

New conceptual approach for DSR revenue level, incentives and cost allocation
A hybrid of Mittal, Allegheny, existing tariff & initial PJM straw proposals

Energy Payment

During the first 30 months after first registration of an individual DSR site.

- PJM pays the Curtailment Service Provider for the given DSR site full LMP times the MWs of demand response provided for the given hour. There is no netting of the generation (“incentive”) component of retail rate.
- PJM increases the Retail Load Responsibility (RLR) of the LSE of record for the demand response site by the MW value equal to the size of the demand response.
- LSE of record must supply energy or buy at spot all energy in their RLR including the amount of load response.
- PJM shall allocate the cost of the Generation (“incentive”) portion of the payment (paid to CSP) to all net energy buyers system wide for the given hour of demand response. The day-ahead CSP credits will be allocated to loads that are net energy buyers in the day-ahead market and the cleared decrement bids. The real-time CSP credits will be allocated to loads and generators that are net energy buyers in the real-time market and the increment bids cleared in the day-ahead market (and thus are buying in the real time market).

Beginning with the 31st month after first registration of an individual DSR site.

- PJM pays the Curtailment Service Provider for a DSR site LMP – Generation (“LMP-G”) component of the retail rate x the MWs of demand response provided.
- PJM increases the Retail Load Responsibility (RLR) of the LSE of record for the demand response site by the MW value equal to the size of the demand response.
- LSE must supply energy or buy at spot all energy in their RLR including the amount of load response.

Deviation Charges

- Self-scheduled demand reductions will be charged real time operating reserve charges (on average \$1 – 1.50/MWh)
- No deviation charge for demand reductions that clear in day ahead or were dispatched by PJM in real time --- same as generation resources

State Regulatory Opt-Out

PJM’s tariff will clearly state that upon a one time written request of any state/jurisdictional regulatory commission, PJM will no longer accept load response registrations of end-use sites inside that jurisdiction absent specific commission approval for the given site.

(optional) PJM-provided telemetering

- Unless infrastructure capable of communicating with PJM is otherwise provided by a local utility:

- PJM will provide \$1000 dollars (one time payment) toward advanced metering for each end-use site that can provide at least 500kw of demand reduction.
- Limited to total of \$1 million per year.
- End-use sites that received a contribution from PJM toward telemetering capability must respond (actually reduce load) to PJM dispatch (DA or RT) at least 5 non-contiguous hours per year.