

### Regulation Market Redesign

#### **Problem / Opportunity Statement**

The regulation market utilizes two regulation signals (RegD and RegA) in the dispatch of the regulation product. Using two signals but clearing them in a single market with a single requirement requires an accurate marginal rate of substitution to be utilized in the optimization. PJM and the IMM believe that the benefits factor, which translates RegD fast moving MWs into RegA traditional MWs, is being incorrectly applied in the optimization, which is leading to an incorrect calculation of the contribution of RegD to the total effective regulation. Also, the benefits factor is used inconsistently in pricing and settlements.

There is also the opportunity to re-evaluate other operational and market components of the current regulation market design to ensure they are in alignment with the changing resource mix and operational needs. This includes evaluation of areas such as signal design, performance scoring, regulation market clearing and regulation settlement.

These issues were previously worked at the Regulation Market Issues Sr. Task Force in 2017. Stakeholders agreed on a package of changes that was ultimately rejected by FERC (Docket ER18-87-002).