February 9, 2015

Via eTariff Filing

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426-0001

Re: PJM Interconnection, L.L.C. Docket No. ER14-822-000

Dear Secretary Bose:

I. DESCRIPTION OF FILING

In compliance with the Federal Energy Regulatory Commission’s (“Commission’s”) May 9, 2014 order issued in this proceeding,1 PJM Interconnection, L.L.C. (“PJM”) submits a report assessing “(i) demand response resource dispatch by event, resource price, and notification time; (ii) the effectiveness of the dispatch of demand response resources under the new program (e.g., evidence of more efficient and economic dispatch practices); (iii) the effects of demand resource dispatch on Locational Marginal Price2; and (iv) whether PJM’s proposal addresses the [Independent Market Monitor for PJM’s] concerns related to market power and the interruption of shortage pricing signals,3 including the extent to which a uniform offer price cap could ameliorate these concerns.”4

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1 See PJM Interconnection, L.L.C., 147 FERC ¶ 61,103 (2014) (“May 9 Order”).

2 All capitalized terms that are not otherwise defined herein shall have the same meaning as they are defined in the PJM Open Access Transmission Tariff (“Tariff”) or Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”).

3 See May 9 Order at P 118 for description of IMM’s concerns, which were related to PJM’s proposal to stratify offer caps on Demand Resources’ energy offers based on Demand Resources’ notification times. This aspect of PJM’s proposal was accepted by the Commission. See id. at P 112.

4 May 9 Order at P 119.
II. DOCUMENTS ENCLOSED

PJM includes with this filing the Report on Demand Resources (Attachment A).

III. CORRESPONDENCE AND COMMUNICATIONS

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Audubon, Pennsylvania, this 9th day of February, 2015.

Steven Shparber
Attorney for
PJM Interconnection, L.L.C.
Attachment A

Report on Demand Resources
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On May 9, 2014, the Federal Energy Regulatory Commission (“Commission”) issued an order Rejecting, In Part, and Accepting, In Part, Proposed Tariff Changes of PJM Interconnection, L.L.C. (“PJM”) Subject to Conditions,1 intended to promote operational flexibility and efficiency by Demand Resources.2 The May 9 Order largely accepted PJM’s proposed Tariff revisions3 related to the operability of Demand Resources, and required “PJM, with the input of the [Independent Market Monitor For PJM (“IMM”)], to submit a report on compliance within nine months from the date of this order that provides an assessment of: (i) demand response resource dispatch by event, resource price, and notification time; (ii) the effectiveness of the dispatch of demand response resources under the new program (e.g., evidence of more efficient and economic dispatch practices); (iii) the effects of demand resource dispatch on Locational Marginal Price; and (iv) whether PJM’s proposal addresses the [IMM’s] concerns related to market power and the interruption of shortage pricing signals,4 including the extent to which a uniform offer price cap could ameliorate these concerns.5

In accordance with the Commission’s May 9 Order, PJM submits this report. The IMM has authorized PJM to represent that the report is being submitted with their input, as required by the May 9 Order.

(i) **Assessment of demand response resource dispatch by event, resource price, and notification time:**

PJM has not called on Demand Resources since the May 9 Order was issued. However, PJM has updated its eLRS system to accommodate the new rules and Demand Resources have been registered with PJM in accordance with those rules. PJM is also in the position, operationally, to call on Demand Resources in all of the new categories. Demand Resources are characterized based on three criteria: 1) Resource Type (i.e. Emergency or Pre-Emergency); 2) Product Type (i.e. Annual DR, Extended Summer DR and Limited DR); and 3) Lead Time (i.e. 30-minute, 60-minute and 120-minute). In addition, each registration that is eligible for an emergency energy settlement submits a strike price. Table 1 shows data for Demand Resource registrations for the 2014/2015 Delivery Year period. The data were taken from the PJM Monthly Activity Report (available at [http://www.pjm.com/markets-and-operations/demand-response.aspx](http://www.pjm.com/markets-and-operations/demand-response.aspx)). The report and table are updated monthly and will show values for the 2015/2016 Delivery Year as Curtailment Service Providers go through the 2015/2016 registration process.

