

RPM Longer-Term Issues – Demand Response

Problem / Opportunity Statement

During the summer and fall of 2011, PJM and the stakeholders pursued three RPM related tracks of issues: Markets and Reliability Committee (MRC) charged issues; the Tariff required Performance Assessment; and the Tariff required Triennial Review. In support of these activities, the Brattle Group produced a Performance Assessment for consideration by the stakeholders which identified several recommendations for enhancement to the RPM construct. The activities of 2011 were confined to shorter-term issues that could result in revisions to the RPM construct to support filing with the FERC in time for the 2015 Base Residual Auction. At that time stakeholders indicated interest in identifying and pursuing some of the longer-term recommendations of the Brattle Assessment, as well as other stakeholder identified longer-term issues. A process for identifying and refining the suggested issues was undertaken, and this Issue Charge addresses one set of these identified issues: **Demand Response Related RPM Issues**. Specific topics for consideration are included in the Key Work Activities.

Issue Source

Longer-term RPM related issues identified subsequent to the 2011 RPM related stakeholder activities.

Stakeholder Group Assignment

This issue is assigned to the Capacity Senior Task Force (CSTF) reporting to the MRC.

Key Work Activities

The CSTF will investigate the items identified below and, as appropriate, develop recommendations for the MRC's consideration as to whether the RPM rules should be modified related to these items. For any MRC-endorsed recommendation, the CSTF should then develop proposed Tariff, Reliability Assurance Agreement and Manual revisions to implement such recommendations.

Items identified for evaluation to begin in 2012

- Auditing of DR Contracts
- DR Resource Testing
- Interaction of Peak Load Contribution ("PLC") with end-user RPM cost assignment and DR Resource RPM revenue, and implication to DR resource auction participation¹
- Process for DR Resources to change commitment to higher curtailment products in subsequent Delivery-Year auctions

¹ To the extent that the issue is not fully investigated and addressed at the MIC under the FERC Capacity Measurement & Verification Order (ER11-3322-000).

- Measurement and Verification of different PJM resources and products²
- DR Notification time During Non-Critical Summer Hours
- Review assumptions used in DR Saturation studies³

Items identified for evaluation to begin in 2013, or at the completion of the 2012 work activities

- Tracking DR Plan milestones
- Characteristics/requirements of different DR products
 - Comparability of DR products and generation resources
 - Performance requirements
 - Penalties
 - Market/Reliability value
 - PJM Operation implications
 - Offer lead times
- Use of customer-owned generation

Expected Deliverables

The Capacity Senior Task Force (CSTF) will identify any necessary recommended changes to RPM rules related to Demand Response issues, and if directed by the MRC, will produce proposed Tariff, Reliability Assurance Agreement and Manual revisions to implement such revisions.

Expected Overall Duration of Work

This effort shall commence in 2012 and continue through 2013. In the event stakeholder activities result in any proposed rule changes affecting planning parameters, they must be completed to support a filing with the FERC on or before December 1 prior to the Base Residual Auction to which the rule changes would first apply. Stakeholder activities resulting in any proposed rule changes which may affect rules impacting demand response providers' enrollment of customers or the ability of such customers to perform shall not take effect for any Delivery Years for which Base Residual Auctions have already been conducted.

Decision-making Method

The task force will utilize the mutual gains process structure to facilitate stakeholder discussions. Stakeholders will seek Tier 1, consensus (unanimity) on a single proposal (preferred default option), or if not able to reach consensus, Tier 2, with multiple alternatives.

² To the extent that the issue is not fully investigated and addressed at the MIC under the FERC Capacity Measurement & Verification Order (ER11-3322-000).

³ To the extent that the issue is not fully investigated and addressed at the PC.