



LOAD PERSPECTIVES ON EE IN PJM'S CAPACITY-MARKET MECHANISM

**SPECIAL SESSION: EVALUATION OF
ENERGY EFFICIENCY RESOURCES**

PJM MIC

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HAVE EE PROGRAMS BEEN COST-EFFECTIVE?

HISTORICAL RESULTS AND ISSUES SUGGEST NOT

1. Centrally-administered utility-run EE programs have had many deficiencies that call into question the value ratepayers have received from them
 - participant/non-participant equity
 - free-ridership
 - customer costs (non-substitutability of the EE measure)
2. Measuring reliability benefit or impact on the electric system overall has proven difficult
 - generally, programs have completed evaluations of their processes
 - however, evaluations of impacts – which is much more difficult – have often been left incomplete

IMPACT EVALUATION REMAINS UNRESOLVED

LOAD'S ABILITY TO VERIFY REMAINS HINDERED BY TRANSPARENCY ISSUES

1. EE is cleared in capacity auctions by simply being added to the supply curve and back from reducing the load forecast PJM uses to set the demand curve
 - Only economic effect is increasing the quantity procured
 - Based on available info, appears to load as paying for nothing
 - Since it's discretely paid, its implementation & benefits must be verified
 - EE sellers have thus far declined to detail M&V procedures
 - It has been indicated that such details are proprietary and/or commercially sensitive, therefore necessitating confidentiality
2. **If EE's impact-evaluation procedures and discrete valuations are proprietary (and/or otherwise unavailable to load), load can't be expected to pay for it commensurate to how it pays accredited, cost-disciplined and ownership-verified generation**

GETTING WHAT YOU PAY FOR

LOAD MUST BE ABLE TO VERIFY THE BENEFITS IT'S BUYING

1. NOVEC pays for EE via its allocation of total costs for PJM's capacity market
 - Included as unspecified uplift in LSEs' Locational Reliability Charge
 - EE is paid its revenue, but doesn't impact the calculation of supply or demand
 - Its impact, therefore, must be demonstrated some other way
2. **NOVEC supports process and procedural changes that ensure and verify its members receive the value expected from their payments for EE in PJM's capacity market**