



Energy Efficiency Resources Requiring State Approval for PJM Participation

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, 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 for Delivery Year 2012/13, but the "opt in/opt out" provisions were not modified to include a reference to Energy Efficiency Resources.

It has come to PJM's attention that a certain RERRA is now considering placing requirements on how end use customers may be aggregated into Energy Efficiency Resources for PJM market participation similar to 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 Energy Efficiency Resource participation to be modified to mirror those for demand response resources. Specifically, there is interest in requiring providers of Energy Efficiency Resources 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, and having the applicable electric distribution company review the registration to verify that the registration 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.



Problem Statement & Issue Charge

Issue Charge

Given the foregoing, PJM is proposing two 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:

- 1) Establish rules that require electric distribution company review to enforce RERRA orders, ordinances or resolutions (similar to current demand response resource process) related to Energy Efficiency Resources.
- 2) In the event that providers of Energy Efficiency Resources have already cleared a past capacity auction and have a position for a future Delivery Year, 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