Attachment B: Unit Commitment Database
- Removed reference to Maximum Scheduled Generation in section Unit Commitment – Scheduling Data (Cost Capped) for Steam Unit and Schedule Data #7 Schedule Operating Data.
- Removed reference to Maximum Scheduled Generation in section Unit Commitment – Scheduling Data (Cost Capped) CT Unit and Schedule Data #5 Unit & Schedule Operating Data.
- Removed reference to Maximum Scheduled Generation in section Unit Commitment – Scheduling Data (Cost Capped) Diesel Unit Data #5 Schedule Operating Data.

**Revision 07 (06/01/99):**

- Section 3: Scheduling Strategy & Method
- Revised to reflect the new addition of Attachment F (see below).
- Added 'new' Attachment F: Interchange Energy Schedule Curtailment Order.

**Revision 06 (10/06/98):**

- Section 3: Scheduling Strategy & Method
- Guidelines and requirements for the submission of Offer Data, and confirmation and PJM acceptance of schedules/transactions under "Spot Market Energy" and "Bilateral Transactions" of "Processing Market Information" were revised.

**Revision 05 (04/01/98):**

- Attachment C: Offer Forms
- Added "Exhibit C.7: Market Seller Aggregate Bid for Non-Designated Resource (E-Schedules Contracts)"
- Attachment E: Source & Sink List
- Added Attachment E: Source & Sink List
- Section 1: Overview of Scheduling Operations

- Revised exhibits and text.
- Section 2: Scheduling Philosophy & Tools
- Revised exhibits and text.
- Section 3: Scheduling Strategy & Method
- Added exhibits and text describing Locational Marginal Pricing application to the Scheduling process.
- Section 4: Posting OASIS Information
- Revised exhibits and text.
- Section 5: Hourly Scheduling
- Revised exhibits and text.

**Revision 04 (01/30/98):**

- Section 3: Scheduling Strategy & Method
- Changed PJM contact phone numbers for receipt of Offer Data to include 610.666.4532
- under “Spot Market Energy.” Added
- “A schedule is not accepted without confirmation of the schedule details with all parties.
- External offers are subject to the 500 MW ramp rule. The ramp rules outlined under “Bilaterals” in this section apply to offers.
- under “Spot Market Energy.” Added
- “Offers Submitted More Than One Day in Advance
- Offers may be submitted up to seven (7) days in advance (e.g., a bid for the tenth of the month could be submitted as early as the third of the month).
- Offers submitted more than one day in advance received after 12:00 noon will not be processed until the following day.
- Spot Market offers submitted more than one day in advance are not considered binding until 12:00 noon of the day before operations.
- Ramp room will be held for the schedule, but neither PJM nor the market participant is bound to the schedule before 12:00 noon of the day before the operating day. Up to this time, either party may decline the offer without penalty.
- A change to one day of a multi-day offer nullifies the timestamp for the rest the offer. The offer will be given a new timestamp and scheduled as though the rest of the schedule was submitted at the time of the change (including ramp room).
- Transmission reservations that are not used due to cancelled spot market offers will be subject to transmission charges as appropriate.
- PJM will notify the submitter of the acceptance status of offers submitted more than one day in advance by 4:00 p.m. of the day before operations or earlier as specified by the

submitter. No offer will be marked as accepted before 12:00 noon of the business day before the operating day.

- Offers may be withdrawn before PJM notifies the PJM Member of bid acceptance and before 4:00 p.m. of the business day before operations or 12:00 noon of the non-business day before operations.?
- under “Spot Market Energy.?”
- Changed heading “Data Requirements?” from “Aggregate Offer Data Requirements:?” under “Spot Market Energy.?”
- Changed
- “identity of all parties that are engaged in the schedule (e.g., buyers, sellers, marketers, transmitters, and brokers)?
- from
- “identity of all parties that are engaged in the Bilateral Transactions (e.g., buyers, sellers, marketers, transmitters, and brokers)?
- under “Data Requirements?” in “Spot Market Energy.?”
- Changed
- “Offers may be withdrawn before PJM notifies the External PJM Member of bid acceptance and before 4:00 p.m. of the business day before operations or 12:00 noon of the non-business day before operations. All offers for the same period from the same Market Seller of a higher price than the withdrawn offer are also considered withdrawn.?”
- from
- Offers may be withdrawn before PJM notifies the External PJM Member of bid acceptance and before 4:00 p.m. A withdraw of a bid after either of the aforementioned result in a non-delivery charge, unless withdrawing a resource specific offer due to a forced outage demonstrated to the satisfaction of the PJM. All offers for the same period from the same Market Seller of a higher price than the withdrawn offer are also considered withdrawn.
- under “Data Requirements?” in “Spot Market Energy.?”
- Changed
- “If the discrepancies are resolved without change to the original Bilateral Transaction request by 4:00 p.m., the schedule status is marked as confirmed. If discrepancies are resolved with changes to original Bilateral Transaction request before the scheduling deadline, the time stamp is updated to the time at which the discrepancies are resolved with the PJM.?”
- from
- “If the discrepancies are resolved without change to the original Bilateral Transaction request by 4:00 p.m., the schedule status is marked as confirmed. If discrepancies are resolved with changes to original Bilateral Transaction request before 2:00 p.m., the time stamp is updated to the time at which the discrepancies are resolved with the PJM.?”



