



The Institute for Regulatory Policy Studies Illinois State University Conference

May 12, 2006

Jeff Bladen

PJM Interconnection

- Demand Response must be treated equally with generation both for short run dispatch (energy) and long run planning (capacity).
- PJM designed its markets to be agnostic.
- A MW gained is worth the same as a MW saved and resold.
- PJM has multiple options for DR participation, some active and others pending FERC final approval.

Revenue Opportunity	PJM (today)	PJM with new initiatives
Real-Time/Spot Energy Sales	Yes	Yes
Day-Ahead Energy Sales	Yes	Yes
Forward Energy Sales	No	Yes; Proposed Forward Energy Reserve Market
Forward Capacity Sales	Limited by small volume and to current planning year	Yes; RPM auction fixes problems
Energy & Capacity payment for emergencies	Not in all cases	Yes; Emergency program changes ensure payment
Ancillary Services	No	Yes; Spin & Regulation

Revenue Opportunity	PJM with new initiatives	Central Station Generation (PJM)
Real-Time/Spot Energy Sales	Yes	Yes
Day-Ahead Energy Sales	Yes	Yes
Forward Energy Sales	Yes; Proposed Forward Energy Reserve Market	Yes, 50mw blocks at Hubs liquid up to 5 years
Forward Capacity Sales	Yes; Proposed RPM auction fixes problems	Yes, Bi-lateral market liquid up to 3 years
Energy & Capacity payment for emergencies	Yes; Emergency program changes ensure payment	Yes; always
Ancillary Services	Yes; Spin & Regulation	Yes; Spin, regulation, black start, etc...

- Emergency Enhancements (energy) – FERC approved in Feb, 2006, to be implemented on June 1.
- Ancillary Services – Now available as of May 1, 2006.
- Economic Load Response (energy) – Permanent status effective May 1, 2006.
- Reliability Pricing Model (capacity) – set for technical conference to work out implementation details for June 2007.

Economic Load Response in the Energy Market:

- Permanent integration into the Energy Market (no longer a “Program”).
- Product rules largely unchanged from current.
- Treatment of incentive payments deferred until early 2007. Current sunset on 12/31/07.
- Pilot for non-interval metered customers enlarged and enhanced. Grants PJM flexibility to allow additional resources in.

New chance for demand side resources to provide synchronized (formerly spinning) reserves and regulation:

- Same payments as generators when resource is made available.
- Demand resources initially limited to 25% of synchronized reserve requirement.
- Additional training requirements for Curtailment Service Providers (CSPs)
- Endorsed by overwhelming majority of members.

Emergency Load Response enhanced:

- Preserves two options – energy only (voluntary) and energy and capacity (mandatory).
- Full Emergency Load Response made permanent.
- Expands aggregators of Full Emergency Load Response beyond LSEs to include CSPs.
- Aligns the deficiency charge more closely to the value of capacity as determined in PJM auctions.
- Allows demand resources to register simultaneously in Emergency and Economic Load Response.
- Links emergency payments to market prices with minimum dispatch price determined by resource not PJM.

- Part of an integrated Capacity Market Design (RPM)
 - Provides multi-tiered integrated Demand Response participation.
 - Direct auction participation or self supply opt out.
 - Signals new resources to offer into Forward Auction
 - Integrates merchant transmission solutions to compete with generation and demand response
 - Provides stable capacity price signal to incent sustained investment where needed