

so that the charges related can be properly allocated, PJM conducts a Balancing Operating Reserve Cost Analysis (BORCA). PJM also calculates a Regional Balancing Operating Reserve rate for the costs of Operating Reserves that result from actions to control transmission constraints that are solely within pre-defined regions in the RTO. Additional costs of Operating Reserves that result from actions to control transmission constraints that benefit the entire RTO will continue to be allocated equally to deviations across the entire RTO. A detailed description of the Regional Balancing Operating Reserve Cost Analysis (BORCA) analysis can be found in Manual 11: Energy & Ancillary Services Market Operations. The total cost of synchronous condenser payments (other than that for synchronized reserve or reactive services) for the Operating Day is allocated and charged to PJM Members in proportion to their total load plus their exports during that Operating Day. The total cost of Reactive Services for the Operating Day is allocated and charged to PJM Members in proportion to their total load in the applicable transmission zone. The total cost of Day-ahead Operating Reserve for the Operating Day for resources scheduled to provide Reactive Services or transfer interface control because the resource is known or expected to be needed to maintain system reliability in a zone(s) is allocated and charged to PJM Members in proportion to their total real-time load in the applicable transmission zone(s). The total cost of Operating Reserves for resources providing Black Start service or testing of Black Start units is allocated to Network and Point-to-Point Transmission Customers based on their monthly transmission use on a megawatt basis. Additional details on this allocation can be found in PJM Manual 27: Open Access Transmission Tariff Accounting, Section 7.

## 5.2 Credit for Operating Reserve

Credits for Operating Reserve are calculated for each of the following situations:

- pool-scheduled generating resources (day-ahead and balancing markets)
- pool-scheduled transactions (day-ahead and balancing markets)
- synchronous condensing for purposes other than providing synchronized reserve or Reactive Services (balancing market)
- canceled pool-scheduled resources (balancing market)
- resources reduced or suspended due to a transmission constraint or for other reliability purposes (balancing market)
- resources performing annual scheduled black start tests (balancing market)
- resources scheduled to provide Black Start service (day-ahead and balancing market)
- synchronous condensing for purposes other than providing synchronized reserve
- resources providing Reactive Services, including synchronous condensing to main reactive reliability
- pool-scheduled and dispatchable self-scheduled resources eligible for dispatch differential lost opportunity cost credits (balancing market)
- dispatchable economic load reduction resources that follow dispatch (day-ahead and balancing markets). See Section 11 for details on Load Response Operating Reserves Credits and Charges.

### 5.2.1 Credits for Pool-Scheduled Generating Resources

At the end of each Operating Day, PJM calculates the credits due each PJM Member for pool-scheduled generating resources.

#### PJM Actions

- PJM retrieves the following information:
  - o dispatcher generation scheduling and operations logs
  - o resource offer data
    - the resource’s Final Offer, which is the offer on which the resource was dispatched by the Office of the Interconnection for a particular clock hour for the Operating Day
    - the resource’s Committed Offer. For pool scheduled resources, the Committed Offer is the offer on which the resource was scheduled by the Office of the Interconnection for a particular clock hour of the Operating Day. For self-scheduled resources, the Committed Offer is either the offer on which the Market Seller has elected to schedule the resource or the applicable offer based on a) any offer price capping or b) parameter limited schedule restrictions for the a particular clock hour of the Operating Day.
  - o hourly scheduled MWh for generation offers cleared in day-ahead market
  - o five minute revenue meter generation MW values from PJM Power Meter if available
  - o Five minute state estimator or telemetry generation MW, scaled to match hourly revenue meter generation MWh from PJM Power Meter as described in Section 1A of this PJM Manual
  - o hourly scheduled MWh for InSchedule “Generation” contracts, if applicable
  - o five minute interval generator dispatch rates, UDS basepoint MW, and ramp-limited desired MW
  - o generator hourly day-ahead LMPs
  - o five minute real-time LMPs
- PJM calculates the resource’s hourly day-ahead offer amount based on its day-ahead Committed Offer and its cleared day-ahead Scheduled MWh for that hour.
- PJM accounting process applies the startup and hourly no-load bids if the start-up and no-load switch is set in the resource offer data and if the start-up bid is applicable for the MWh and status of the resource.
- Day-ahead credits for startup reflect the appropriate hot, intermediate, or cold state of the resource as it was scheduled in the day-ahead market.
- PJM calculates the resource’s hourly day-ahead energy market value as:  
  