- under “Confirmation of Bilateral Transactions?” in “Bilateral Transactions.?”
- Attachment C: Offer Forms
- Changed PJM contact phone numbers for receipt of Offer Data to include 610.666.4532.

**Revision 03 (01/01/98):**

- Section 3: Scheduling Strategy & Method
- Changed “The Regulation Requirement for the PJM Control Area is defined as follows:
- PJM -specified percentage of the PJM Valley Load Forecast (currently 1.1%). This requirement is in effect during the Off-Peak Period (0000-0459 hours).
- PJM -specified percentage of the PJM Peak Load Forecast (currently 1.1%). This requirement is in effect during the On-Peak Period (0500-2359 hours).?”
- from “The Regulation Requirement for the PJM Control Area is defined as follows:
- PJM -specified percentage of the PJM Valley Load Forecast (currently 1.1%). This requirement is in effect during the Off-Peak Period (2300-0659 hours).
- PJM -specified percentage of the PJM Peak Load Forecast (currently 1.1%). This requirement is in effect during the On-Peak Period (0700-2259 hours).?”
- Changed Exhibit 3.2: Regulation Requirement Timeline.
- Attachment D: Process Diagrams
- Added “Attachment D: Process Diagrams.?”

**Revision 02 (09/23/97):**

- Changed selected references to PJM Member to market participant.
- Changed PJM phone number for receipt of Offer Data during business hours from “610-666-8947?” to “610-666-4548.?”
- Changed PJM phone number for checking Offer Data during non-business hours from “610-650-4307?” to “610-666-4510.?”
- Changed PJM phone number for receipt of Bilateral Transactions (North/West) during non-business hours from “610-666-8807 to “610-666-4510.?”
- Section 1: Overview of Scheduling Operations
- Revised “(2) Unmetered Market Buyer - An Unmetered Market Buyer is a Market Buyer that is making purchases of energy from the PJM Interchange Energy Market for consumption by metered end-users or end-users that are located outside the PJM Control Area.?” in “Market Buyers?” under “PJM Member Responsibilities.?”
- Revised “purchase transmission capacity reservation in order to receive generation from PJM Interchange Energy Market if the energy is being delivered to end-users that are located outside the PJM Control Area?” in “Market Buyers?” under “PJM Member Responsibilities.?”
- Section 2: Scheduling Philosophy & Tools

