



## Non-capacity market opportunities for seasonal Demand Response resources

### Problem / Opportunity Statement

After the Reliability Pricing Model transitioned from procuring annual and sub-annual products to procuring a single, annual product (Capacity Performance), certain resource types, namely summer-only demand response resources, were required to aggregate with other resources to create annual capability. Recent auction clearing results indicate that much of the Demand Response that cleared in previous auctions as a sub-annual resource was able to make the transition to an annual commitment for the 2020/2021 Delivery Year, indicating that participation in RPM as a supply resource is still the preferred viable method for Curtailment Service Providers and customers to realize value for Demand Response resources.

| Demand Response Resources (UCAP Megawatts) | Offered  | Cleared  |
|--|----------|----------|
| 2019/2020 BRA                              | 11,818.0 | 10,348.0 |
| 2020/2021 BRA                              | 9,846.7  | 7,820.4  |

However, PJM recognizes there may still be Demand Response resources that are unable to make annual commitments, unable to aggregate commercially prior to the auction, or unable to clear as “summer only” through the new enhanced aggregation rules that have been implemented as part of the auction clearing process. PJM understands that these resources have made investments, and in some instances commitments to state regulators, that will result in their continued operation (primarily as peak shaving resources).

Further, seasonal Demand Response resources have historically demonstrated their ability to provide operational flexibility to system operators during times of system stress. As such, PJM agreed in its enhanced aggregation filing to FERC that further discussion may be needed on the topics of recognizing seasonal resources through the load-forecasting process and/or their operational value outside of the capacity market<sup>1</sup>. It is therefore recommended that PJM staff and stakeholders discuss whether or not there are opportunities to value seasonal Demand Response resources outside of the capacity market or through the load forecasting process that would serve as an alternative to supply-side participation in the capacity market.

<sup>1</sup> *PJM Interconnection, L.L.C., Proposed Modifications For Enhanced Aggregation, Non-Summer Capacity Interconnection Rights, and Modified Demand Response Resource Measurement & Verification to Support Capacity Performance at n.12, Docket No. ER17-367-000 (filed Nov. 17, 2016).*