Order 831 Offer Verification for Demand Response: Enhancements to DR Hub and Markets Gateway

DRS
August 29, 2017
Demand Response Offer Cap Validation Process

**Demand Response (Economic and Load Management):**

**Data Collection**
- Data entry required for incremental costs

**Energy Offer Cap Validation**
- Costs above $1,000 must follow the Verification Process

**Validation Process**
- Member verification for costs and supporting documentation
Economic DR and Load Management Validation Process

• DR cost verification process the same for both Economic DR and Load Management in DR Hub
• Offers greater than $1,000, Market Seller must enter and validate incremental cost prior to the operating day:
  1. Provide summary and details of incremental costs
  2. Upload the supporting documentation that details how incremental cost were calculated and associated validation
• Offers less than $1,000, no validation is required (considered “price based”)
• Offers above $2,000 may be submitted, but cannot be used to set LMPs
Energy Offer Cap in Markets Gateway

- Energy Offer Cap is $1000, unless Incremental Costs are provided and support higher cap.
- Changes to the Energy Offer Cap are transferred to Markets Gateway the next calendar day.
  
  Example: Incremental Costs documented on 11/13/2017 in DR Hub
  - 11/14/2017 Updated Energy Offer Cap available
    - for Real-Time offers same day
    - for Day-Ahead offers for next day (11/15/2017)
- CSPs should manage their offers up to the Energy Offer Cap
  - Any offer over $1000 must have incremental cost documentation that supports the offer time period.
  - PJM intends to audit on periodic basis and any issues with supporting documentation will be escalated to IMM/FERC Office of Enforcement for further investigation, as necessary.
• Energy Offer Cap is $1000, unless Incremental Costs are provided and support higher cap
• Updated Energy Offer Cap available the next calendar day
• CSPs should manage their energy offers (previously referred to as “strike price”) up to the Energy Offer Cap
  – Any offer over $1000 must have incremental cost documentation that supports the offer time period
  – PJM intends to audit on periodic basis and any issues with supporting documentation will be escalated to IMM/FERC Office of Enforcement for further investigation, as necessary
• Max Offer Cap is set to $1000 or the Offer Verification Summary amount if > $1000
• Can enter up to 5 different incremental costs with associated descriptions
• Updating the Verification screen will uncheck the Certification checkbox
• Must click Certification Checkbox each time the Verification Screen is saved
• On Save, time/date stamp is put on Certification
• May set Incremental Cost to $0 without deleting Description
• If Verification Cost Summary is > $1000, there must be at least 1 supporting document uploaded by CSP
• Registration History will record any changes to the Energy Offer Cap and the Offer Verification screen
**Example: Injection Molding Company with offer price= $1,150**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Incremental Cost Description</th>
<th>Incremental Cost ($/Mwh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Labor cost – employees sent home with pay, no work/product produced</td>
<td>$900.00</td>
</tr>
<tr>
<td>2</td>
<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>

**Incremental Cost Summary**

$1,150.00

I certify that I have verified and documented the registration’s incremental cost in detail as summarized above and in compliance with PJM rules. 08/24/2017 12:20 PM Last Certified Date.
Energy Offer Cap:
If Incremental Cost Details <$1000 (or none), display $1000, otherwise display Incremental Cost Summary.
Energy Offer Cap:
If Incremental Cost Details <$1000 (or none), display $1000, otherwise display Incremental Cost Summary