

### Demand Response Availability Window

#### Problem / Opportunity Statement

PJM's recently approved Resource Adequacy Accreditation & Modeling changes (ER24-99) include applying an ELCC class rating to Demand Response. In addition, PJM has determined that substantial previously unrecognized reliability risk occurs in winter. This combination of changes has resulted in several barriers to allowing Demand Resources to fully contribute to reliability. These barriers include:

- Failure to fully recognize DR capability in winter hours, related to PJM's evolving understanding of winter risk, rather than any change in DR capability.
- Fluctuating ELCC assessments that create substantial business risk which may lead to less Demand Response participating in the market.

These factors are likely to lead to higher consumer costs for capacity.

The ELCC metric is based in part on the hours (Availability Hours) which define when PJM can call on DR for capacity events. The current Availability Hours were established in 2011 with the creation of an Annual Demand Resource<sup>1</sup> capacity product and applied to subsequent DR Capacity Performance products. At the time, PJM stated:

*...Annual DR must be available on any day of the year and for an unlimited number of interruptions during the year. This product still has limits on the hours of the day when it must be available—10:00 a.m. to 10:00 p.m. EPT for May through October and 6:00 a.m. to 9:00 p.m. EPT for November through April— but these are more than adequate to capture any time that these resources reasonably might be needed. [emphasis added]<sup>2</sup>*

During the CFP process and in various filings in related dockets PJM noted that the DR ELCC was impacted by the availability window. As noted above, the availability window can no longer be said to be “adequate to capture any time that these resources reasonably might be needed.” The ELCC for capacity resources, with the exception of DR, is based on performance. The ELCC for DR is based on a legacy administrative definition which restricts PJM, rather than being derived from the actual capabilities of the resource and effectively creates a barrier to entry inconsistent with Order 719. As noted by Commissioner Clements in her dissent in ER24-99, this may result in unduly discriminatory treatment of DR.

DR products that align with reliability risk will lead to lower capacity costs, possible increases in ELCC for other resource types, improved market efficiency and enhance PJM's ability to provide a reliable grid.

Problem Statement sponsors seek a “fast track” solution that expands the availability window to align with the most recent risk assessment hours to at least 11pm in winter. In addition, a normal CBIR process is proposed to consider the addition of a Demand Resource product without limits on hours of dispatch.

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<sup>1</sup> See RAA, Article 1, Definitions

<sup>2</sup> PJM Filing in ER11-1307