

Demand Response Provider Views on LLA Proposals

DR Coalition Stage 4 CFP Proposal

Executive Summary

- ◆ The scale of Large Load additions is likely to increase reserve shortages and dispatch of DR can create disincentives for continued Demand Response Participation.
 - ◆ Capacity clearing prices at a capped level limits the revenue opportunity
 - ◆ Energy compensation at levels less than hourly cost, combined with unlimited dispatch creates unhedgeable risk.
 - ◆ These circumstances may discourage continued DR participation.
- ◆ CSPs offer a package that is targeted at mitigating these concerns by
 - ◆ Encouraging dispatch of load without capacity backing before DR. **This is partially achieved by dispatching PRD concurrently with DR.**
 - ◆ Adding a limited (annual hours and duration) DR product - Same as DCC/States/ Exelon
- ◆ DR should be a recognized BYOC option.
- ◆ Further addressing the disincentives noted above appears to be outside the scope of the CFP. But follow up action is recommended.

Impacts of Short Reserves

- ◆ Large Load Additions create the prospect of increased DR dispatch with capped capacity prices. This can discourage DR participation.
 - ◆ Dispatch of DR will increase with decreased reserves - indeed, this has already been observed.
 - ◆ DR participants expect that their hourly costs of curtailment will be less than the benefits of participation, i.e. capacity and energy payments.
 - ◆ For any customer whose energy payments are insufficient to cover hourly curtailment costs, DR participation represents an unhedgeable risk - a fixed payment for an open-ended obligation
 - ◆ Most customers are in this category.
 - ◆ When reserves are adequate the risk is low.
- ◆ The much-increased likelihood of unhedgeable curtailment costs warrants consideration of potential remedies subsequent to this CFP process.

NCBL loads are purchasing a lower quality of service

- ◆ Loads, including new Large Load Additions, that are not backed by capacity should be curtailed before Pre-Emergency and Emergency DR.

Other

- ◆ PRD obligations should be consistent with DR (but with supervisory control)
- ◆ New DR products should be considered - for all providers
 - ◆ We are open to new DR products such as limited hours, limited duration and/or number of dispatch and understand that these may have separate and reduced ELCC values.
 - ◆ These do not warrant preferred (later) dispatch priority than other DR.
- ◆ DR should be an option for capacity backed resources (BYOCapacity)
 - ◆ We propose that BYO DR be captured as an offset to LLAs in the Load Forecast process. Applicable ELCC should be applied.

Package

- ◆ The DR Coalition Package is largely “same as PJM”

Differences:

- ◆ Design Element 50 - ELCC Class - New class for Short duration resource
- ◆ Design Element 51 (DR Duration) - Add a Limited total duration/dispatch length Emergency DR product
 - ◆ This would be dispatched concurrently with Emergency DR.
- ◆ Design Element 52 (PRD)- Same as PJM, except add clarity that manual dispatch of certain exceptions is required
- ◆ Design Element 4 - We propose that BYO DR be captured as an offset to LLAs in the Load Forecast process. Applicable ELCC should be applied.

Recommendations

- ◆ Plan to investigate remedies to the unhedgeable risk posed by open ended dispatch combined with capped capacity prices.

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Background on Emergency Generators

The eligibility of Emergency Generators for Demand Response use is complex.

- ◆ Some states limit operation of Emergency Generators to Load Shed events, which precludes their use as DR.
- ◆ Some states permit use of Emergency Generators as Emergency Demand Response in NERC EEA2 conditions (before Load Shed). Eligibility can depend on age, size and permit conditions.
- ◆ New, large Emergency Generators (such as data centers would have) require robust emissions controls to meet environmental requirements.
 - ◆ Eligibility for PJM's PRD or Emergency DR programs will be dependent on state environmental permitting regulations, including whether the site's permit is for Emergency use.
 - ◆ Non-emergency operating permits may still limit operations.
- ◆ Backup generators that are not permitted to serve as DR would be operating only when their site is subject to a load shed.