



2750 Monroe Blvd.
Audubon, PA 19403

January 31, 2022

Via Electronic Delivery

Mr. Jeff Dennis
General Counsel and Managing Director
Advanced Energy Economy
jdennis@aee.net

Ms. Katherine Hamilton
Executive Director
Advanced Energy Management Alliance
katherine@aem-alliance.org

Dear Mr. Dennis and Ms. Hamilton,

Thank you for your correspondence dated January 24, 2022, wherein you provide your organizations' views regarding the proposed treatment of net energy metered (NEM) distributed energy resources (DER) in PJM's upcoming Order 2222 compliance filing at the Federal Energy Regulatory Commission (FERC). We have appreciated your engagement, the engagement of your members and all PJM stakeholders on this important topic.

PJM, through its compliance filing, is attempting to balance the overall policy objective of allowing for DER participation in wholesale markets while simultaneously complying with FERC's directives to create appropriate boundaries around such participation. FERC has directed PJM to establish rules that would prevent double recovery of revenue for the same product (e.g., energy, capacity) to DER that dually participate in both retail and wholesale electricity markets.

We appreciate the concerns that you have outlined. However, the restriction on double recovery in the energy market has clear implications for NEM DER participation in the capacity market. Specifically, to serve as a capacity resource, the resource must also offer each day into the energy market, which presents a challenge for NEM DER because the resource is already selling its energy into the net energy metering program.

Your overall policy concern is persuasive, however, and PJM does not want to impose a blanket prohibition for NEM DER participation in our wholesale markets. As such, PJM will be building into its compliance filing a "release valve" from our initial position that NEM DER can only participate in our ancillary services markets. That "release valve" will allow for NEM DER to participate in energy and capacity markets if: (i) the relevant electric distribution company can confirm that no double counting is occurring, and (ii) PJM determines that the applicable participation requirements for the NEM DER can be met. This "release valve" allows for state retail programs to evolve in this area, and we continue to be open to further stakeholder discussion to accommodate this evolution.

As to co-located resource participation, the PJM proposal does not prohibit the wholesale market participation of non-net energy metered DER that are co-located with net energy metered DER. However, separate metering and accounting, as well as an ability to reconcile the retail bill, are required to delineate services provided and meet FERC's directive to prevent double recovery of revenue for the same product. Further, the proposal does not impact load curtailment market activity at an NEM customer's site under existing demand response rules governing load curtailment.



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PJM plans to finalize and submit its Order 2222 compliance filing on February 1, 2022. Engagement with the stakeholder community will continue throughout the filing's evaluation at FERC. Continued feedback from the stakeholder community will prove important as PJM proceeds toward a final order from FERC.

We would like to thank your organizations' thoughtful correspondence and your continued engagement in this matter.

Sincerely,

/s/ Manu Asthana

Manu Asthana
President and CEO, PJM Interconnection

cc: PJM Board of Managers