FERC Order 831 Offer Cap Verification Update

DRS
April 7, 2017
Demand Response Offer Cap Verification Process

- DR cost verification process the same for both Economic DR (in Markets Gateway) and Load Management (DR Hub)
- DR staggered offer cap for Load Management (Emergency/Pre-Emergency DR) will be eliminated
- All lead times will have $1,000 offer cap unless Offer Cap Verification Process is followed:
  1. Provide cost summary with details of incremental costs
  2. Confirm they have the supporting documentation available
- Offers less than $1,000, No verification is required
- Offers above $2,000 may be submitted, but cannot be used to set LMPs
Economic DR and Load Management Verification Process

• DR cost verification process the same for both Economic DR (in Markets Gateway) and Load Management (DR Hub)
• Offers greater than $1,000, Market Seller must:
  1. Provide cost summary with details of incremental costs
  2. Confirm they have the supporting documentation available
• Offers less than $1,000, No verification is required
• Offers above $2,000 may be submitted, but can not be used to set LMPs
Example: Economic DR (Injection Molding Company) with offer price= $1,150

1. Cost Summary Example:

<table>
<thead>
<tr>
<th>Incremental Cost ($/Mwh)</th>
<th>Incremental Cost Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor cost – employees sent home with pay, no work/product produced</td>
<td>$900.00</td>
</tr>
<tr>
<td>Damaged product net cost - Product cannot be sold and material needs to be recycled (ie: bottle caps in injection molds damaged and need to be recycled). Net cost = Cost to make product minus recycle value.</td>
<td>$250.00</td>
</tr>
</tbody>
</table>

Cost Summary: $1,150.00

2. Market Seller certification for documentation Example:
(check box in tool)
☑️ I certify that I have verified and documented the registration’s incremental cost in detail as summarized above and in compliance with PJM rules.