- Deleted “verifies that transmission service exists? in “Transaction Management System? under “Scheduling Tools.?”
- Revised “The deadline for both internal and external participants to submit information for the next day is 12:00 Noon of the previous PJM business day. After this deadline, no further offers are accepted for the next day and the UCDB is locked. The deadline is only extended when there is a computer problem at the PJM? in “Marginal Scheduler? under “Scheduling Tools.?”
- Section 3: Scheduling Strategy & Method
- Revised “(4) PJM notifies via ALL-CALL, of the PJM Regulation Requirement? in “PJM Actions? under “PJM Regulation Requirements.?”
- Revised “ (6) PJM notifies via ALL-CALL, in the event of a Regulation Requirement shortage? in “PJM Actions? under “PJM Regulation Requirements.?”
- Revised “Each PJM Member, that has a requirement to serve load within the PJM Control Area, provides the PJM with a forecast of its requirements by 1200 hours on the day before the Operating Day. Regardless of how the PJM Member’s load is supplied, the PJM Member submits the following Operating Day forecast information to the PJM: in “PJM Member Load Forecasts? under “Processing Market Information.?”
- Revised “Each PJM Member makes its own choice based on the information it possesses. Exhibit 3.5 illustrates the relationship between self- and PJM -scheduling for a particular resource? in “Self-Scheduled Resources? under “Processing Market Information.?”
- Revised heading “Buy/Sell Request for External Energy? to “Spot Market Energy? under “Processing Market Information.?”
- Revised “Spot Market requests are in the form of offers. There are general requirements for offer data, as well as specific requirements for internal and external participants? in “Spot Market Energy? under “Processing Market Information.?”
- Replaced “Internal offers must be resource specific unless a schedule with an internal (metered) participant is agreed to beforehand. This is because PJM must account for every MW of energy within the PJM Control Area? with “A PJM Member must be in possession of the power to sell it as Spot Market energy (i.e., no entity can be in the contract path between the PJM Member selling the energy and PJM)? in “Spot Market Energy? under “Processing Market Information.?”
- Added “PJM does not accept bids where the PJM Interchange Market is the source and sink (e.g., PJM-Market Participant-PJM)? in “Spot Market Energy? under “Processing Market Information.?”
- Added “PJM does not accept bids for less than one continuous hour? in “Spot Market Energy? under “Processing Market Information.?”
- Revised “PJM does not accept offers for resources committed to supply Operating Reserves to another Control Area. PJM will not double count units internal to PJM for Operating Reserves. If energy is being offered from a resource to PJM and is already included in the PJM Operating Reserve, the energy can be accepted but will

not participate in PJM Operating Reserve accounting. Offers not properly submitted are rejected. The PJM Member is notified of the reason for rejection and the PJM Member may then take action to submit a new offer? in “Spot Market Energy? under “Processing Market Information.?

- Revised heading “Internal PJM Member Requirements? to “Resource Specific Offer Data Requirements? in “Spot Market Energy? under “Processing Market Information.?
- Deleted heading “External PJM Member Requirements? in “Spot Market Energy? under “Processing Market Information.?
- Deleted “External PJM Members submit offer data via both telephone and facsimile; numbers are listed under General Requirements. External PJM Members use the forms found in Attachment C to submit offers? in “Spot Market Energy? under “Processing Market Information.?
- Deleted “External Market Buyers submit the following data, for the next operating day only:
  - specific amount of energy for each hour of the day
  - dispatch rate above which it does not desire to purchase OASIS number (the “transaction? number from the “Buy/Sell ATC? page of the PJM OASIS. More details on procedures for making a transmission service request via the PJM OASIS can be found on the PJM OASIS Users Guide @ <http://oasis.pjm.com>) for the transmission service reservation(s) which will be used to deliver the energy for the desired point of receipt of the intention to purchase transmission if the offer is accepted?
  - in “Spot Market Energy? under “Processing Market Information.?
- Deleted “Valid offers are entered into the Transaction Maintenance System (TMS) for analysis by the Marginal Scheduler? in “Spot Market Energy? under “Processing Market Information.?
- Deleted “complete energy path? in “Spot Market Energy? under “Processing Market Information.?
- Added heading “Aggregate offer Data Requirements? and the following text in “Spot Market Energy? under “Processing Market Information:?
  - “Aggregate offer data shall be submitted via both telephone and facsimile; phone numbers are listed under General Requirements. External PJM Members use the forms found in Attachment C of this manual to submit offers.
  - A request to change offer data after an offer has been accepted (e.g., dispatch level, dispatch rate, path) will be rejected.
- PJM Members delivering Spot Market Energy to the PJM Interchange Energy Market submit the following data for the next operating day only:
  - identity of all parties that are engaged in the Bilateral Transaction (e.g., buyers, sellers, marketers, transmitters, and brokers)
  - minimum and maximum dispatch levels for each hour
  - identity of any neighboring External Control Area identifiers and priorities, if applicable