*Scheduled MWh \* Day ahead LMP*
- PJM calculates the daily Day-ahead Operating Reserve credits for each resource as follows:

- o Sum hourly day-ahead offer amounts, including applicable no-load and startup costs, for the day
- o Sum hourly day-ahead energy market values for the day
- o Day-ahead Operating Reserve credit equals any portion of the resource's total day-ahead offer amount in excess of its total day-ahead market value
- o Day-ahead Operating Reserve credits can be further adjusted by the Day-ahead Operating Reserve Offset as described below to remove any commitment costs, including start-up and no-load costs that are credited through Balancing Operating Reserve credits. For each Operating Day, PJM calculates for each resource, hourly Day-ahead Operating Reserve and a Balancing Operating Reserve Targets. These hourly targets are summed to obtain a Day-ahead Operating Reserve Target and a Balancing Operating Reserve Target for each Operating Day.
- The Day-ahead Operating Reserve Target is calculated as follows:

Day-ahead Operating Reserve Target = (Start-up costs + No-load and Energy Offer Costs) – Day-ahead Revenues

- The No-load and Energy Offer Costs are equal to the sum of the day-ahead no-load and energy offer costs over the Real-time Settlement Intervals that coincide with day-ahead settlement intervals that the resource was scheduled to provide energy. The hourly day-ahead no-load and energy offer costs are divided by twelve to calculate the cost for each Real-time Settlement Interval.
- The Day-ahead Revenues are equal to the sum of the day-ahead scheduled MWh multiplied by the hourly day-ahead LMP at the resource bus divided by twelve for each Real-time Settlement Interval that coincides with a Day-ahead Settlement Interval that the resource was scheduled to provide energy.
- The Balancing Operating Reserve Target is calculated as follows:

Balancing Operating Reserve Target = Resource Costs – (Real-Time Energy Revenue + Reserve Revenue)

- The Resource Costs are equal to the sum of the start-up, no-load and energy offer costs for all Real-time Settlement Intervals that coincide with day-ahead settlement intervals that the resource was scheduled to provide energy.
- The Real-Time Energy Revenue is equal to the five minute revenue data for settlement MW value multiplied by the five minute real-time LMP at the generator's bus summed over the applicable Real-time Settlement Intervals.
- The Reserve Revenue is equal to the sum of revenues for Day-ahead Scheduling Reserves, Synchronized Reserves, Non-Synchronized Reserves, and Reactive Services over the applicable Real-time Settlement Intervals.
- The Day-ahead Operating Reserve credits are adjusted by the following offset:

Day-ahead Operating Reserve Offset = Max (Day-ahead Operating Reserve Target – Balancing Operating Reserve Target, 0)

- PJM sums the Day-ahead Operating Reserve generating resource credits for each PJM Member, taking into account joint-ownership of generating units.
- PJM determines eligibility for Balancing Operating Reserve credits for each generating resource from dispatcher logs. The following operating guidelines are used in the determination of Operating Reserve credits:
  - o Resource must operate according to the on and off times requested by PJM, and units tripping during pool-scheduled periods of operation will retain their eligibility up through the five minute interval in which the unit trips.
  - o Resources that trip or fail to start are required to notify PJM per the Synchronization and Disconnection procedures in PJM Manual 14D: Generator Operational Requirements.
  - o Resources that trip, are requested to restart by PJM, and return to operate as requested, are eligible to receive credits for the latter period of operation. Resources that trip or failed to start, are requested to restart by PJM for reliability, and operate as requested, are eligible for additional startup costs.
- PJM determines the resource's five minute Real-time MW as described in Section 1A of this PJM Manual.
- Generation resources that are scheduled in the Day-ahead Market are financially responsible for selling their output in real-time. Section 3.2.3(f-1)(ii) of the PJM OATT details provisions for lost opportunity credits for those Flexible Resources that were scheduled in the Day-ahead Market but are not called on by PJM to run in real-time (See Section 5.2.6 – Credits for Resources Reduced or Suspended due to a Transmission Constraint or for Other Reliability Reasons). Flexible Resources eligible to be called on in real-time must have a startup plus notification time of 2 hours or less and a minimum run time of 2 hours or less for PJM to accurately assess the economic value of the unit and are therefore the only units eligible for these provisions. Any resource scheduled in the Day-ahead Market with a startup plus notification time of greater than 2 hours and a minimum run time of greater than 2 hours should assume that they are committed by PJM in real-time for the duration of the Day-ahead commitment and are therefore only eligible for the aforementioned make whole provisions if PJM denies the commitment of that unit in real-time for either a transmission constraint or reliability.
- If a generation owner calls PJM to bring on a Flexible Resource per its Day-ahead schedule and PJM does not permit the unit to operate in real-time either for reliability or a transmission constraint, it may receive lost opportunity costs as described in section 3.2.3(f-1)(ii) of the OATT as it was not permitted to run by PJM in real-time (See Section 5.2.6 – Credits for Resources Reduced or Suspended due to a Transmission Constraint or for Other Reliability Reasons).
- If a Flexible Resource is committed in the Day-ahead Market with a startup plus notification time of 2 hours or less and a minimum run time of 2 hours or less at the time of the Day-ahead commitment and then extends its startup plus notification time to more than 2 hours or its minimum run time to more than 2 hours, it will not be eligible to receive the aforementioned lost opportunity cost provisions in section 3.2.3(f-1)(ii) of the PJM Tariff.
- PJM determines the resource's five minute interval Operating Reserve Desired MW based on its ramp-limited desired MW or UDS basepoint MW, when available. If