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1 PJM Interconnection, L.L.C., 147 FERC ¶ 61,103 (2014) (“May 9 Order”).
2 All capitalized terms that are not otherwise defined herein shall have the same meaning as they are defined in the PJM Open Access Transmission Tariff (“Tariff”) or Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”).
4 See May 9 Order at P 118 for description of IMM’s concerns, which were related to PJM’s proposal to stratify offer caps on Demand Resources’ energy offers based on Demand Resources’ notification times. This aspect of PJM’s proposal was accepted by the Commission. See id. at P 112.
5 May 9 Order at P 119.
Table 1: Demand Resource Registration Information 2014/2015 DY

<table>
<thead>
<tr>
<th>Resource Type</th>
<th>2014/2015 DR Product</th>
<th>Lead Times (Minutes)</th>
<th>Total DR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited</td>
<td>Extended</td>
<td>Annual</td>
</tr>
<tr>
<td>Pre-Emergency</td>
<td>6,569.2</td>
<td>1,002.8</td>
<td>33.4</td>
</tr>
<tr>
<td>Emergency</td>
<td>1,643.5</td>
<td>101.2</td>
<td>9.5</td>
</tr>
<tr>
<td>Total</td>
<td>8,212.7</td>
<td>1104</td>
<td>42.9</td>
</tr>
</tbody>
</table>

Strike price data is limited for each lead time category to the following values for the 2014/2015 Delivery Year: 30-minute, $1,549/MWh; 60-minute, $1,275/MWh and 120-minute, $1,100/MWh. PJM has received strike prices equal to the maximum values for each lead time. Figure 1 below illustrates the number of registered GWs for 2014/2015 Delivery Year and the associated strike price in the form of a supply curve. PJM has approximately 500 MW with a strike price of $1,000, 7,300 MW with a strike price of $1,100, 500 MW with strike price of $1,275 and the remaining 700 MWs with a strike price of $1,549.

Figure 1: 2014/2015 DY Confirmed Load Management Full DR Registrations Energy Supply Curve
Beginning with the 2015/2016 Delivery Year, the 30-minute lead time becomes the default lead time for all registrations. This should result in significantly more MW volume in that category. Table 2 shows registered data for the 2015/2016 Delivery Year period through February 4, 2015, which is the most current data available to PJM. The registration period for Curtailment Service Providers is open from January 1, 2015 through May 15, 2015, and Curtailment Service Providers may submit their information up until the May 15 deadline. The data in Table 2 represent only a small fraction of the expected final values that should be known by June 1, 2015.6

Table 2: Demand Resource Registration Information 2015/2016 DY

<table>
<thead>
<tr>
<th>Resource Type</th>
<th>2015/2016 DR Product</th>
<th>Lead Times (Minutes)</th>
<th>Total DR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited</td>
<td>Extended</td>
<td>Annual</td>
</tr>
<tr>
<td>Pre-Emergency</td>
<td>468.9</td>
<td>31.7</td>
<td>0</td>
</tr>
<tr>
<td>Emergency</td>
<td>13.7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>482.6</td>
<td>31.7</td>
<td>0</td>
</tr>
</tbody>
</table>

Assessment of:

(ii) the effectiveness of the dispatch of demand response resources under the new program (e.g., evidence of more efficient and economic dispatch practices);

(iii) the effects of demand resource dispatch on Locational Marginal Price;

(iv) whether PJM’s proposal addresses the [IMM’s] concerns related to market power and the interruption of shortage pricing signals, including the extent to which a uniform offer price cap could ameliorate these concerns.

As noted, since the issuance of the May 9 Order, there have been no instances where PJM has deployed Demand Resources under the new offer cap rules for Demand Resources. For this reason, PJM does not have the appropriate data to address the IMM’s concerns related to market power and the interruption of shortage pricing signals, or whether or not a uniform offer cap could ameliorate these concerns. Further, PJM and the IMM do not have data to measure the effectiveness of the dispatch of Demand Resources under the new rules, or the effects of Demand Resource dispatch on Locational Marginal Price at this time.

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6 Resources can request an exception to the 30-minute default lead time and instead be categorized as either a 60-minute or 120-minute lead time units if they meet one of the four allowable exception criteria: (i) the avoidance of damage to major industrial equipment, the product generated, or the feedstock used in the manufacturing process; (ii) the time and manual effort required (in excess of 30 minutes) to transfer load to back-up generation; (iii) on-site safety concerns; or (iv) the inability to notify the mass-market residential customers that comprise the relevant Demand Resource.