



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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Docket No. RM07-19-001, Order No. 719-A

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## **FERC Reaffirms Need for Demand Response in Organized Electric Markets**

The Federal Energy Regulatory Commission (FERC) today reaffirmed that demand response directly affects rates in organized wholesale electric markets and, therefore, removing barriers to demand response is consistent with FERC's duty to ensure the sound operation of those markets.

The Commission's statement today came in a rehearing order on its landmark October 2008 rule, Order No. 719, which seeks to improve the competitiveness of organized wholesale electric markets by removing barriers to demand response and by encouraging long-term power contracts, enhancing the role of market monitors and increasing the responsiveness to customers and other stakeholders of the boards of directors of regional transmission organizations (RTO) and independent system operators (ISO) that run the organized markets.

"Incorporating demand response is essential to fulfilling the Commission's fundamental responsibility to ensure that energy markets produce just and reasonable rates," FERC Chairman Jon Wellinghoff said. "That is good for consumers across the board."

FERC stressed in today's order that it is not challenging the roles of states and others to decide the eligibility of retail customers to provide demand response to wholesale markets. Indeed, with today's order, FERC signaled flexibility in that area by adopting a plan under which market operators may not accept bids that include aggregated demand response provided by customers of small utilities that distributed up to 4 million megawatt hours during the previous year, unless a small utility's retail regulator authorizes such aggregation. RTOs and ISOs may continue to accept bids from companies that aggregate demand response provided by customers of larger utilities, unless the relevant retail regulator prohibits those customers from participating in wholesale markets.

Organized market regions are those areas in which an RTO or ISO operates a day-ahead and/or real-time energy market. Regions with organized markets are PJM Interconnection, LLC; New York Independent System Operator, Inc.; Midwest Independent Transmission System Operator, Inc.; ISO New England, Inc; California Independent Service Operator Corp.; and Southwest Power Pool.

The rehearing order, *Wholesale Competition in Regions with Organized Electric Markets*, takes effect 30 days after publication in the *Federal Register*.

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