



# FEDERAL ENERGY REGULATORY COMMISSION

October 16, 2008

**Docket Nos.** RM07-19-000 and AD07-7-000

**Item No.** E-1

**Commissioner Jon Wellinghoff**

## **Statement of Commissioner Jon Wellinghoff on Wholesale Competition in Regions with Organized Markets**

"Today we advance the competitive functioning of our wholesale electric markets for the benefit of consumers. When I joined the Commission a little more than two years ago, I stated my belief that demand response, together with energy efficiency, is this country's primarily untapped energy resource. Demand response, if properly implemented, can mitigate market volatility, eliminate price spikes, improve resource adequacy, alleviate congestion, and improve reliability. I said then that we need to develop the demand-side of markets to make them more competitive. I outlined five main areas in which the Commission can help realize the potential of demand response:

**Open the markets to demand response.**

**Remove the market barriers.**

**Align demand response objectives with customer financial interests.**

**Encourage the most efficient technologies.**

**Work in close collaboration with the States.**

We have made important strides in each of these areas. Our actions have resulted in demand resources taking an active role in maintaining reliability, efficiently providing transmission service and in planning the transmission infrastructure of the future. We have established the principle that where demand resources are capable of providing a function needed for efficient, reliable electric service, demand resources should be given access and comparable treatment.

Today, in this Final Rule, we make another important advancement by providing for bidding by demand response resources in RTO ancillary service markets and increasing access for aggregators of demand response. The Rule also requires each RTO to make a compliance filing that will advise us and build a record on consumer protection and market barriers to integration of demand response resources into wholesale electric markets

There is still much more to do in reforming competitive markets to improve the opportunity for demand resource participation. This is not the last step that we will take. Indeed, the report we direct in The Final Rule will be a "roadmap" for future action and continued progress. Each RTO is to engage with its stakeholders and file a Report within six months of the effective date of the Final Rule on remaining barriers to comparable treatment of demand response resources in organized markets. The report must propose solutions removing remaining barriers and a timeline for implementation. The report must also identify significant minority views, and we require an assessment by the Independent Market Monitor as well.

I know that participation in RTO stakeholder processes requires consumers to invest time and resources. But the next six months provides an unprecedented opportunity to examine the RTO markets structure from bottom to top to identify and find solutions to remaining barriers and undue discrimination toward participation of demand response resources in RTO markets. When good ideas do not receive majority support, we expect to see them in a minority report. We all know that our country is in very difficult times. We need a clear policy that puts our energy resources to best use and puts the best energy resources to use. I urge all who have a stake in reliable and efficient RTO markets to participate in this effort, to bring your ideas to the table and work for solutions.

We need to re-double our efforts to bring all forms of distributed resources into our markets – demand response, energy efficiency, wind, geothermal, solar, combined heat and power, hydrokinetics, and storage including plug-in electric



# STATEMENT

vehicles. We need to design, build and operate the intelligent backbone transmission system to optimize their use.

I thank the Staff Team for their fine work on this rulemaking. I will vote to adopt this Final Rule and I look forward to working with my colleagues to take the next steps to improve the functioning of our electric markets.”