



Mark Takahashi
Chair, PJM Board of Managers
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VIA Electronic Delivery

April 4, 2024

Commissioner Floyd B. McKissick, Jr.
North Carolina Utilities Commission

Dear Commissioner McKissick,

Thank you for your correspondence dated March 18, 2024. As you reference, PJM has proposed some enhancements to energy efficiency's participation in PJM's wholesale capacity market. These enhancements are meant to benefit consumers who pay for energy efficiency projects through PJM's capacity market by ensuring that such projects are actually deployed and verifiable. Specifically, PJM's proposed enhancements have two overriding objectives: (i) update rules relating to how energy efficiency is measured and verified; and (ii) enhance safeguards to ensure that energy efficiency projects that receive capacity revenue are physically deployed within the PJM footprint.

PJM believes that it is the right time to consider these enhancements. There has been a significant increase in the amount of energy efficiency participating in PJM's capacity auction over the last several years. In fact, the amount has grown from 78.1 MW in the 2011/2012 delivery year to 7,668.7 MW in 2024/2025 delivery year (representing ~5% of total capacity procured in the market). At the same time, the rules relating to energy efficiency have not been significantly updated since energy efficiency resources began participating in PJM's capacity market. Because of this growth, a fresh look at how energy efficiency interacts with the capacity market is appropriate to ensure that consumers in the PJM footprint are in fact receiving the benefits of the energy efficiency they are paying for.

Perhaps it would be helpful to identify what PJM's proposed enhancements *do not* do. PJM's enhancements do not remove energy efficiency from the capacity market. PJM's enhancements do not prevent energy efficiency providers that install verifiable energy efficiency projects in PJM from receiving revenue in the capacity market. PJM's enhancements are not intended to target any particular type of energy efficiency model or consumer demographic. Our enhancements seek to ensure that consumers get what they are paying for through appropriate measurement, verification and delivery of energy efficiency that participates in the capacity market.

To note, PJM's proposal did not receive the requisite voting percentage to obtain endorsement from our Membership at the PJM Markets & Reliability Committee held on March 20. The proposal failed very narrowly. PJM is evaluating its next steps as our concerns about measurement, verification and delivery continue to persist.

The PJM Board of Managers appreciates you taking the time to share your perspective, and we look forward to your continued engagement and particular interest in matters relating to the wholesale electricity markets.

Sincerely,

Mark Takahashi
Chair, Board of Managers