

Energy Efficiency Resource Aggregations- Requiring State Approval for PJM Participation Problem Statement and Issue Charge

Problem Statement

Prior to participating in PJM, providers of demand response resources must have their registration reviewed by the applicable electric distribution company to ensure the end use customers' aggregation into a demand response resource is done in accordance with the Relevant Electric Retail Regulatory Authority's ("RERRA") order, ordinance or resolution regarding how the aggregation of the customer load response capability may participate in PJM's markets. The RERRA may determine that the end use customers' aggregation must be offered into PJM's markets by the electric distribution company or may allow third party Curtailment Service Providers ("CSP") to offer the aggregated resource. These provisions are commonly referred to as the "opt in/opt out" provisions and, have been in effect since 2010 in PJM's governing documents and stem from requirements in FERC Order No. 719A. While providers of demand response resources are subject to this requirement, providers of Energy Efficiency Resources are not. Energy Efficiency Resources became a product eligible for participation in the PJM Capacity market Base Residual Auction for Delivery Year 2012/13, but the "opt in/opt out" provisions were not modified to include a reference to Energy Efficiency Resources nor was a new separate provision created establishing a review of RERRA determinations regarding Energy Efficiency Resource aggregation registrations.

As additional background, in 2016, after stakeholder discussion, PJM changed the long term load forecasting methodology to incorporate expected load reductions from energy efficiency and required for any Energy Efficiency Resources that cleared in the RPM auction that an equal amount of load be added back to the obligation of the zone in which those resources are located.

It has come to PJM's attention that a certain RERRA is now considering placing requirements ~~on~~ regarding how ~~end-use customers energy efficiency programs~~ may be aggregated into Energy Efficiency Resources for PJM market participation similar to the requirements that the RERRA has placed on ~~end-use customers' aggregation for demand response participation~~. As such, ~~there is interest for PJM's rules related to it is appropriate for PJM stakeholders to consider whether the participation of Energy Efficiency Resources in the PJM markets participation to should be modified to mirror those for demand response resources~~. Specifically, because PJM currently does not have explicit rules concerning RERRA determinations regarding energy efficiency, there is interest in requiring providers of there is interest in having stakeholders consider possible changes to PJM rules to require Energy Efficiency Resource compliance with it is not clear whether the providers of Energy Efficiency Resources should be required by PJM to comply with any RERRA orders, ordinances or resolutions on how aggregated end-use customers' permanent load reduction effectuated by energy efficiency may be offered into PJM's capacity market. ~~in the same manner as demand response.~~, and having Additionally, any discussion should consider what role Further, PJM seeks guidance on whether PJM should require that the applicable electric distribution company should play in any review of Energy Efficiency Resource ~~the~~ registrations to verify ing that the registrations complies with any applicable RERRA requirements.

An additional complexity is that some Energy Efficiency Resources ~~in the electric distribution company service territory of the RERRA at issue~~ have cleared in past capacity auctions and have obligations to perform in future Delivery Years. ~~This presents a challenge for those providers that may find themselves in the untenable position of having to choose between violating a state law or regulation and failing to perform to their PJM capacity market obligations.~~

Issue Charge

Given the foregoing, PJM is proposing ~~two~~ that stakeholders consider reforms ~~to recognize RERRA authority through the electric distribution company review process for Energy Efficiency Resources on a similar basis to what has been implemented for demand response resources as a result of Order 719A~~ including:

- 1) the establishment of rules requiring that the providers of Energy Efficiency Resources comply with any RERRA orders, ordinances or resolutions relating to the participation of energy efficiency in the PJM markets;
- 2) Consider ~~Establishing if necessary,~~ the establishment of rules ~~that would require requiring that the applicable electric distribution company review of whether proposed Energy Efficiency Resources review in order to enforce ensure comply compliance with RERRA orders, ordinances or resolutions (similar to current demand response resource process) related to Energy Efficiency Resources;~~ and
- 3) if necessary, the treatment of ~~In the event that providers of~~ Energy Efficiency Resources that have already cleared a past capacity auction and have a position for a future Delivery Year, ~~consider enacting rules the establishment of rules that would provide a mechanism to allow these providers to be released from their obligations without any adverse financial consequences.~~

Stakeholder Group Assignment: MIC

Expected Deliverables: Possible Tariff, RAA and/or manual changes.

Expected Overall Duration of Work: 4-6 months