- dispatch rate above which it does not desire to sell
- PJM Members requesting Spot Market Energy from the PJM Interchange Energy Market submit the following data for the next operating day only:
- identity of all parties that are engaged in the Bilateral Transaction (e.g., buyers, sellers, marketers, transmitters, and brokers)
- minimum and maximum dispatch levels for each hour
- dispatch rate above which it does not desire to purchase
- For Spot Market Energy to be delivered external to the PJM Control Area, OASIS number (the “transaction? number for the “Buy/Sell ATC? page of the PJM OASIS - More details on procedure for making a transmission service request via the PJM OASIS can be found on the PJM OASIS Users Guide @ <http://oasis.pjm.com>) for the transmission service reservation(s) which will be used to deliver the energy for the desired point of receipt or the intention to purchase transmission if the offer is accepted.
- identity of any neighboring External Control Area identifiers and priorities, if applicable?
- Deleted “External Market Sellers reports the following data for aggregate offers, the next operating day, up to the next business day only:
- complete energy pay
- dispatch rate below which it does not desire to sell
- hours of energy availability
- minimum and maximum dispatch levels?
- in “Spot Market Energy? under “Processing Market Information.?
- Deleted “This data constitutes a binding offer. Valid offers are entered into the Transaction Maintenance System (TMS) system for analysis by the Marginal Scheduler? in “Spot Market Energy? under “Processing Market Information.?
- Revised “Aggregate Offer Data - PJM compares the offer characteristics to the forecasted system conditions and Marginal Scheduler output. See “Forecasting PJM Generation Requirement? in Section 3 of this manual for more information? in “Spot Market Energy? under “Processing Market Information.?
- Revised “Resource Specific Offer Data Evaluation - Resource Specific Offer Data remains in Marginal Scheduler for evaluation. If the offer is not accepted before or during the operating day, the offer is considered rejected? in “Spot Market Energy? under “Processing Market Information.?
- Revised “If an offer is accepted or rejected, the PJM Member is notified via phone and fax. A confirmation fax is sent to the PJM Member (see Attachment C). For any accepted offer the PJM Member is notified by telephone by PJM as soon as possible. For External PJM Members, the contact information requested on the fax form (Attachment C) must be listed on the offer facsimile? in “Spot Market Energy? under “Processing Market Information.?

- Added heading “Non-Delivery of Spot Market Energy?” and the following text in “Spot Market Energy?” under “Processing Market Information.?”
- “A PJM External Market Seller will not be assessed a non-delivery charge if participants were not able to provide delivery for one or more of the following valid and documented reasons which physically prevented delivery and which was not reasonably anticipated at the time of scheduling:
  - transmission system constraints prevented delivery
  - generation outages of source generator(s) (resource must be specified in original Offer)
  - supplier or intervening power system emergencies prevent delivery
- A PJM External Market Buyer will not be assessed a non-delivery charge if the participant was prevented from delivery by one or more of the three conditions described above, the participant subsequently attempted to reschedule delivery, and PJM was unable to comply with the timing requirements for continuity of the transaction.
- Non-delivery charges described in Section 1.6.5 and 1.6.6 of Attachment K of the Tariff will continue to be assessed for all other non-delivery situations.
- The interface path of a Spot Market Energy schedule will not be changed on-shift (hourly).?
- Changed heading “Data Requirements Involving PJM Members External to PJM?” to “Data Requirements Involving Parties External to PJM?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Revised “If a transaction is reported after 2:00 p.m. of the business day before the operating day, the transaction uses non-firm transmission, congestion is expected on the system, and the transaction might contribute to the congestion, the request for the transaction will not be accepted. These schedules are submitted to the non-business hours facsimile or telephone number provided above.?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Added “valid NERC TIS Tag?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Deleted “identity of all PJM Members that are engaged in the Bilateral Transaction (e.g., buyers, sellers, marketers, transmitters, and brokers)?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Deleted “type of transaction (wheel in, wheel out, losses, firm, non-firm)?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Deleted “scheduled start/stop dates and time?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Deleted “quantity of service by hour (maximum and minimum MW) in increments of 1 MW/hour (1,000 kW/hour)?” in “Bilateral Transactions?” under “Processing Market Information.?”
- Deleted “identity of any neighboring External Control Area identifiers and priorities?” in “Bilateral Transactions?” under “Processing Market Information.?”