available, UDS basepoint MW is used when 1.) the UDS basepoint MW are less than or equal to the ramp-limited desired MW or 2.) the UDS basepoint MW is greater than the ramp-limited desired MW and the resource's Real-time MW is greater than the ramp-limited desired MW.

- PJM determines the resource's percent off dispatch for each five minute interval as the lesser of the difference between the resource's Real-time MW and the UDS basepoint MW or the Real-time MW and the ramp-limited desired MW, if available. UDS LMP desired MW is used to calculate a resource's percent off dispatch when 1.) data is unavailable due to technical difficulties or 2.) a resource's real-time economic minimum is greater than its day-ahead economic minimum by 5% or 5 MW, whichever is greater, or its real-time economic maximum is less than its day-ahead economic maximum 5% or 5MW, whichever is lower.
- If the resource's UDS basepoint MW and ramp-limited desired MW are not available or the percent off dispatch is greater than 20%, PJM determines the resource's five minute interval UDS LMP Desired MW based on its dispatch rate, applicable schedule's offer data, where the applicable schedule's offer is the Final Offer 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 Combustion Turbine units, operating at PJM direction, the actual five minute interval real-time output is used as the Operating Reserve Desired MW value.~~
- PJM calculates the resource's five minute interval real-time energy offer amount based on its applicable schedule's offer data, where the applicable schedule's offer is lesser of the Committed Offer and the Final Offer, and its Real-time MW for that five minute interval. However, for any five minute interval where the resource's Real-time MW is greater than 110% of its Operating Reserve Desired MW, Operating Reserve Desired MW is used to determine the five minute interval real-time energy offer amount.
- PJM applies the startup and hourly no-load bids if the startup and no-load switch is set in the resource offer data and if the startup bid is applicable for the status of the resource.
- If applicable, when a resource is started during the day at the direction of PJM, the resource's real-time offer amount for that day includes its startup costs based on the appropriate hot, intermediate, or cold state of the resource. For resources that start generating for PJM from a condensing state, the applicable startup cost for that resource equals the amount submitted in writing to the PJM Market Settlement Operations Department to be in effect that Operating Day.
- PJM calculates the resource's balancing energy market value for each five minute interval in an hour as:

$$[(\text{Real time MW}^{**} - \text{Day-ahead Scheduled MW}) * \text{five minute RT LMP}] / 12$$

Where the Real-time MW is the greater of [Real-time MW or the lesser of

(greater of (Real-time Dispatch Desired MW and Original Scheduled Desired MW Using the Committed Offer) and Day-ahead Scheduled MW] and the Day-ahead Scheduled MW is a flat-profile of the hourly scheduled MWh across each of the five minute intervals of the hour

*\*\*If a resource is committed in the Day-ahead market and increases the cost offer in real-time resulting in a reduction in Real-time MW from the DA Scheduled MW and is not the result of a PJM dispatch direction (including regulation, synchronized reserves, reactive services, or reductions due to transmission constraints or reliability concerns), the maximum of the Real-time MW and greater of the Real-time Dispatch Desired MW and the original Scheduled Desired MW using the Committed Offer (capped at the Day-ahead Scheduled MW) will be used in the balancing energy market value calculation, otherwise Real time MW are used.*

