

PRD Credits Disposition

Problem / Opportunity Statement

Several EDCs have cleared Price Responsive Demand (PRD) as a capacity resource for the first time for the 2020/2021 delivery year. The development and implementation of dynamic and time-differentiated retail rates, together with utility investment in advanced metering infrastructure (AMI) has led an increasing quantity of load in PJM to be responsive to changing wholesale prices. Through enabling technology and behavioral changes, consumers modify their demand as prices change without being centrally dispatched by PJM or bidding demand reductions into the PJM markets. Given the linkage between dynamic retail rate structures and wholesale prices, this price responsiveness is predictable and needs to be accounted for in the wholesale market design and operations. This predictable reduction in consumption in response to changing wholesale prices is known as Price Responsive Demand (PRD).

PRD is provided by a PJM Member that represents retail customers that have the capability to reduce load in response to price. A PJM Member acting on behalf of such retail customers for the purpose of providing PRD is referred to as the PRD Provider. A PRD Provider for a given retail customer may be the customer's retail Load Serving Entity (LSE). However, PRD may also be provided in the PJM markets by an entity such as an Electric Distribution Company (EDC), or Curtailment Service Provider (CSP) that does not have direct responsibility for serving the retail load but meets all of the eligibility requirements for providing PRD.

Current PJM settlement rules do not address EDC or CSP functions as a PRD Provider. All revenues associated with PRD are credited to the LSE in a particular area. Consequently, some market participants are paid for PRD service that an EDC or CSP is supplying. Further, while the Credit goes to the LSE, the performance penalties stay with the PRD Provider. From Manual 18:

"A Load Serving Entity will receive a LSE PRD Credit for each approved Price Responsive Demand registration that is effective and applicable to load served by such Load Serving Entity on a given day... Although the PRD Credit is assessed to the LSE of record in the registration, all PRD performance penalties are assessed to the PRD Provider associated with such registration."

To fix this issue for the upcoming planning year, on December 4, 2019, the Maryland Public Service Commission (ML#s 226190, 226823, 226834, 226863 and 227358, DS-637) required that all third-party suppliers in Maryland transfer all financial LSE PRD Credits to a Pepco holding account. As discussed at recent meetings of the PJM Markets Settlements Committee, PJM will be distributing credits to all LSEs in an area that has PRD that is being provided by the local utility. There are three PRD providers for the upcoming delivery year – BGE, PEPCO and DPL. Often, competitive suppliers serve load in more than one zone, and with a requirement to transfer funds directly to the PRD provider, it would help helpful for these suppliers if they could transfer the LSE PRD Credit directly to the PRD Provider but PJM's current plan to lump all PRD Credits together by market participant creates unnecessary administrative complexities for those serving load.

Given these complexities, stakeholders should consider whether the disposition of PRD Credits is appropriate. Having PRD Credits allocated directly to the PRD Provider, whether it is an LSE, EDC, or CSP, should be explored for appropriateness and efficiency. This could potentially simplify the process for the utilities, load serving entities, and PJM. It will also promote potential increased adoption of PRD in the future as it would allow for the Maryland PSC requirement to no longer be needed.