

**Energy Efficiency Resource Aggregations ~~Requiring State Approval for~~ in PJM's
Participation Capacity Market
Problem Statement and Issue Charge**

Problem Statement

Prior to participating in PJM, providers of demand response resources must have their registration reviewed by the applicable electric distribution company to ensure the end use customers' aggregation into a demand response resource is done in accordance with the Relevant Electric Retail Regulatory Authority's ("RERRA") order, ordinance or resolution regarding how the aggregation of the customer load response capability may participate in PJM's markets. The RERRA may determine that the end use customers' aggregation must be offered into PJM's markets by the electric distribution company or may allow third party Curtailment Service Providers ("CSP") to offer the aggregated resource. These provisions are commonly referred to as the "opt in/opt out" provisions and have been in effect since 2010. While providers of demand response resources are subject to this requirement, providers of Energy Efficiency Resources are not. Energy Efficiency Resources became a product eligible for participation in the PJM Base Residual Auction for Delivery Year 2012/13, but the "opt in/opt out" provisions were not modified to include a reference to Energy Efficiency Resources nor was a new separate provision created establishing a review of RERRA determinations regarding Energy Efficiency Resource aggregation registrations .

As additional background, in 2016, after stakeholder discussion, PJM changed the long term load forecasting methodology to incorporate expected load reductions from energy efficiency and required for any Energy Efficiency Resources that cleared in the RPM auction that an equal amount of load be added back to the obligation of the zone in which those resources are located.

It has come to PJM's attention that a certain RERRA is now considering placing requirements regarding how energy efficiency programs may be aggregated into Energy Efficiency Resources for PJM market participation similar to the requirements that the RERRA has placed on demand response. As such, it is appropriate for PJM stakeholders to consider whether the participation of Energy Efficiency Resources in the PJM markets should be modified. Specifically, because PJM currently does not have explicit rules concerning RERRA determinations regarding energy efficiency, there is interest in having stakeholders consider possible changes to PJM rules to require Energy Efficiency Resource compliance with any RERRA orders, ordinances or resolutions on how aggregated end-use customers' permanent load reduction effectuated by energy efficiency may be offered into PJM's capacity market. Additionally, any discussion should consider what role the applicable electric distribution company should play in any review of Energy Efficiency Resource registrations verifying that the registrations comply with any applicable RERRA requirements.

An additional complexity is that some Energy Efficiency Resources have cleared in past capacity auctions and have obligations to perform in future Delivery Years.

Issue Charge

Given the foregoing, PJM is proposing that stakeholders consider reforms for Energy Efficiency Resources including:

- 1) the establishment of rules requiring that the providers of Energy Efficiency Resources comply with any RERRA orders, ordinances or resolutions relating to the participation of energy efficiency in the PJM markets;
- 2) if necessary, the establishment of rules requiring review of whether proposed Energy Efficiency Resources comply with RERRA orders, ordinances or resolutions; and
- 3) if necessary, the treatment of Energy Efficiency Resources that have already cleared a past capacity auction and have a position for a future Delivery Year.

Stakeholder Group Assignment: MIC

Expected Deliverables: Possible Tariff, RAA and/or manual changes.

Expected Overall Duration of Work: 4-6 months