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## *RPM Longer-Term Issues – Demand Response*

### **Problem / Opportunity Statement**

During the summer and fall of 2011, PJM and the stakeholders pursued three RPM related tracks of issues: Markets and Reliability Committee (MRC) charged issues; the Tariff required Performance Assessment; and the Tariff required Triennial Review. In support of these activities, the Brattle Group produced a Performance Assessment for consideration by the stakeholders which identified several recommendations for enhancement to the RPM construct. The activities of 2011 were confined to shorter-term issues that could result in revisions to the RPM construct to support filing with the FERC in time for the 2015 Base Residual Auction. At that time stakeholders indicated interest in identifying and pursuing some of the longer-term recommendations of the Brattle Assessment, as well as other stakeholder identified longer-term issues. A process for identifying and refining the suggested issues was undertaken, and this Issue Charge addresses one set of these identified issues: **Demand Response Related RPM Issues**. Specific topics for consideration are included in the Key Work Activities.

### **Issue Source**

Longer-term RPM related issues identified subsequent to the 2011 RPM related stakeholder activities.

### **Stakeholder Group Assignment**

This issue is assigned to the Capacity Senior Task Force (CSTF) reporting to the MRC.

### **Key Work Activities**

The CSTF will investigate the items identified in the appendix to this Issue Charge, and develop a recommendation for the MRC's consideration on whether RPM rules should be modified related to these items. Should the MRC endorse this recommendation, the CSTF should then develop proposed Tariff, Reliability Assurance Agreement and Manual revisions to implement such recommendations.

### **Expected Deliverables**

The Capacity Senior Task Force (CSTF) will identify specific recommended changes to RPM rules related to Demand Response issues, and if directed by the MRC, will produce proposed Tariff, Reliability Assurance Agreement and Manual revisions to implement such revisions.

**Expected Overall Duration of Work**

This effort is expected to conclude to support FERC filing and approval prior to the 2016 Base Residual Auction. Stakeholder activities resulting in any proposed rule changes affecting planning parameters must be completed to support a filing with the FERC on or before December 1, 2012. Stakeholder activities resulting in any proposed rule changes which may affect rules impacting demand response providers' enrollment of customers must be completed to support a filing with the FERC on or before October 1, 2012. Stakeholder activities resulting in any other proposed rule changes must be completed to support a filing with the FERC on or before February 1, 2013.

**Decision-making Method**

Stakeholders will seek Tier 1, consensus (unanimity) on a single proposal (preferred default option), or if not able to reach consensus, Tier 2, multiple alternatives.

Appendix – DR Related Issues

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<u>Number</u>	<u>Subtopic</u>	<u>Item</u>	<u>Additional Description</u>
9	Auction Rules	Tracking Demand Response	Short term nature of demand response means that this resource can be developed in a relatively short period of time (less than 1 year), Would like to have a discussion of what would constitute tracking the progress towards meeting the commitment in the DR Plan
43	Auction Rules	PLC Risk	Customers that seek to be fully interruptible for a portion of their load do not know their capacity "ticket" until months before the delivery year but are required to bid in three years in advance to participate in the BRA. This can cause a mismatch between the amount of capacity that the customer may bid into the BRA and the amount of capacity a customer may be able to deliver in the actual delivery year.
46	Auction Rules	DR Notification Time During Non-Critical Summer Hours	Review whether 2 hours may be inappropriate outside critical summer hours; compare with Maximum Notification and Startup Times for Capacity Units efforts
49	Auction Rules	Review bidding rules for DR resources, including whether DR can change to higher curtailment products in subsequent IAs through linked buy/sell offers	Concern that existing bidding rules may limit efficient DR participation and limit opportunity for additional DR capability
3	DR Definition	Limited DR (this was a related item in the Brattle Report (2.5% holdback only for Limited DR) and a new cap was imposed in a parallel effort – include here to vet need to continue Limited DR).	
18	DR Definition	Define DR as a single annual product, leaving management to CSPs	

41	DR Definition	<p>Whether Behind the Meter Generation should be eligible for treatment as Demand Response Capacity Resources in RPM or whether Behind the Meter Generation should only be allowed to participate in RPM as Generation Resources?: Behind the Meter Generation does not actually reduce consumption but is treated under the PJM tariff as if it did so; the current compensation scheme provides unwarranted incentives for Behind the Meter Generation in comparison to other generators even though it is indistinguishable (except for location in relationship to the meter) from other types of generators; the current treatment of Behind the Meter Generation as DR causes problems in measuring the performance of DR that actually does reduce consumption; finally, the treatment of Behind the Meter Generation as DR may obfuscate its environmental impacts.</p>	
29	Generation / DR Comparability	<p>The definition of demand side capacity (Demand Response (DR)) resources should be made comparable to generation capacity resources to ensure that all resources provide the same value in the capacity market. The DR product should be defined to require unlimited interruptions. FERC recently accepted PJM's proposal on this issue.</p>	
42	Generation / DR Comparability	<p>Comparability of Generation/DR performance requirements and penalties</p>	<p>Brattle recommended additional safeguards to ensure all resources (generation and DR) can perform as frequently and seasonally as claimed</p>
10	M&V	<p>Random Audits of DR contracts</p>	<p>CSPs manage their resources as a portfolio, Need clarification on whether the proposed audit will be for individual resources and their contractual commitment, or whether under this proposal the CSP's portfolio</p>

			would be evaluated
11	M&V	Testing DR Resources	Need further clarification on what would constitute random testing of resources, How would these random tests be conducted
37	M&V	Measurement and Verification of Demand Response Capacity Resources:	current tariff and manual procedures do not adequately measure and verify the performance of Demand Response Capacity Resources, especially with respect to the seasonality and frequency capability of Annual DR and Summer Extended DR.
4	Saturation Analysis	Topic – DR Saturation Analysis	The DR saturation analysis and underlying assumptions have not been subject to stakeholder approval. The analysis assumes that the 100% of capacity resources that are sources form DR will be dispatched concurrently without consideration for the impact of such an operational action on grid stability or energy prices. A number of other features of the analysis may also benefit from refinement and stakeholder consideration. PJM has recently proposed a “fast track” review and approval process for further refinements which would have significant impact on RPM clearing prices. If stakeholders fail to approve these changes further discussions may ensue anyhow. Stakeholders should also consider if the saturation analysis process should be subject to regular review similar to the process undertaken by the RAAS.
51	Saturation Analysis	DR Saturation	Concern that the existing DR saturation analysis may include unduly conservative assumptions that limit DR opportunities.

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60	Saturation Analysis	"Reduce barriers to participation in RPM"	<u>"DR Saturation" procedure.</u> Review the assumptions and methodology used in the "DR Saturation" calculations to determine the Minimum Annual and Minimum Extended Summer Resource Requirements (raised by stakeholders, and per FERC order accepting the DR saturation procedure).
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