



Problem Statement / Issue Charge

Reactive Service and Operating Reserve Credits

Problem Statement:

Credits paid to units providing reactive services are separate from operating reserve credits. Under PJM's reactive services rules, units that are started and operated to provide reactive services are not assured the recovery of the entire offer including start up and no load cost. Units providing reactive services are made whole through reactive service credits using solely their incremental offer and the real-time LMP. When reactive service credits do not cover the unit's entire offer, the remainder of its offer is made whole through balancing operating reserve credits.

The costs of providing reactive services are paid by real-time load in the control zone where the service was provided, while balancing operating reserve credits are paid by deviations from day-ahead or real-time load plus exports in the RTO, Eastern or Western region, depending on the allocation process.

The issue is that a portion of the costs of providing reactive services is being paid by deviations and real-time load plus exports as balancing operating reserve charges, instead of the real-time load of the control zone where the service was provided.

Issue Source:

PJM's reactive service rules are intended to make whole resources providing reactive service at a loss. The current rules misallocate the costs of providing reactive service by not taking into account the total costs or offer of the resource.

Stakeholder Group Assignment:

The issue will be presented at the October 10, 2012 MIC. The MMU recommends that the MIC resolve the issue without assignment to another group.

Key Work Activities:

1. Review the rules governing the balancing operating reserve credits identification process.
2. Review the rules governing the allocation of the costs of reactive services.
3. Review the history of balancing operating reserve credits paid to units providing reactive services.

4. Determine the correct calculation of reactive service credits.
5. Develop Tariff and Manual changes as necessary.

Expected Deliverables

Revised Tariff and Manual language.

Expected Overall Duration of Work

The MMU expects that this work effort can be completed within six months.