



PJM Proposal for Energy Efficiency Resources

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MIC

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- Energy Efficiency is a “good thing”
- Energy Efficiency in the capacity market construct can be considered “uplift” to load
 - The aggregate load forecast has been lowered to include the impact of energy efficiency
 - There is no evidence that the amount of EE that is purchased and installed will change if EE Providers no longer receive money from load through the wholesale capacity market construct
 - There is no support that the revenue from the capacity market goes to the consumer to make EE more affordable and change their decision process

PJM Proposal - Modify the definition of energy efficiency (eliminate payments for happenstance)

- Energy Efficiency in the capacity market should only include EE that is purchased and installed because the EE revenue received from the wholesale market and given to the consumer caused the EE to be purchased and installed.
 - If the EE Provider does not cause the EE to be purchased and installed then it should not qualify
 - An EE Provider should not be permitted to simply claim EE that naturally occurs
 - If I buy a high efficiency AC, an EE Provider should not be able to claim unless they can demonstrate that they caused the purchase of the high efficiency AC (from the revenue received from the capacity market)

Why should consumers pay for something that would have occurred anyway

Focused EE capacity market participation

- RPM participation
 - [status quo] Continue current addback process to avoid reliability issues and allocate cost to load to pay EE Providers
 - Recognize for 1 year (installment period = DY-1)
 - Help account for 1 year delay in Peak Load Contribution (PLC) and associated LSE cost reduction
 - Annual (avoid issues with summer EE and winter resource combination)
 - Impacts price
 - Winter resource included in addback (annual market)
 - Focus participation on BRA only
 - Capacity for load is procured based on initial forecast
 - Avoid more add backs for a DY (PJM load forecast used for IA may be lower but PJM will be required to buy EE and use the add back)
- FRR participation
 - Eliminate participation since it has never been used and amount is simply added back the FRR obligation (no reason to include in the FRR plan)
 - Note: EE may continue to participate in FRR service area and be included in RPM.

- M&V Plans are submitted prior to auction based on estimated EE savings (nominated ICAP)
- Post Installation M&V Reports (“PIMV” Report) are submitted prior to DY and determine actual EE savings (nominated ICAP)
- EE Savings per measure = Baseline kW – EE measure kW
 - Based on average savings during defined performance hours
- EE Savings = EE Savings per measure * # verified installations
- Baselines
 - Current – usage based on what is currently installed. This is used for retrofit when current equipment is still fully operational
 - Standard – usage based on most stringent standard or practice in place at the time of the installation

- Make M&V objective and accurate
 - Avoid subjective process and the potential for self selection bias (“cherry picking”)
- Leverage existing studies or Technical Resource Manuals where possible to help manage cost
- Ensure all calculations and associated baseline are transparent can be clearly mapped back to the source.
- Simplify the process where possible

- Clarify use of “Current” vs “Standard” Baselines
 - Current baseline only eligible for retrofit/replacement where existing measure is being actively used and will be operational through the end of the claimed installment period. EE Provider will need to provide support when used.
 - For example, weatherization may only use Current baseline if for an existing structure where the current baseline should be based on standards in place when built
- Ensure use of studies are reasonably current and relevant to location of the specific EE that was installed
 - TRM must be ≤ 3 years from installment period and applicable to the region
- If Current baseline is eligible then use state/regional technical resource manual as default
 - If this does not exist or is not current then use baseline based on meter data from installations (revised Option B)
 - Revise current Option A and Option B (Partially Measured Retrofit Isolation/Stipulated Measurement) and Alternative Category.
 - Clarify alternatives are still eligible but must be more accurate than
 - If Option A is not eligible then a proposed alternative must be more accurate than Option B

- Installations
 - Must be supported with end use customer information with clear exclusive rights from customer to provide EE in the wholesale capacity market
- Officer Certifications for M&V Plan and PIMV report (use 2 different forms)

M&V is a work in progress and this may be modified for next meeting

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Evaluation of Energy Efficiency Resources



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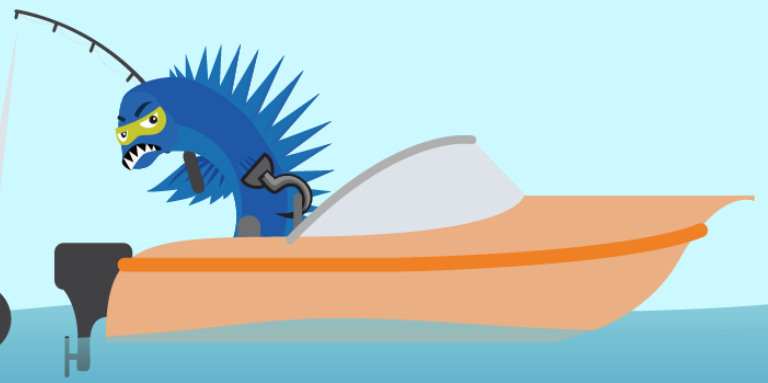
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