

View Point – Demand Response (DR) Strategy

The Value of Demand Response to PJM's Markets

Over the past decade, DR has evolved from a legacy utility program to an integrated resource that can manage a variety of grid conditions. The evolution of DR resources spurred by new technology and public policy has ensured that DR is an increasingly predictable, reliable, and transparent resource in PJM's markets, and will continue to be a valuable resource in the markets.

Key Components of DR Strategy

Transparency for operational efficiency – Visible and dependable DR is an important tool for helping maintain grid reliability.

Seasonal flexibility – PJM's stakeholders will examine solutions to reflect the value summer-only DR resources.

Customer cost management capability – Moving DR to the demand side in the energy market will allow customers to respond in real-time to changes in the energy market by reducing consumption when prices are high.

Did You Know?

- The DR capacity commitment in the 2020/2021 BRA is 7,280 MW, which is comparable to 2017/2018 delivery year of 8,105 MW.
- In August 2017, PJM created a task force to study the value of summer-only DR outside of the capacity market.

DR Strategy Horizon

Short Term Goals (2 years)	Medium Term Focus (3-5 years)	Long Term Direction (5+ years)
<ul style="list-style-type: none"> • Explore and develop opportunities to move DR to the demand side of the market • Develop options to recognize the value of seasonal resource flexibility • Optimize dispatch and release of DR • Increase PJM's operational visibility of DR • Identify need for enhanced DER that operate as DR 	<ul style="list-style-type: none"> • Ensure DR commitments reflect DR capabilities through more robust testing • Refine PJM's ability to dispatch DR by quantity and location 	<ul style="list-style-type: none"> • Support contracts/pricing efforts that foster demand elasticity • Expand participation in ancillary service markets where feasible • Support investment and implementation of DR automation • Evaluate transitioning EE to the demand side of the market

Demand Side DR in the Energy Market

Transitioning DR to the demand side of the energy market while maintaining DR as a supply side resource in the capacity and ancillary service markets will provide a great ability for customers to manage their costs. Through "peak shaving," customers could respond to changes in wholesale energy prices and reduce load when electricity costs are high.

Presently, electricity rates for retail customers are often based on average electricity costs, not hourly wholesale prices, meaning a customer's response to changes in the wholesale market may not be reflected in their energy bill. However, if appropriate retail contracts exist to facilitate peak shaving behavior, customers could more effectively realize the benefit of avoided energy costs on their bills.

What's Next

PJM will work through design and implementation of strategy components through the stakeholder process. States and stakeholders are invited to participate in this process moving forward as we explore solutions that value DR as a predictable and reliable resource, while also giving customers more effective methods for managing energy costs.