Significant demand response activity at PJM in January

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January was a busy month for Demand Response-related 1 activity at PJM Interconnection (PJM). Demand Response (DR) capability within PJM was put to the test during the recent "polar vortex." On January 7, 2014, PJM broke the 2007 record for peak load when it hit 138,600 MW, forcing operators to dispatch 1,900 MW of DR after cutting voltages and calling on spinning reserves the night before due to frigid temperatures stressing generators. PJM said that 36,000 MW of generation — equivalent to 20 percent of PJM's installed capacity — was unavailable due to forced outages as a result of the polar vortex.

This is the second time in less than six months that PJM has relied heavily on DR. The unusual heat during two days last September, combined with planned equipment outages, created two of the highest electricity use days of the year, during which approximately 5,949 MW of DR resources — an amount comparable to five nuclear generators — was called upon.

There was also significant policy activity concerning DR at PJM in January. PJM introduced two new types of DR to be available during the 2014/15 delivery year. The new products are Extended Summer DR, which will be available seven days a week between May and October, and Annual DR, which will be available year-round. These products are added to PJM's existing Limited DR, which is available for 10 dispatches annually on weekdays between June and September.

The end of January also saw the Federal Energy Regulatory Commission (FERC) approve PJM's request to cap the quantity of Limited and Extended Summer DR that clears in the annual base capacity auction. The FERC's decision rejects protests of opponents who said it will increase costs and stunt the growth of DR According to the decision, the changes will take effect in May's Base Residual Auction for delivery year 2017-18.

UBS Investment Research called the ruling "a coup" for PJM generation owners such as Exelon, FirstEnergy, PSEG, Calpine and NRG Energy, saying it could boost capacity prices by $25/MW-day in the RTO and $10/MW-day in the "MAAC area," which includes most of Delaware, Maryland, New Jersey and eastern Pennsylvania.

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Footnote

1. Demand Response refers to changes in the normal consumption patterns of demand-side resources in response to changes in the price of electricity over time or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized. Effective DR can help reduce electric price volatility, mitigate generation market power and enhance reliability. Within the PJM Interconnection, Inc. (PJM), DR opportunities may enable electricity consumers to earn a revenue stream for reducing electricity consumption when either wholesale prices are high or the reliability of the electric grid is threatened.

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