

# Frequently Asked Questions:

## EMC<sup>2</sup>'s Energy Efficiency Program within PJM's Capacity Market

### Who is EMC<sup>2</sup>?

EMC<sup>2</sup> Development Company, Inc. was established in 2005 to develop environmentally friendly power generation and related energy projects. The EMC<sup>2</sup> team has more than 40 years combined experience developing, financing and acquiring power generation and related energy facilities.

EMC<sup>2</sup> has developed a number of projects within the PJM electric market using a variety of fuel sources to generate electricity. EMC<sup>2</sup> is a full voting member of PJM and has participated in the PJM market as a resource provider.

EMC<sup>2</sup> is currently partnering with contractors and building owners to aggregate energy efficiency projects to capture the value of capacity created by the demand reduction of these projects. EMC<sup>2</sup> compensates contractors and building owners for their participation in this business opportunity.

### What is PJM?

PJM Interconnection, LLC is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.

PJM operates the competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 58 million people in its geographic territory extending from New Jersey to Illinois.

PJM is the largest wholesale electricity market in the world and handles over \$40 billion of electric transaction a year. Membership in PJM includes power generators, transmission owners, electricity distributors, power marketers and large consumers. The organization is headquartered in Valley Forge, Pa.

### How does the Energy Efficiency (EE) Program work?

The Energy Efficiency Program through EMC<sup>2</sup> is a simple, user friendly, and low cost route for business owners to realize extra value from their energy efficiency projects. That value is achieved through participation in auctions within PJM's capacity market.

PJM established a new means for end-users to receive payments for the energy that will not be used as the result of energy efficiency improvements. Starting on June 1st of 2011, PJM has provided compensation for qualified energy efficiency projects that were bid into the electric capacity market auction. This opportunity currently applies to EE projects completed after June 1, 2009.

EMC<sup>2</sup> aggregates many small and intermediate EE projects, to achieve a scale that makes participation in the energy capacity market auctions realistic and cost effective. After participation in the auction process, all related parties share in the newly realized value of the EE projects. EMC<sup>2</sup> works with contractors to complete all the pre-qualification tasks with PJM. Customers simply need to sign and return an agreement and provide one utility bill annually (for the month of June, July or August) for each of their participating facilities.

### What is an Energy Efficiency (EE) Resource?

PJM defines an Energy Efficiency (EE) Resource as a project that involves the installation of more efficient devices/equipment, or the implementation of more efficient processes/systems. The EE Resource must achieve a permanent, continuous reduction in electric energy consumption (during the summer peak demand period). A good example of such a project is the installation of energy efficient lighting.

### **Can anyone participate in PJM's capacity market auctions?**

No. Only a PJM Member can offer Energy Efficiency Resource(s) into the PJM Capacity Market via the auction process. As a member of PJM, EMC<sup>2</sup> manages the complexity and costs of participating directly in the PJM wholesale capacity market auctions. A business owner or contractor can enjoy the benefits of participating in the EE program, while EMC<sup>2</sup> takes care of the details.

As a dedicated participant in the market, EMC<sup>2</sup> understands and meets the challenges of conforming to PJM's auction requirements, including the measurement and verification (M&V) of energy efficiency projects.

### **What determines a project's value?**

The value of an EE Resource is based upon the project's expected electric demand reduction (kw savings) and the auction pricing results. The demand reduction is easily calculated; auction pricing always varies.

### **What are the obligations of Building Owners/Customers?**

Obligations are minimal. Building owners/customers are required to sign a simple one page agreement that acknowledges that an EE project has been complete and authorizes EMC<sup>2</sup> to exclusively bid their energy efficiency project into PJM's capacity market auction. Also, the building owner is asked to annually document continued use of the energy efficient equipment. (This can be a simple statement via phone, email, or letter.)

### **Who pays the building owner/customer?**

EMC<sup>2</sup> will provide payment directly to customers for the committed energy efficiency project resources that have cleared in the PJM auction. Payments are made based on the KW saved, according to the terms of agreements.

### **When does the company get paid? What type of payment will it be? Over what period of time will we be paid?**

Payments will be made by check from EMC<sup>2</sup> directly to building owner/customers. Each energy efficiency project is unique and is eligible for payment from one year to four years. The eligibility is defined in the commercial arrangement with EMC<sup>2</sup>. The Building Owner/Customer is paid in December of the delivery year and the following June.

### **Is this a fair deal?**

EMC<sup>2</sup> has established a cost effective program allowing all involved parties to share in the new found value that each project derives as an energy efficiency resource in the capacity market. This benefit is shared proportionately among contractors, building owners/customers and EMC<sup>2</sup>.

### **Is this program the same as utility rebates or state incentives?**

No. This is a completely separate program from utility rebates or state incentive programs, and does not preclude participation in either of those. Much of the project detail needed by EMC<sup>2</sup> is similar to that required for most rebate programs. Together these programs can all improve the bottom line of energy efficiency projects.

### **So what's the catch?**

There isn't a catch! This is just another incentive established to reward your environmental leadership and promote energy conservation.