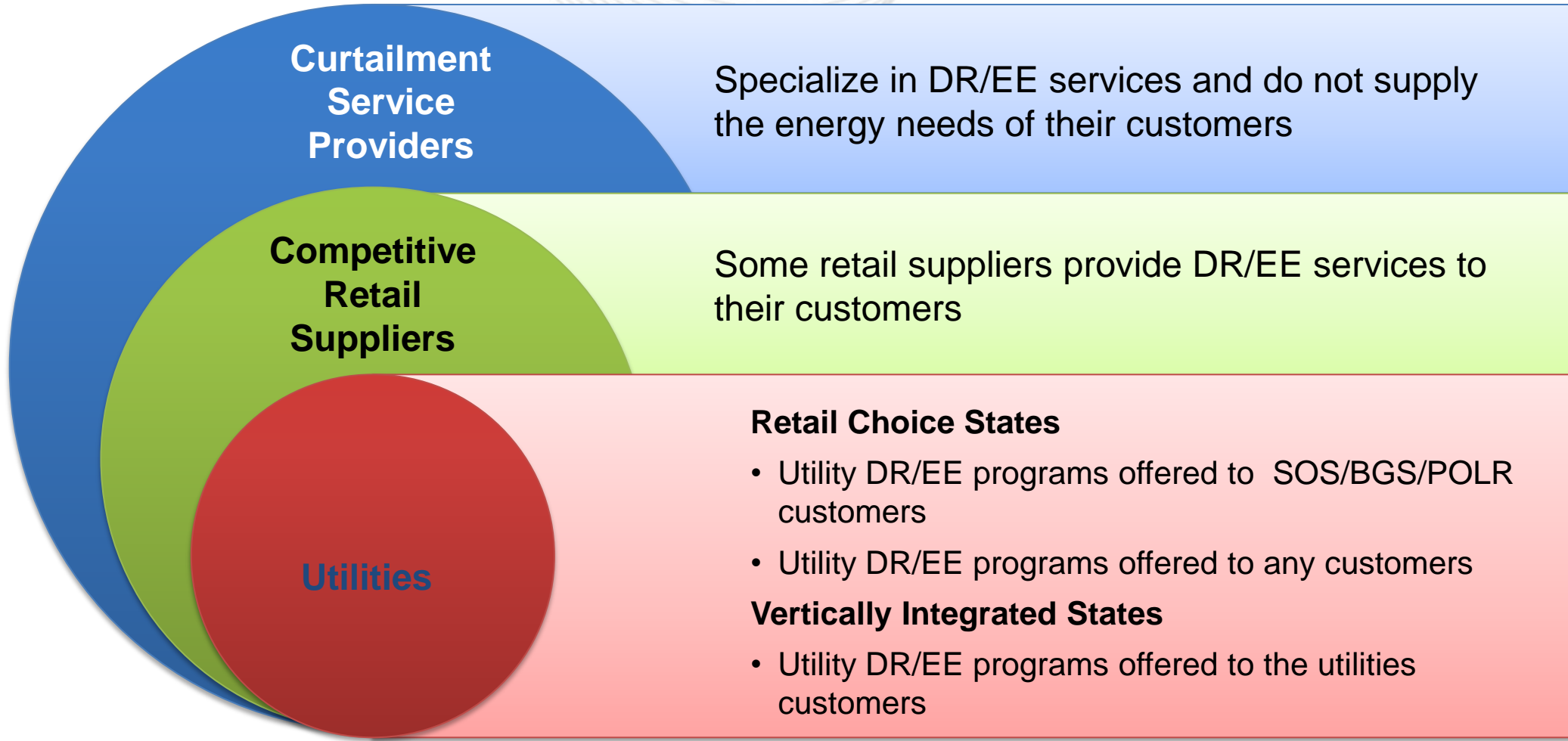


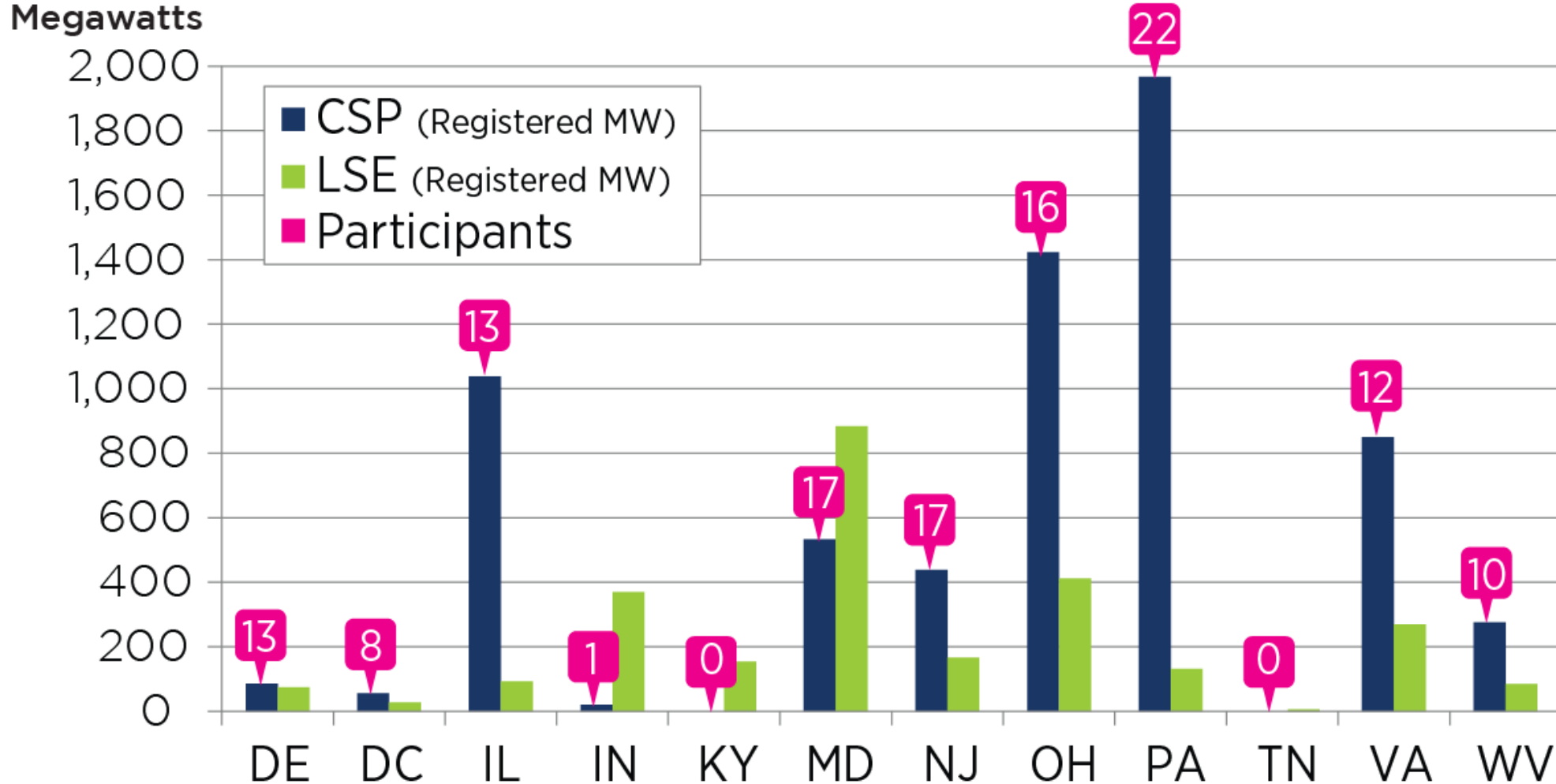


PJM Stop Gap FERC filing to address EPSA order - PJM update -

March 3, 2015

Who Offers Demand Response into PJM's Markets Today?





