



Advanced Energy Management Alliance

PJM DRS on Capacity Market MOPR Order

Cathleen Colbert, NRG
PJM Demand Response Subcommittee
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Advanced Energy Management Alliance

Empowering consumers through distributed energy resources, including demand response and advanced energy management.

We are providers and consumers united to overcome barriers to nationwide use of distributed energy resources. We advocate for and educate on policies that empower and compensate consumers to have cost-effective, efficient, resilient, reliable, and environmentally-sustainable choices.

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AEMA Summary Principles on PJM Implementation

- These are views of AEMA as an organization, not of any one particular member company within AEMA.
- AEMA has submitted request for clarification to FERC, but ready & willing to support compliance planning effort
- Aggregation and forward sales of planned growth within that aggregation are foundational pieces of demand response and energy efficiency delivery in PJM markets
- Net CONE & net ACR calculations for BTM capacity resources such as demand response and energy efficiency should take their unique characteristics into account
 - EE not exempt from MOPR but \$0 default offer price floor appropriate, due to shortened asset life and the 1:1 MW increase in the VRR curves to add EE capacity to VRR.

AEMA Recommendations

Question	AEMA Position
What may be considered a state subsidy?	<ul style="list-style-type: none">• AEMA recommends that PJM’s forthcoming definition of DR and EE state subsidy should be reasonably limited to avoid unnecessary adverse impacts on demand response and energy efficiency.
What is new vs existing?	<ul style="list-style-type: none">• AEMA recommends PJM implement a clear procedure to establish the existing resource exemption for DR and EE at zonal Resource level;<ul style="list-style-type: none">• Previously cleared MW at zonal resource level should be treated as ‘existing’• Any incremental MW offered above previously cleared MW at zonal resource level should be treated as ‘new’.
Structure of MOPR for Behind The Meter Generation DR (diesel/gas/storage)	<ul style="list-style-type: none">• AEMA wishes to work with PJM on any analysis required• Method should recognize distinction between existing and new.• Resilience value and demand-side benefits of behind-the-meter generators should be included in revenue offset in Net CONE and Net ACR.
Impact of MOPR on DR or EE offer process	<ul style="list-style-type: none">• AEMA strongly supports implementation at the zonal Resource level.

Net Avoided Cost Rate

- Existing process expanding to include net ACR for DR and EE
- AEMA understanding of process for establishing net ACR today:
 - Sell Offer Cap (Net ACR) is calculated by Market Participant, by unit, by segment (M18, 5.4.4)
 - Incremental expenses and expected revenues submitted by Participant
 - If not submitted, defaults to default ACR
 - Net Avoidable Cost Rate (OATT DD 6.8):
 - Incremental expenses required to operate that would not incur if it did not operate in Delivery Year or respond to PAI events:
 - Includes avoidable fixed O&M, fuel and carrying charges, taxes/fees/insurance, administrative and legal costs
 - Includes avoidable project investment (PI) costs or PI reimbursement
 - Includes avoidable CP quantifiable risks
 - Does not include variable costs for providing energy
 - Projected revenues offset the incremental costs, including PJM energy & AS revenues and bilateral contracts for generation
- Need to explore how these costs & revenues differ for DR and EE

Net Cost of New Entry

- Existing process expanding to determine net CONE for DR and EE
- AEMA understanding of the process for establishing net CONE today is:
 - 4 CONE areas used to set VRRs and existing MOPR
 - Asset-class specific Net Cost of New Entry leverages CONE and E&AS offset used in VRR calculation (OATT DD 5.14(h)(1))
 - Gross Cost of New Entry (OATT DD, 5.10(a))
 - Estimate of total capital cost and annual fixed O&M expenses (nominal levelized revenue requirement * BLS index)
 - Net Energy and Ancillary Service Revenue Offset the gross Cost of New Entry (OATT DD 5.10(a)(v), OATT DD 5.14(h)(1))
 - Average LMPs that would have been received by Reference Resource across the prior 3 years.
 - AS offset is \$2,199/MW-year (CT) and \$3198 per MW-year (CC)
 - Assumes resources would have been dispatched in both DA and RT on “Peak-Hour Dispatch”.
- Need to explore how these costs & revenues differ for DR and EE

Questions?

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