



**Federal Energy Regulatory Commission  
December 21, 2006  
Open Commission Meeting  
Statement of  
Commissioner Jon Wellinghoff**

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

"Today we approve, with conditions, a settlement that addresses issues that PJM and its stakeholders have struggled with for years --- how to ensure that there are adequate resources to provide reliable service within the PJM region at just and reasonable rates to consumers. It is expected that the Reliability Pricing Model (RPM) will create incentives to invest in improving efficiency of the aging infrastructure in the region. Safeguards are also included to protect consumers against the exercise of market power or market manipulation. In my view, the most significant of these safeguards is demand response. The settlement provides for qualified demand resources to participate in the RPM auctions on a comparable basis with generation. A forward price curve will guide investment in demand response and a 3-year contract can be used by winning demand response providers to obtain financing. The parties have committed to continuing efforts with regard to demand response and energy efficiency, and we look forward to seeing the fruits of those efforts in future filings.

I also wish to thank my colleagues for requiring that the rules and procedures for qualifying demand response as a resource in the RPM auctions and for verifying performance be filed in PJM's tariff, thus providing clear "rules of the road" for demand response provider to participate in the RPM auctions. I also appreciate their support in calling for additional analysis of the minimum 6- hour interruption requirement that may not be necessary to achieve the goals of the capacity market and may unnecessarily preclude demand resources from participating in the capacity market.

Finally, I thank the Staff Team for their hard work on the draft order and their responsiveness to our numerous questions regarding the filing. I would like to particularly recognize John McPherson, the team leader for this case. I understand that John is retiring tomorrow and that he began his career working on demand response issues. So it is fitting that he ends his service at FERC with an important milestone for enabling demand response resources to participate in wholesale markets.

Thank you, this concludes my remarks."