PJM Plan for Forecast Model Enhancements for 2012 Forecast

Planning Committee
September 8, 2011
• Implement the Itron-recommended Index2 variable

  – Index2 uses six components instead of one. Anticipated to lead to more stable and accurate forecasts over time

  – Index2 is more zone-specific than Index1 (uses zones’ customer class sales data to weight the six components)
• PJM will continue to use only the Moody’s Analytics economic forecasts to develop the economic driver for the 2012 load forecast.

  – Concerns with Global Insight long-term growth rates

  – PJM will revisit pooled economic forecasts for 2013 load forecast
Gross Metropolitan Product
Moody's vs. Global Insight
Trend through 10Q4 (Most Recent)

\[ y = 0.0052x + 1.0264 \]
\[ R^2 = 0.9454 \]

\[ y = 0.0051x + 1.0264 \]
\[ R^2 = 0.9382 \]

December 2010 forecast release
• PJM will not add a price variable to the peak or energy models

  – Test of price variable in four zonal models indicated:
    • Results were inconsistent and in some cases spurious (positive coefficients, unrealistic magnitude/elasticity)
    • Results were equally weak for summer peak load and net energy for load

  – Additional challenges of collecting historical data and forecasting prices
• PJM will adopt Itron proposal for allocation of CP forecast where appropriate for use in planning studies (pending input from stakeholders on possible separate forecast allocation for RPM)

  – Issue will be referred to MIC/MRC

  – PJM recommends an allocation based on zone’s contribution to loss of load expectation (consistent with cost causation) for RPM