

NAVIGANT

ENERGY

PJM's Capacity Senior Task Force (CSTF)

PSEG Proposed DR Audit Design Concepts



February 8st, 2013

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1	Background
2	Design Concepts & Illustrative Solutions
3	Sample Solution Timeline

»From CSTF meeting on August 14th, 2012:

–**Issue:** DR offers into market but does not have the capability to perform based on product requirements (Limited, Extended Summer and/or Annual)

–**Proposed Solution:** “Introducing audits of demand side resources to confirm their contractual and physical ability to respond as often and seasonally as claimed.”

➤ PSEG’ s matrix provides design concepts and a range of illustrative solutions to provide clarity and foster further discussion

➤ These design concepts are inspired by the Brattle recommendations

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Design Concept

Augment existing registration information

➤ Approach 1:

CSP certifies as part of registration that: (i) it has conducted due diligence, including analysis of specified considerations and believes that it has sufficient coverage to meet its commitments; (ii) that it will monitor sufficiency of contract coverage for term of commitment period

➤ Approach 2:

CSP provides additional information about resources during registration potentially including curtailment strategy (load shed vs. behind-the-meter generation) limits on events/event hours, penalties for non-compliance, explicit curtailment estimates

Design Concept

Periodic Delivery Year reports to PJM on changes affecting CSP portfolio of resources

➤ Approach 1:

Periodic reports confirming that CSP has assessed portfolio and that it continued to have sufficient resource coverage to meet capacity availability obligations and identifying any deficiencies

➤ Approach 2:

Periodic reports showing sufficiency of portfolio coverage by contract with supporting information for each contract

Design Concept

Record keeping requirements for DR contractual commitments

➤ Approach 1:

No specific record keeping methodology is specified but CSPs are required to track availability of resources on a daily basis

➤ Approach 2:

CSPs are held to a prescribed record keeping and daily log practice, regardless as to whether they have their own process in place

Design Concept

Methodology and scope of Audit

- Approach 1:
Interview CSP and ask for some documentation to support claims
- Approach 2:
Spot audit of CSP records and reasonableness of methodology used by CSP to measure availability. Consider audit of sample of CSP contracts.
- Approach 3:
Audit CSP records for conformance with proscribed contract coverage standards specified by PJM or third party and audit sample of CSP contracts to assure proper classification

Design Concept

Procedures for addressing environmental restrictions on run-times for behind the meter generation

➤ Approach 1:

No explicit procedure for how to track BtM generation but CSP needs to take availability due to BtM run-time restrictions into account in measuring availability

➤ Approach 2:

Expanded registration captures information pertaining to the non- EPA compliant generators and CSP separately tracks and reports on the utilization of those resources

Design Concept

Timing or triggers for audits/verification of CSP's portfolio

- Approach 1:
Audits only occur if CSP fails to deliver capacity in excess of a collectively determined percentage of the time events are called
- Approach 2:
Audits are performed if upon the analysis of periodic reports sufficient doubt is raised that the CSP can deliver on its commitments
- Approach 3:
Random audits are performed on a given number of CSPs annually, regardless as to their historical performance and their periodic reports

Design Concept

Entity administering audits

- Approach 1:
PJM performs all audits with a limited scope
- Approach 2:
PJM performs some audits of limited scope, while a third party is called in for specific audit requests
- Approach 3:
A third party is called upon to perform all audits, which would be rigorous in nature

Design Concept

Consequences/remediation for situations in which DR availability is not demonstrated

- Approach 1:
General results of audits are analyzed in 2017 RPM Performance Review.
Possible recommendations for next steps

- Approach 2:
CSPs are not penalized but are required to correct deficiencies in controls that resulted in violations

- Approach 3:
CSPs are penalized and/or de-rated in future BRAs

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- Potential solution progression
- Process starts after Incremental auction
- Process terminates at end of DDY



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