- Revised “identity of associated transmission service reservation(s) for each hour of the Bilateral Transaction. This is the “transaction? number on the “Buy/Sell ATC? page of the PJM OASIS. Only one transmission service reservation may be applied to one energy schedule in any given hour. More details on procedures for making a transmission service request via the PJM OASIS can be found on the PJM OASIS Users Guide at <http://oasis.pjm.com>)? in “Bilateral Transactions? under “Processing Market Information.?
- Added “identity of any neighboring External Control Area identifiers and priorities? in “Bilateral Transactions? under “Processing Market Information.?
- Revised “Bilateral Transactions scheduled for delivery to native load must be submitted by the Market Participant that reserved the Transmission Service or the LSE. The LSE ultimately receiving the energy and the Market Participant that reserved the Transmission Service must both confirm the Bilateral Transaction. All parties to the transaction must confirm the transaction? in “Bilateral Transactions? under “Processing Market Information.?
- Added “valid NERC TIS Tag is received (see [www.nerc.com](http://www.nerc.com))? in “Bilateral Transactions? under “Processing Market Information.?
- Revised “valid energy transaction type (firm, non-firm, wheel in, wheel out, loses)? in “Bilateral Transactions? under “Processing Market Information.?
- Revised “if using non-firm transmission, then transaction must be reported to PJM before 2:00 p.m. of the business day before the operating day? in “Bilateral Transactions? under “Processing Market Information.?
- Added heading “Additional Validations for a Bilateral Transaction Schedule using On-Peak or Off-Peak Transmission Service Reservations? in “Bilateral Transactions? under “Processing Market Information.?
- Added Exhibits 3.10, 3.11, 3.12 and 3.13 in “Bilateral Transactions? under “Processing Market Information.?
- Added heading “Frequently Asked Questions (regarding on-peak and off-peak energy scheduling)? and the following text in “Bilateral Transactions? under “Processing Market Information.?
  - “(Q1) A Market Participant has reserved off-peak daily transmission for Wednesday, but ramp room is not available at 0700 or 2300.
  - (A1) Two possible solutions are 1) the energy may be scheduled from 0000 to 0800 or 2) the energy may be scheduled from 0000 to 0715 and from 2315 to 2400.
  - (Q2) A Market Participant has reserved on-peak weekly transmission. Ramp room is available from 0700 to 2300 Tuesday through Friday, but ramp room is not available at 0700 or 2300 on Monday.
  - (A2) The energy may be scheduled 0700 to 2300 Tuesday through Friday. One solution to the Monday ramp limit would be to schedule the energy from 0645 to 2245.?
- Deleted “Because Internal Bilateral Transactions do not cross a PJM interface, the 500 MW ramp rule does not apply to these transactions. Internal Bilateral Transactions are

entered before the energy is scheduled to start. If a participant does not have direct access to TMS, the PJM Member can request PJM to confirm the transaction in TMS? in “Bilateral Transactions? under “Processing Market Information.?

- Revised “identity of all parties that are involved in the Bilateral Transaction (e.g., buyers, sellers, marketers, wheelers, and brokers)? in “Bilateral Transactions? under “Processing Market Information.?
- Section 4: Posting OASIS Information
- Replaced “Bilateral Transactions? with “transmission service reservations? under “PJM OASIS.?
- Revised “(1) Not later than 1600 hours of the day before each Operating Day, PJM posts the following information:?” in “PJM Actions? under “PJM OASIS.?
- Attachment C: Offer Forms
- Revised PJM phone numbers on all forms.
- Added “For Internal Use? fields to Exhibits C.1, C.3 and C.4

**Revision 01 (07/08/97):**

- Section 2: Scheduling Philosophy & Tools
- Deleted “... (both those electing to curtail due to congestion and those electing to pay congestion charges) ...?” under “Transaction Management System.?
- Section 5: Hourly Scheduling
- Deleted “... (not paying congestion charges) ...?” under “Hourly Scheduling Adjustments.?

**Revision 00 (05/01/97):**

- Changed references to PJM Interconnection Association to PJM Interconnection, L.L.C.
- Changed references to PJM to PJM buses where appropriate.
- Changed references to PJM to PJM Control Area where appropriate.
- Changed references to PJM IA to PJM.
- Changed references to IA to PJM.
- Changed references to Mid-Atlantic Market to PJM Interchange Energy Market.
- Changed references to Mid-Atlantic Market Operations Agreement to Operating Agreement of PJM Interconnection, L.L.C.
- Changed references to pool to control area.
- Changed references to parties to PJM Members.
- Changed references to External Market Participant to Non-Metered PJM Member.
- Changed references to Internal Market Participant to Metered PJM Member.

**Revision 00 (03/21/97):**

- This revision is a draft of the PJM Manual for ***Scheduling Operations***.