



Problem/Opportunity Statement

ADOPTION OF DER REGULATION MARKET ONLY PARTICIPATION AT NEM CUSTOMER SITES BEFORE PJM'S PROPOSED ORDER 2222 IMPLEMENTATION DATE OF FEBRUARY 2, 2028

PROBLEM / OPPORTUNITY STATEMENT

In its most recent Order 2222 compliance filing to FERC, PJM proposed delaying implementation of the DER Aggregator Market Participation Model until February 2028. PJM's proposal would allow behind-the-meter (BTM) resources, and specifically Battery Energy Storage Systems (BESS), in Net Energy Metering (NEM) zones to inject power as part of participation in the Ancillary Services markets only. PJM's compliance with Order 841 and FERC's allowance of ancillary services injection in NEM zones should make BTM BESS injection possible today. However, a gap exists that prevents these resource types from participating with their full capability in the ancillary services market today. PJM's DER Aggregator Market Participation Model will provide a pathway for this type of participation, but implementation is now 3.5 years away. Stakeholders should seek a narrow solution sooner than February 2028 that will allow BTM BESS who are eligible for NEM retail rates to also participate in wholesale ancillary services markets.

Background

- **Existing Gap:** PJM's demand response rules only allow for injections if a Wholesale Market Participation Agreement (WMPA) is present. PJM legal has advised members that WMPAs cannot be issued for Regulation Market Only market participation at NEM customer sites because no wholesale energy transaction is taking place. The energy transaction is retail, not wholesale.
- **FERC Order 2222:** This federal order mandates the integration of distributed energy resources (DERs), including BTM BESS, into wholesale electricity markets. PJM's accepted Tariff language provides a path for injections at NEM customer sites for providing Ancillary Services like Regulation.
- **PJM's Proposed Implementation:** PJM has proposed a delayed implementation of FERC Order 2222's provisions until February 2028.

Procedural Events

- **PJM's October 7, 2024 Distributed Resources Subcommittee Meeting:** PJM adopted language that would allow BTM BESS in NEM zones to inject power for Ancillary Services, but proposed a significant delay in implementation.
- **PJM's Stated Rationale:** PJM has cited the need for additional system modifications and procedural changes as reasons for the delay.

Key Issues

- **Unnecessary Delay:** The proposed delay, justified by technical or operational constraints, may apply to the entire DER Aggregator model but may not apply to this specific use case.
- **Economic Impact:** The delay will hinder investment in BTM BESS projects, which can provide valuable grid services and reduce costs for consumers.



Problem/Opportunity Statement

- **Call to Action:** PJM should prioritize the immediate implementation of the necessary tariff changes to enable BTM BESS in NEM zones to participate in wholesale markets as a Regulation Market Only resource. This timely action will support clean energy goals, enhance grid resilience, and drive economic growth.