



PJM Board of Managers

“PJM’s long-term vision is that “Price Responsive Demand”, which allows more customers to respond directly to market prices and to voluntarily reduce their consumption when wholesale prices rise, is the ultimate solution to demand participation....

[P]rice responsive demand ... needs ***coordinated effort between PJM and States*** who oversee retail rates, as well as utility and curtailment services companies who have direct relationships with end use customers and can deploy these new technologies at the distribution level....

Over the long term, the development of more direct customer response to price will establish the majority of demand response in the market. PJM is committed to working with States and distribution companies to speed up this important transition.”

– *Statement of the PJM Board of Managers, Demand Response in the PJM Markets (June 26, 2009)*



Integrating PRD in PJM Markets & Operations: The Package of Necessary Elements

- Use Transparent Forecast Demand Curve based on Statistical Relationship of Price & Demand in Capacity Markets, Planning, & Operations
- Scarcity Pricing Reform: Operating Reserve Demand Curve based on the Value of Reserves to Consumers
- Synchronize Capacity Market and Scarcity Pricing so Capacity is a Hedge against Scarcity Prices: i.e. Loads with Adequate Capacity Avoid Scarcity Prices & Resources Cannot Receive Capacity & Scarcity Payments
- Adequacy & Choice: Price Responsive Loads must have Capacity for their Firm Demand after PRD & the Option to Hold Additional Capacity
- Capacity Emergency Procedures: Non-discriminatory Curtailment based on relative Capacity Deficiency

See: P. Centolella & A. Ott, *The Integration of Price Responsive Demand into PJM Wholesale Power Markets and System Operations* (March 2009).