

efficiency resources (“EERs”) in PJM’s capacity market and PJM’s use of a market mechanism known as the “addback.”²

On June 27, 2024, P3 filed a doc-less Motion to Intervene. P3 respectfully submits these comments,³ in the above captioned proceeding.

I. COMMENTS

The Commission has before it two complaints related to the participation of energy efficiency resources in PJM’s capacity markets. In this complaint, the Joint Consumer Advocates challenge PJM’s current process of adding megawatts compensated as capacity resources back into the load forecast in order for the amount of capacity procured to be reflective of system needs. In the other complaint, the PJM IMM raises concerns about whether certain energy efficiency providers properly complied with the PJM tariff provisions for offering energy efficiency as a capacity resource.⁴ P3 respectfully submits that both complaints point to the challenges associated with the inclusion of energy efficiency in PJM’s capacity auctions and both complaints could be effectively mooted if the Commission approved tariff changes to appropriately recognize energy efficiency in the PJM markets.

Energy efficiency in the capacity market is a regulatory square peg in a round hole. PJM’s current rules, which are unique among RTO’s, provide payments to those who offer and clear energy efficiency, but the energy efficiency itself does not contribute to reliability in the

² *Joint Consumer Advocates v. PJM Interconnection, L.L.C.*, Docket No. EL24-118-000 (June 20, 2024) (“Joint Consumer Advocates Complaint”), at p. 2.

³ The comments contained herein represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

⁴ *See Independent Market Monitor for PJM v. Indicated Energy Efficiency Sellers*, Docket No. EL24-113-000 (May 31, 2024) (“IMM Complaint”).

form of capacity since it is (appropriately) included in the load forecast (hence the need for the addback if it is compensated as a supply resource). Energy efficiency provides value to the grid and to consumers; however, its value should be reflected as a demand side load forecast reduction and not contorted to be a supply side capacity addition. P3 agrees with the IMM that capacity payments to energy efficiency resources amount to little more than a subsidy to these providers that is paid for by consumers that should be eliminated.⁵

P3 would welcome a technical conference or other opportunities to discuss the role of energy efficiency in PJM's markets. Again, P3 believes that energy efficiency has a value in that it reduces the amount of capacity that must be procured by consumers and thereby allows consumers to see lower prices because fewer megawatts of capacity are procured. This is where the tariff should end. If energy efficiency is properly recognized as a demand side reduction, then both this complaint and the IMM's complaint become moot. No "addback" would be necessary because energy efficiency consumers would not be paying for energy efficiency as a capacity resource thereby negating the concern of the Joint Consumer Advocates. Similarly, the IMM's complaint and the pending enforcement action against Affirmed Energy referenced in the complaint would be moot going forward.

Whether the Commission would like to discuss these issues in a technical conference to build a record, a show cause order or a 206 proceeding, P3 supports starting the process to appropriately recognize energy efficiency in PJM's markets. Again, P3 supports energy efficiency and appreciates the value it provides. That said, PJM's current rules do not properly recognize energy efficiency, thereby creating administrative challenges for PJM and the IMM

⁵ IMM Complaint at pp. 4-5.

and resulting in a market that does not view energy efficiency appropriately and price capacity consistent with its role.

II. CONCLUSION

P3 respectfully requests the Commission consider these comments. P3 believes that energy efficiency provides value to the grid and to consumers; however, its value should be reflected as a demand side load forecast reduction and not contorted to be a supply side capacity addition. P3 welcomes a technical conference or other opportunities to discuss the role of energy efficiency in PJM's markets.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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Dated: July 10, 2024

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the Official Service List compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 10th day of July, 2024.

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