



# **CSP PJM DR Proposal**

---

## **MADRI Meeting Washington DC**

**August 10, 2005**



# MADRI Meeting Agenda

---

- CSP Coalition
- Introduction
- DR Programs in the Region
- The PJM DR Incentives Issue
- CSP Proposal
- Questions





# CSP Coalition Members

---

- **Association for Energy Affordability**
- **Commercial Utility Consultants**
- **Continental Cooperative Services**
- **Customized Energy Solutions (CES)**
- **ECAP Energy Cooperative Association of Pennsylvania**
- **Electric America**
- **Emergency System Service Company**
- **EnergyConnect Inc. (ECI)**
- **Enerwise Global Technologies, Inc.**
- **Frozen Energy Assets, Inc**
- **Galt Power**
- **ISG**
- **Metropolitan Energy**
- **MWN Energy Group**
- **Public Energy Solutions (PES)**
- **Richards Energy Group**
- **Utility Advantage**





# About the Coalition

---

- Curtailment Service Providers (CSP)
- CSP Coalition -17 PJM member/non member DR CSP organizations
- Coalition has mutual DR goals and objectives
  - Helps end users conserve energy/save \$s
  - Provides assistance to end-users to meet PJM requirements
- 100+ years of utility-related experience
  - Generators, aggregators, LSEs, power exchange and CSPs
- User's groups have hundreds of members
- Deliver millions \$s in energy services





# DR Momentum

---

- FERC encourages demand response as a fundamental element of good market design
- PJM established a DR pilot program to validate the role of demand response in its own market design
- PJM is currently planning the future of its Economic DR programs
  - Making programs permanent
  - Considering extending current incentives
  - Considering eliminating current incentives





# DR Is Good Business

---

- DR primarily shifts consumption
- When active load shifting is available:
  - Economic generators run at higher capacity factors
  - Fewer generators have to be built (lower peaks)
  - Reliability is improved because loads as well as generators can respond to emergencies
- Added efficiencies reduce the cost to serve load and lowers prices to ratepayers





# Comparison of DR Programs

---

## Levels of Activity:

- NYISO –
  - \$15M incentives paid in (2001-2004)
  - \$75 Million in capacity payments (2001-2005)
  - State of the Market Report justifies effort by referencing a 10 to 1 cost benefit ratio
- ISO- NE –
  - \$128M over 4 years for C&LM DR in 2004
  - No cost benefit analysis available at this time
- PJM –
  - \$1.5M payments in 2004
  - Approximately \$0.2 M from incentives
  - Cost Benefit analysis from PJM Market Monitoring Staff (State of the Market 2004), notes benefits in excess of \$2 M from incentives of \$0.2 M.
  - Report also referenced reliability benefits but did not attempt to quantify because the benefits were already abundantly clear.





# The Incentive Issue

---

- The current PJM DR program offers incentives to DR resources when prices are high
- The CSP proposal recognizes that incentives that do not produce market efficiencies should be avoided
- We propose PJM include independent 3<sup>rd</sup> party to:
  - Suggest metrics to measure the impacts of the incentives
  - Suggest how to target the level of the metric in response to PJM operational and reliability objectives
  - Suggest how to limit incentives when they do not produce proper cost/benefits to PJM ratepayers
  - Suggest how to increase/decrease incentives in response to the achievement of the operational goals



# CSP Coalition Proposal

(Items agreed to by stakeholders and under consideration at PJM MIC, EMC and MC)

- **Make Programs Permanent**
  - **DR Economic Day Ahead (DA) Program**
  - **DR Economic Real Time (RT) Economic Program**
- **Remove current language from the Tariff Amendment for the pilot and incorporate in the body of the Tariff and Operating Agreements**
- **Create “Firm Power Contract” alternative for measuring use before and after curtailment (in addition to the current method of calculating Customer Base Line)**





# CSP Coalition Proposal

## (Incentive Levels)

---

- Beginning in 2008, adjust the size of the incentive pool to reflect changes in the PJM footprint
  - Maintain the current incentive pool created in the pilot program through the end of the pilot program in 2007
- Incorporate into the PJM stakeholder process an independent 3rd party to suggest DR metrics
- Establish future incentives based on recommended market metrics that evaluate overall market performance and efficiency
- File PJM stakeholder recommendations by December 31, 2006





# CSP Coalition Proposal (Incentives)

---

- Extend the current incentive in the DA Economic energy program (when LMP > \$75) through 2010
  - Implement annual incentive adjustments in response to market metrics after 2010
- Extend the current incentive in the RT Economic energy program (when LMP > \$75) through 2010
  - Implement annual incentive adjustments in response to market metrics after 2010





# CSP Questions

---

- **What are your thoughts on sending proposals to FERC (that include alternative proposals for CSP incentives) and letting FERC decide?**
  - **Is this a good strategy?**
- **The PJM Market Monitoring Staff (State of the Market 2004) concluded that DR reduced customer costs by millions of dollars when program incentives paid out were only a few hundred thousand dollars.**
  - **How would MADRI suggest CSPs convince generators and LSEs that DR is in their best interest?**
- **What is the best way for MADRI to support the CSP effort?**

