

Transition process to relieve CSP of RPM commitments for DR that can not be delivered due to 30 minute notification requirement (FERC order on DR operational resource flexibility)

MRC

8/21/14

- PJM submitted 30 day compliance filing to FERC
  - Waiting FERC approval
- FERC also required PJM to make separate 205 filing on transition mechanism for prior RPM commitments

- 30 minute lead time mandatory for all resources unless physically not capable and qualify for exemption
  - PJM to work with stakeholders on transition mechanism that would allow CSPs that are no longer able to deliver amounts of demand response *[because of 30 minute lead time requirement which becomes effective for 15/16 DY]* previously cleared in PJM's capacity auctions *[through 16/17 DY]* to be relieved of part, or all of, their obligation and have their capacity payments commensurately reduced accordingly.

# Timeline for filing to comply with FERC order

Goal is to file tariff changes with FERC on 11/1/14

## Time line Option 1

- 8/21 – MRC first read
- ~9/2 – CSTF poll
- 9/12 – CSTF finalize proposal(s)
  - Firm up is 1 or 2 proposals to handle IA restriction
- 9/18 – MRC & MC endorsement
- 10/1 – File at FERC
- 12/1 – Order from FERC
- 1/16/15 – Final date for CSPs to submit non-viable MW for transition

## Time line Option 2

- 8/21 – MRC first read
- ~9/2 – CSTF poll
- 9/12 – CSTF finalize proposal(s)
  - Firm up is 1 or 2 proposals to handle IA restriction
- 9/18 – MRC endorsement
- 10/30 – MC endorsement
- 11/1 – File at FERC
- 1/1 – Order from FERC
- 1/16/15 – Final date for CSPs to submit non-viable MW for transition

Need direction on which time line to pursue – need to file changes at FERC by ~11/1 to allow enough time for transition mechanism prior to 3<sup>rd</sup> IA

- **[1 week prior to posting planning parameters for IA]** – CSP to provide PJM cleared MWs from prior RPM auction(s) that cannot be delivered due to 30 minute lead time requirement by product by zone.
  - 15/16 – CSP must notify based on 3<sup>rd</sup> IA schedule
  - 16/17 – CSP must notify based on 2<sup>nd</sup> IA and/or 3<sup>rd</sup> IA schedule
  - CSP IA offer restriction
    - *Proposed Option 1: CSP will not be permitted to sell or offer to sell MWs (for any DR product) into IAs if CSP designated non-viable MWs for DY.*
    - *Proposed Option 2: CSP will not be permitted to sell or offer to sell MWs (for any DR product) into IAs in LDA with same or lower price as location of CSP designated non-viable MWs*
- **[planning parameters posting date for IA]** – PJM to publish aggregate non-viable DR MWs

Consensus on Proposed Changes at CSTF but need to work through IA offer restriction detail or have 2 potential proposals for endorsement

- **[IA start date]** – PJM to aggregate all adjustments (CSP non-viable MWs, forecast adjustment, etc.) and include in 1<sup>st</sup> or 2<sup>nd</sup> auction if amount exceeds threshold (lessor of 1% or 500 MW – *as currently defined in tariff*) and if it does not exceed threshold then include in 3<sup>rd</sup> IA
  - PJM to increase capacity procured (or reduce capacity released) in IA (as necessary)
    - Cost will be allocated *consistent with current tariff* provisions for forecast adjustment
  - Bilateral transactions are subject to review and referral to MMU and/or FERC Office of Enforcement and should not be executed for non-viable MWs for financial gain.
- **[Prior to start of DY]** PJM to reduce CSP capacity commitment in eRPM by product by zone and prorate amount of non-viable MW as necessary if CSP cleared MWs in multiple auctions
- **[Prior to start of DY]** CSP responsible to register enough DR to cover final capacity commitment or receive daily deficiency charge.
- **[normal bill cycle during DY]** PJM to only pay capacity revenue based on final CSP capacity commitment

Meets FERC direction (relieve obligation & reduce payments) & leverage concept used for revised generator capability verification testing

- Example 1 – General example for 15/16
- Example 2 – CSP specific example
- Example 3 – CSP specific example

- CSPs cleared 1,000 MW of Limited DR in BRA for 15/16 @ \$150/MW-Day
- 1/16/15 – CSPs notifies PJM that 300 MW non-viable due to 30 minute lead time rule (do not qualify for defined 30 minute lead time exceptions)
- 1/23/15 – PJM publishes aggregate non-viable MWs due to 30 minute lead time requirement with other planning parameters
  - Aggregate non-viable DR MW = 300 MW (PJM may need to buy)
  - Forecast adjustment = -200 MW (PJM may need to sell)
- 2/23/15 – 3<sup>rd</sup> IA Opens – PJM buys 100 MW (300 – 200) in auction
  - CSP is not permitted to sell or offer to sell MWs (of any DR product) if they have non-viable MWs
- CSPs must register 700 MW of DR before 6/1/15 or receive daily deficiency charge
- CSP will receive 700 MW \* \$150 per day for capacity commitment, instead of original 1,000 MW.



- Acme CSP cleared 500 MW of Limited DR in BRA in PECO for 16/17 @ \$119/MW-Day
- 2nd IA
  - (~6/5/15) CSP notifies PJM that 50 MW non-viable due to 30 minute lead time rule (do not qualify for defined exemption)
  - (~6/12/15) PJM publishes aggregate non-viable MWs due to 30 minute lead time requirement with other planning parameters
  - (7/13/15) 2<sup>nd</sup> IA Opens – PJM buys in auction as necessary
    - CSP is not permitted to sell or offer to sell MWs
- 3<sup>rd</sup> IA
  - (1/22/16) CSP notifies PJM that additional 10 MW non-viable due to 30 minute lead time rule (do not qualify for defined exemption)
  - (1/29/16) PJM publishes aggregate non-viable MWs due to 30 minute lead time requirement with other planning parameters
  - (2/29/16) 3<sup>rd</sup> IA Opens – PJM buys in auction as necessary
    - CSP is not permitted to sell or offer to sell MWs
- CSP must register 440 (500 – 50 – 10) MW of DR before 6/1/16 or receive daily deficiency charge
- CSP will receive 440 MW \* \$119 per day for capacity commitment, instead of original 500 MW.

- Delta CSP cleared 480 MW of Limited DR in BRA in PPL for 16/17 @ \$119 MW-Day and 20 MW of Limited DR in 1st IA in PPL for 16/17 @ \$90 MW-Day.
- 2nd IA
  - CSP does not sell or offer MWs
- 3<sup>rd</sup> IA
  - (1/22/16) CSP notifies PJM that 60 MW non-viable due to 30 minute lead time rule (do not qualify for defined exemption)
  - (1/29/16) PJM publishes aggregate non-viable MWs due to 30 minute lead time requirement with other planning parameters
  - (2/29/16) 3<sup>rd</sup> IA Opens – PJM buys in auction as necessary
    - CSP is not permitted to sell MWs
- CSPs must register 440 (500 – 60) MW of DR before 6/1/16 or receive daily deficiency charge
- CSP will receive  $440 \text{ MW} * \$117.84$  ( $[480 \text{ MW}/500\text{MW}] * \$119 + [20 \text{ MW}/500 \text{ MW}] * \$90$ ) per day for capacity commitment, instead of original 500 MW. Non-viable MWs prorated based on amount cleared in prior auctions.