

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket No. ER11-4628-000

(Issued May 16, 2012)

Attached is the statement by Chairman Wellinghoff concurring to an order issued on May 14, 2012, in the above referenced proceeding. *PJM Interconnection, L.L.C.*, 139 FERC ¶ 61,115 (2012).

Kimberly D. Bose,
Secretary.

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WELLINGHOFF, Chairman, *concurring*:

Today the Commission accepts, with conditions and submittal of further compliance filings, PJM's proposal to revise its Open Access Transmission Tariff (OATT), the Amended and Restated Operating Agreement of PJM (Operating Agreement), and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (RAA) to support the development of price responsive demand (PRD), an initiative in which an end-use customer varies its load in response to wholesale electricity prices. PJM's proposed revisions would apply in both the PJM capacity market, as part of PJM's Reliability Pricing Model (RPM) protocols governed by the RAA, and in PJM's day-ahead and real-time energy markets.

I agree that PJM's proposal is an important and innovative approach to bringing additional demand response into markets. I think it will foster development of more accurate forecasting and measurement of the performance of price-responsive demand resources in a dynamic environment. More accurate forecasting will be essential for the system operator to be able to gain better visibility of its system, including of customers' demand and demand response, and to use this data to run the system more cost-effectively and reliably.

I write separately today to highlight the Commission's direction to PJM to assess the market effects of its PRD rules, and evaluate whether any of PJM's PRD rules might be acting as unreasonable barriers to greater PRD penetration.

PJM proposes to quantify the capacity savings resulting from PRD through a PRD Credit. PJM proposes to limit its payment of PRD Credits to LSEs only, even though both LSEs and non-LSE PRD providers may be responsible for providing the PRD responsible for the capacity savings at issue. PJM states that compensating non-LSE PRD providers at the wholesale level by assigning to these entities some form of the PRD Credit could represent a suitable next-step in the development of second-stage PRD enhancements.

The Commission finds PJM's proposal reasonable, but states that it is nonetheless concerned about competition among all players in the demand response arena. The Commission recognizes that increased competition to enroll retail loads in price-responsive programs, for example, could speed the development of PRD over time, thus advancing the wholesale benefits which PJM attributes to implementation of PRD, including but not limited to reducing costs to consumers. Accordingly, we accept PJM's proposal to limit the PRD Credit to LSEs, subject to an assessment to be submitted by PJM, and separately by the IMM, addressing the market effects of PJM's proposal, within 60 days of PJM's release of the results of its May 2014 base residual auction. Specifically, the report should assess the penetration of PRD into PJM's markets, and evaluate whether any of PJM's PRD rules might be acting as unreasonable barriers to greater PRD penetration.

I agree that such a market assessment is important. But I would have preferred that the Commission go further at this time. I believe that consumers should have choices, including choice among PRD Providers who will aggregate their price responsiveness. I do not want to stifle innovation early in the development of PRD. Nor do I think it wise to block participation by those who have made it their primary business to help consumers reduce their demand and energy usage. LSEs may not have the same incentive to reduce sales. For these reasons, I would have preferred that our approval be conditioned on development, within a reasonable timeframe, of rules for providing a form of credit to non-LSE PRD providers.

For these reasons, I concur with today's order.

Jon Wellinghoff
Chairman