

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.

Docket No. ER11-3322-000

Panel 4: Discussion on the Impact of
PJM's Proposal

**PREPARED OPENING REMARKS OF
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**Technical Conference on Performance Measurement of Demand Response in the
PJM Capacity Market
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Good afternoon. My name is Marie Pieniazek. I am the Chief Operating Officer for Energy Curtailment Specialists, Inc. (ECS). Again, I would like to thank the Commission and staff for the opportunity to participate in this important technical conference.

The Commission has asked three important questions of this panel. The first is whether PJM's proposal will undermine the Guaranteed Load Drop (GLD) methodology; the second is whether PJM's proposal will unduly discriminate against resources on days other than the coincident peak days; and the third is whether PJM's proposal will have a negative impact on demand resource aggregations.

ECS is extremely concerned with all three of the issues to which the Commission seeks responses from the members of this panel. First, ECS believes PJM's proposal severely limits, if not completely eliminates, the GLD baseline methodology. By limiting load drop nominations to the customer's peak load contribution (PLC), PJM has in essence eliminated the "down from" baseline methodology, because any consumer with load that happens to exceed its PLC during an event will not receive compliance credit for reductions during that event until their load drops

below their PLC. As a result, PJM's proposed tariff modifications to the GLD methodology will effectively require customers during emergency events to reduce their load to a preset load level, with no load reductions counting for compliance purposes that are above the customer's PLC. There would be no fundamental difference between the GLD and the Firm Service Level (FSL) baseline method.

Take for instance an end use customer that may be operating 20% to 30% higher during a curtailment event than it was in the previous year, when the customer's PLC was established. I would again remind the Commission that the PLC by definition is the average of five hours that occurred at a wholly different time and under circumstances that may be wholly different from the circumstances at the time of the event. During the particular curtailment event, the end use customer would have to reduce its consumption 20% to 30% before even starting to achieve compliance performance, and without the benefits of aggregation (allowing over-performance to offset under-performance) the Curtailment Service Provider (CSP) would be faced with a penalty for the customer's potential under compliance. Certainly that end use customer would question its future participation in the program, particularly if there is any adverse consequence for its inability to reduce load below PLC during the specific hour in question. Even when the customer is unquestionably able to contribute substantially to the load reduction during the curtailment event, reducing below PLC might be overly problematic for that customer. In contrast, reducing load under a "down from" method achieves the outcome that is needed for the zone and is far more manageable and achievable for that particular customer.

Again, ECS believes it is critical to have both baseline methods, GLD and FSL, thereby allowing consumers participating in the load response program to select a baseline method that best reflects their operational load profiles. Our experience with consumers tells us that some of

them will opt to select a FSL, because of their business operations or the certainty such an approach provides for them, while other consumers will opt for a GLD, again, because of the nature of their individual businesses and understanding of how they can best participate in the program. Presumably, that is the reason PJM established the demand response program with these multiple baseline options. Elimination of the GLD, which is what PJM's proposed rule change will accomplish, removes this choice, and will thereby deter certain consumers from participating in the PJM DR program altogether.

ECS adamantly believes that PJM's proposal will unreasonably single out end use consumers that operate at different load levels on days other than the prior year's coincident peak days. There are a variety of reasons why a consumer at the time of a curtailment event is operating at a level above its load levels during the five peak days a year earlier. For example, the consumer may have had operational limitations during the previous year that have since been eliminated, activity during the prior year may have been depressed due to the economic downturn, and has since increased as a result of economic upward trends in business, or production schedules, which are determined based on factors other than the coincident peak day, may vary from year to year. PJM recognizes this variability of load in its Response to Notice of Topics for Staff Technical Conference.

Finally, ECS fully expects that, should PJM's proposal move forward and eliminate the GLD baseline method, it will not only eliminate a CSP's ability to effectively aggregate resources, but will also eliminate the willingness of consumers that have valuable and desirable load curtailment to offer during curtailment events from participating in the PJM's DR program altogether because their business processes would not allow for a FSL method.

ECS would like to thank the Commission and staff for the opportunity to participate in this important discussion today. I look forward to your questions.