

Energy Efficiency Resources

MRC December 9, 2015





Concerns with EE Changes

- Issue PJM proposals to limit EE Resources are inappropriate and unjustified.
- Limits on use of EE as replacement capacity constitute a substantive change in characteristics for EE that is properly addressed in a FERC filing.
- PJM cannot show that EERs are necessarily included in the energy efficiency element of the load forecast.



Background

• PJM has recently acted to anticipate impact of energy efficiency activity into load forecasts.

• PJM claims that the inclusion in the forecast of the effects of energy efficiency by end users generally necessarily includes the effects of Energy Efficiency Resources (EERs) in the forecast.

• PJM then proposes that as a result EER participation in the auctions necessitate an adjustment to the forecast and restrictions on EER participation in RPM because they would otherwise be "double counted" in the forecast.



PJM's proposal has a significant outcome:

- EERs become a second class resource due to prohibition on use as replacement capacity.
 - This is a significant change in Capacity Resource characteristics that is discriminatory and properly addressed in a FERC filing.
 - Clarification: The proposal permits a limited amount of replacement. For 2015-16 the permitted amount would have been 4.8MW.
 - Potential issue how to allocate the allowed replacement capacity?
- EER participation could substantially decrease more than 20% of EER appears to be replacement capacity.



Restrictions should not be implemented via Manual

- 1. The restriction eliminates fungibility of EER as a Capacity Resource. This possibility was never addressed during FERC consideration of EERs.
- 2. PJM states a concern that EER as replacement capacity would adversely impact reliability.
- 3. For 2015-16 EER replacement activity is estimated at 300 MW. This is less than 5% of PJM's average (3 year forward) forecast *error* since RPM began.



Recommendations

1. Reject PJM's proposed changes to limit EER eligibility to less than 4 years.

Or

2. Revise the proposal to allow a limited amount of replacement capacity.

Or

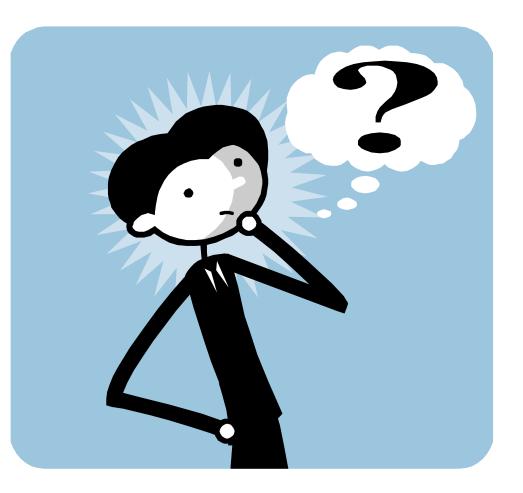
3. Prepare tariff language to address the addback changes and EER restrictions.



Questions?

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