- LSE category = DR offered by utilities/Electric Distribution Companies (or their agents) and competitive retail electric suppliers
- CSP category = DR offered by entities specializing in demand response and do not serve energy needs of customers

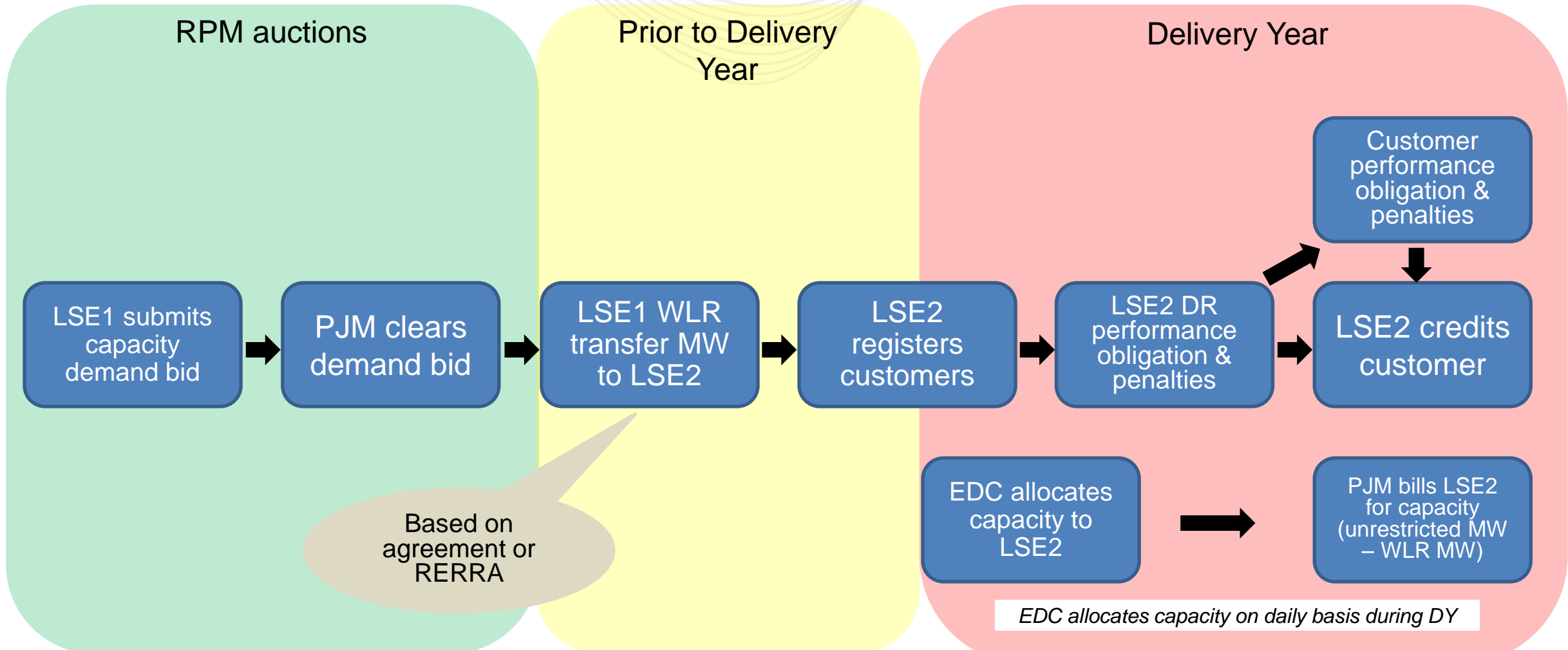


Demand Response & Energy Efficiency: PJM's Proposal vs Today

	Today (DR/EE)	Stop Gap (WLR/WEEL)
Capacity market	Supply resource (Similar to generation)	Demand bid (BRA or bilateral, no IAs)
Capacity obligations	Nominate and reduce load per rules	Same
Compensation/Cost Reduction	Direct compensation from wholesale market	LSE can reduce capacity cost for their PJM load. No compensation via PJM tariff. Compensation is state-jurisdictional
Who manages?	Curtailment service provider/load serving entity (any PJM member)	Load-serving entity or their agent (for their specific load)

Key Principal – LSE's (or their agent) can only provide WLR/WEEL from loads that they are responsible for serving. This alignment must be maintained throughout the Delivery Year.

