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June 19, 2009

Mr. Terry Boston and the PJM Board of Managers
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Re: Incentive Payments for Demand Response

Dear Mr. Boston and PJM Board of Managers:

NRG respectfully requests that the Board not restore the incentive payment for Economic Demand Response. Recent market results clearly demonstrate that an out-of-market incentive payment is no longer necessary to incent or retain the participation of Demand Response in the PJM Load Response Program.

In the latest RPM Base Residual Auction, the Demand Response offers into the 2012/2013 Base Residual Auction planning year increased by 496%, to a total of 9,847 MW of Unforced Capacity. Over 70% of the bid-in capacity, or 7,047 MW, cleared the auction. This represents an increase in cleared Demand Response resources of 5682 MW, when compared to the 2011/2012 planning year Base Residual Auction. NRG believes much of this increase is due to the lower penalty structure of RPM approved by the FERC on March 27th, 2009, which encouraged customers participating in the Economic Load Response Program to also sign up for the Emergency Load Response Program and hence qualify to participate in the PJM capacity market.

Despite the clear evidence that Demand Response is a full participant in the PJM market, PJM Staff have proposed to re-instate out-of-market incentive payments designed to encourage Demand Response ("Straw Proposal"). NRG is concerned that the Board may misinterpret PJM's Straw Proposal as an indication that PJM believes the incentive payment is necessary to encourage participation of Demand Response in the market. The Straw Proposal does not represent PJM Staff's conclusion that the incentive payment is good policy or necessary to encourage additional Demand Response resources. Instead, as Mr. Ott stated at the June 4th Members Committee, the PJM Straw Proposal is simply a compromise position in an effort to bring the two sides together and keep the discussion moving forward.

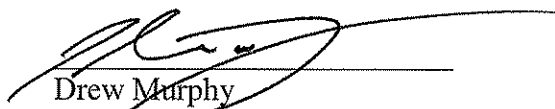
PJM recognized its commitment to provide Demand Response resources equitable opportunities in its markets in its recent FERC Order No. 719 compliance filing. PJM should be commended on their past facilitation in the stakeholder process in regards to Demand Response which provided these exceptional results.

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However, the recent proposal to re-instate incentive payments for Demand Response providers is inconsistent with Order 719, which states that “reforms must ensure that demand response resources are treated on a basis comparable to other resources.” The Board should reject the proposal to begin providing Demand Response resources an unnecessary out-of-market subsidy not available to other market participants. Further, the PJM Tariff continues to impose more severe performance penalties on generation resources than it imposes on Demand Response resources.

NRG looks forward to continuing to work with PJM towards an equitable market structure, and requests that the Board reject the proposal to re-instate a Demand Response incentive payment.

Thank you for your consideration of NRG’s concerns while you deliberate this important issue.



Drew Murphy
Executive Vice President and President of the Northeast
Region
NRG Energy, Inc.