- Balancing Operating Reserve credits are calculated by operating segment within an Operating Day. A resource will be made whole for the duration of the greater of the day-ahead schedule and minimum run time specified at the time of the commitment (minimum down time specified at the time of the commitment for Demand Resources) and made whole separately for the block of real-time five minute settlement intervals it is operated at PJM's direction in excess of the greater of the day-ahead schedule and minimum run time specified at the time of the commitment (minimum down time specified at the time of the commitment for demand resources). Startup costs (shut down costs for Demand Resources), as applicable, will be included in the segment represented by the longer of the day-ahead schedule and minimum run time specified at the time of the commitment (minimum down time specified at the time of the commitment for Demand Resources).
- PJM calculates the daily Balancing Operating Reserve credits for each generating resource's operating segment as follows:
  - o Sum five minute interval real-time offer amounts and include applicable no-load costs divided by twelve and startup costs for the segment
  - o Sum five minute interval balancing energy market values for the segment
- For each operating segment, Balancing Operating Reserve credit equals any portion of the resource's total real-time offer amount in excess of: 1) its total day-ahead market value, plus 2) its total balancing market value, plus 3) any Day-ahead Operating Reserve credits, plus 4) any Day-Ahead Scheduling Reserve Market revenues in excess of its offer plus opportunity cost, plus 5) any Synchronized Reserve Market revenue in excess of its offer plus opportunity cost plus energy use plus startup costs, plus 6) any Non-Synchronized Reserve Market revenue in excess of its opportunity costs, plus 7) any Reactive Services revenue.
  - o Synchronized Reserve, Non-Synchronized Reserve, and the real-time five minute interval share of the Day-ahead Scheduling Reserve credits are netted against the Operating Reserve credit in the corresponding five minute interval in which those credits were accrued.
  - o A resource that operates outside of its unit-specific parameters is not eligible to receive Balancing Operating Reserve credits nor be made whole when operating to those parameters when not dispatched by PJM unless the resource owner can justify to PJM that the operation outside of the unit-specific parameters was the result of an actual system constraint.
- For any Operating Day in which PJM declares a Maximum Generation Emergency or a Maximum Generation Emergency Alert, or schedules units based on the anticipation of a Max Generation Emergency or Maximum Generation Emergency Alert, if a generator's priced-based offer results in revenues for applicable "economic" five minute intervals

to produce an effective offer price greater than or equal to \$1000/MWh and is greater than a Market Seller's lowest available and applicable cost-based offer, that generator shall not receive any operating reserve credits in accordance with the PJM Operating Agreement sections 3.2.3 (l), (m), and (n).

- o For the Real-time market, PJM calculates an effective offer price by summing the Operating Reserve credits which would have been applicable absent this exemption, plus the real-time LMP market value provided to the generator during "economic" five minute intervals, all divided by the sum of the generation MW during those "economic" five minute intervals. "Economic" five minute intervals are defined as: 1) those five minute intervals in which the real-time LMP is at or above the generator's offer price; 2) those five minute intervals that PJM dispatched the generator in excess of its min run time and the generator's offer price is above the real-time LMP; and, 3) those five minute intervals that a generator with a min run time of less than or equal to 1 hour and more than one available starts per day is operated at the request of PJM.
- PJM sums the Balancing Operating Reserve generating resource credits for each PJM Member, taking into account joint-ownership of generating units.

### 5.2.2 Credits for Pool-Scheduled Transactions

At the end of each Operating Day, PJM calculates the credits due each PJM Member for pool-scheduled energy sales to the spot market.

#### PJM Actions

- PJM retrieves the following information:
  - o dispatcher transaction logs
  - o day-ahead and real-time external energy sales to spot market
  - o hourly transaction bid rate and MW (\$/MWh, MW)
  - o day-ahead and real-time LMPs
- PJM calculates the hourly day-ahead offer amount for each spot market import transaction by multiplying the cleared day-ahead transaction MWh by the transaction offer price.
- PJM calculates the hourly day-ahead energy market value for each spot market import transaction by multiplying the cleared day-ahead transaction MWh by the day-ahead LMP at the sink of the transaction.
- PJM calculates the daily Day-ahead Operating Reserve credits for each transaction as follows:
  - o Sum hourly day-ahead offer amounts for the day
  - o Sum hourly day-ahead energy market values for the day
  - o Day-ahead Operating Reserve credit equals any portion of the transaction's total day-ahead offer amount in excess of its total day-ahead market value
- PJM sums the Day-ahead Operating Reserve transaction credits for each PJM Member.