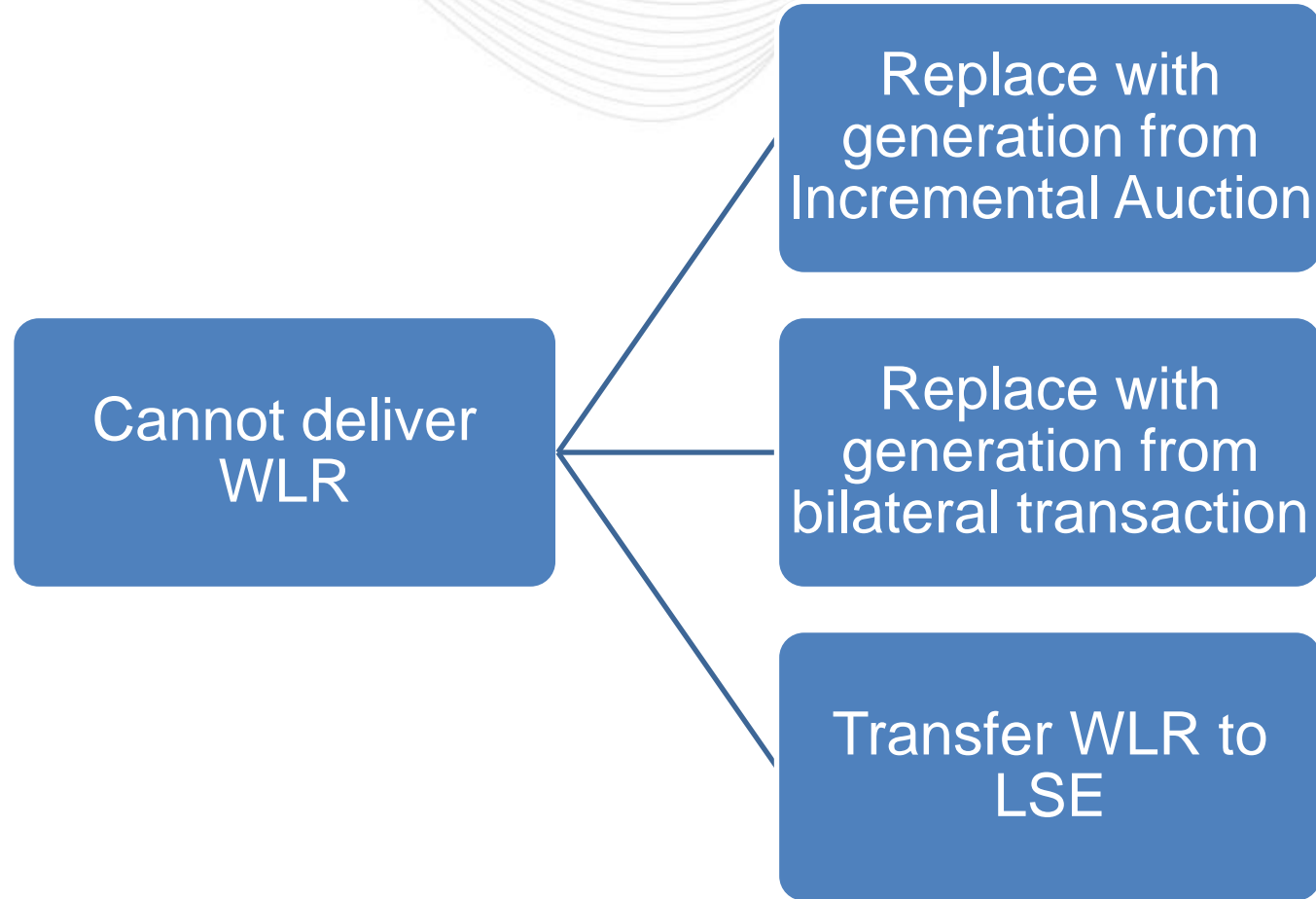
LSE WLR model (with customer switching)



