



**Federal Energy Regulatory Commission
December 21, 2006
Open Commission Meeting
Statement of
Commissioner Philip D. Moeller**

Item E-3: PJM Interconnection, LLC Settlement (ER05-1410-001 *et al.*)

"Our decision to approve the Reliability Pricing Model (RPM) Settlement is a major step towards ensuring that PJM will be able to meet its reliability obligations into the future. The forward-looking rules that are contained in the Settlement will enable PJM to meet the needs of customers by allowing utilities to provide energy through a combination of generation, transmission and demand response. Moreover, RPM's capacity market structure will institute a new demand curve that should have the effect of reducing prices in the auction market and creating a better environment of investment in new generation. I also support the demand response initiatives and efforts that are contained in this Settlement.

And while I am mindful that the Settlement was not unanimously supported, by far most of the stakeholders worked towards settling their issues -- and it is important to keep that in mind. That being said, we should not lose sight of the fact that RPM is not a cure-all for the region. As the Order states, the demand for electricity in some areas within PJM is projected to increase by as much as 10% by 2010. Combine this estimate with the fact that there is aging generation infrastructure in the PJM market, and that there have been many recent retirements, with more to come, it should not come as a surprise that there will be more issues that will require our focus going forward."