

EXECUTIVE SUMMARY OF PJM PROPOSAL

This document provides a high level summary of PJM's solution package developed through the Summer-Only Demand Resource Senior Task Force. It is not intended to cover all implementation details. This summary highlights changes to be made to PJM's load forecasting methodology to achieve PJM's stated goal: to better value summer-only demand response resources through the load forecasting process that would serve as an alternative to supply-side participation in the capacity market. PJM's intention is to use its load forecast model to estimate the load reduction these programs will provide as they transition to peak shaving. **PJM's goal is focused on improving the accuracy of the long-term zonal and RTO load forecasts.**

Proposal Highlights

Eligibility: Eligibility is restricted to load reduction programs (both direct control and behavioral) governed by a tariff or an order approved by the Relevant Electric Retail Regulatory Authority (RERRA). The entity subject to the tariff/order will be fully responsible for satisfying the peak shaving adjustment requirements; however, that entity or its authorized agent may manage a portfolio of interruptible customers under the RERRA tariff. Customers that are included in the Peak Shaving Adjustment may not also participate as DR (Emergency or Economic) or as PRD for the same delivery year. For a peak shaving program to be considered for a Peak Shaving Adjustment, the entity subject to the tariff/order must file a Peak Shaving Adjustment Plan with PJM no later than ten business days prior to September 30 for inclusion in the next PJM load forecast.

Forecast Adjustment Mechanism: Initially, the Peak Shaving Adjustment will be based on a load forecast using modified load history that assumes the program's anticipated curtailment behavior occurred in all historical years used in the forecast model. This establishes the program's initial forecast adjustment MW value. Once incorporated into the PJM load forecast, the program's performance will be measured against its committed MW curtailment value (as dictated by the program specifications) and scored over a rolling three-year period. Results of this measurement may result in a revision of the program's forecast adjustment MW value.

Program Operation: Any program receiving a Peak Shaving Adjustment will be required to peak shave once its "trigger" is met or exceeded. The trigger will be based on the actual (not forecast) maximum daily temperature-humidity index (THI) for the relevant PJM zone as determined in advance by the EDC. If triggered, the peak shaving must comply with its pre-established parameters regarding number of hours of interruption, dispatch sequence, etc. Failure to operate to these parameters will lead to a reduction in the Peak Shaving Adjustment as described above.

Valuation of Load Forecast Impact: Peak shaving programs will receive no direct payment; instead their value will be recognized as avoided capacity cost based on a shift in the Variable Resource Requirement (VRR) curve used in the Base Residual Auction and in the Incremental Auctions. The VRR curve reflects the reliability requirement, which in turn depends on the load forecast and the monthly load profile.

Applicable Auction: Peak shaving programs will impact the reliability requirement used in the Base Residual Auction (BRA) and in Incremental Auctions (IAs) for a given delivery year. However, the MW curtailment value submitted to PJM for the BRA cannot be later reduced in the IAs. MW curtailment values submitted to PJM for IAs can only be in addition to those submitted for the BRA and must represent new peak shaving programs that were not in place the previous year.