- Who may submit WLR commitment for RPM auction?
 - LSE or their agent that commits to provide WLR in the associated RPM Deliver Year.
 - Agent – established either through agreement with wholesale entity or by RERRA regulation
 - WLR commitments must be done through LSE or their agent – an Agent may not commit WLR through their PJM account (even if they have responsibility through RERRA regulation)
- In which auctions can WLR participate?
 - BRA - Establish WLR commitments
 - IA - Replace existing WLR commitments
 - WLR commitment may not be established in IA.

- WLR plan (similar to DR plan today)
 - Existing WLR – locations (EDC account numbers) registered as DR/WLR and WLR Provider reasonably expects to have under a contract to reduce load based on PJM dispatch instructions by the DY.
 - *WLR provider must have registered location previously to be considered existing*
 - *(Work in Progress)* If 2 WLR providers claim location as “existing” (both previously registered location) then it is expected that the customer will make determination on which PJM member may claim as “existing”.
 - Planned WLR - WLR Load that does not currently have the capability to provide a reduction in load or to otherwise control load, but that is scheduled to be capable of providing such reduction or control on or before the start of the Delivery Year.
- Credit for WLR bid is similar to current DR credit provisions

Remedies for WLR provider that can not meet WLR commitment



- Expected to be similar to current DR registration process, except
 - LSE required on registration and must be accurate throughout the Deliver Year
 - Need to consider additional methods to coordinate with EDC to ensure accuracy
 - Incorrect LSE could lead to penalties or incorrect allocation of WLR value.
 - Registrations may be submitted during the Delivery Year
 - Registration end date should coincide with LSE contract end date (don't simply put end data as deliver year end date)
 - Registrations to be submitted by entity with WLR commitment

- LSE capacity charge will be reduced based on ratio of WLR value and Final zonal capacity price
 - Final Zonal clearing price \$250 MW/Day
 - LSE clears 10 MW of Base WLR and Base Capacity binds and clears at \$150 MW-day. Ratio $150/250$ or 0.6. LSE obligation is reduced by 6 MW.
 - LSE clears 10 MW of CP WLR at \$250 MW-day. Ratio $250/250$ or 1.0. LSE obligation is reduced by 10 MW.

- Measurement and verification will be done similar to DR except:
 - GLD method (minimum of FSL approach or CBL approach) eliminated
 - Non-summer capacity compliance will be measured through CBL method (energy reduction) instead of FSL type method (load must be at some level below PLC).
- Commitment – non-CP version similar to today
- Test – non-CP version similar to today
- Event performance – non-CP version similar to today

- WLR transfer transaction and associated example

(original LSE with WLR commitment does not serve the customer in DY)

- WLR Transfer transaction:
 - Transfer WLR commitment (some of part) from LSE1 that has WLR commitment (seller) to LSE2 that has the specific customers that will implement WLR (buyer).
 - WLR performance responsibility and associated penalties are assigned to LSE2
 - LSE2 must provide registrations to support WLR commitment. LSE2 must be same as LSE of record from EDC.
 - Approved registered nominated capacity must be equal or greater than commitment on day that commitment becomes effective for LSE2 to avoid penalty
 - WLR MW commitment may be split up by original LSE to several different LSEs

- LSE1 clears 100 MW of WLR in BRA
- LSE1 and LSE2 agree to WLR transfer transaction for 10 MW
- LSE1 WLR commitment reduced to 90MW
 - LSE1 must register 90 MW of WLR prior to start of DY and must maintain 90 MW of registrations during the DY or receive penalty
- LSE2 has 10 MW WLR commitment
 - LSE2 must register 10 MW of WLR prior to start of DY and must maintain 10 MW of registrations during the DY or receive penalty
 - LSE2 capacity charge will be reduced by 10 MW.