



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

June 19, 2009

Mr. Howard Schneider, Esq.  
Chairman, Board of Managers  
PJM Interconnection, LLC  
955 Jefferson Avenue  
Norristown, PA 19403

Re: Compensation for PJM Demand Response

Dear Mr. Schneider:

Affordable and reliable energy is critical to every Pennsylvania resident and business, most especially in these times of economic challenge. Since the first days of my tenure as Governor of this Commonwealth, I have vigorously pursued sound long-term energy decisions. Specifically, my Energy Independence Strategy recognizes that robust demand response is vital to achieving all of our important energy objectives.

It is crucial for the PJM wholesale energy market to provide a strong foundation upon which federal and state policies supporting demand response can be fostered, including Pennsylvania's Act 129 of 2008. The compensation framework in the PJM Strawman is an important step toward building that strong foundation by providing compensation for demand response during the 15 percent highest hours of the year, as well as offering fair compensation for LMP customers. Both of these design elements in the Strawman will help to reduce prices for all consumers in the PJM footprint.

Notwithstanding our otherwise strong support for the PJM Strawman, we have grave concerns with the Strawman's proposal to sunset its reasonable compensation design after just three years. An automatic sunset of the compensation design will discourage customers from making the necessary changes in their business practices or daily life to support long-term demand response capability necessary to achieve Energy Independence. To realize the fundamental changes that our federal and state policies require, demand response compensation should not be undercut by an automatic sunset.

To that end, I encourage the PJM Board of Managers to promptly submit for filing with the Federal Energy Regulatory Commission the compensation design proposed in the PJM Strawman without any sunset or termination date. At a minimum, if the PJM Board is unwilling to eliminate the sunset, I urge you to extend the sunset period to not less than six years.

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As we grapple with serious energy and related environmental issues, demand response can offer the prospect of real energy savings and environmental benefits for customers, but we also recognize that energy is a unique commodity that is highly, if not perfectly, inelastic. To overcome such barriers, I support fair and equitable compensation for PJM's demand response programs. To increase the amount of demand response in the PJM market and the benefits to Pennsylvania electricity customers, PJM's demand response program must be revised to offer appropriate and stable compensation for demand response, which is well supported by the compensation design in the PJM Strawman without an arbitrary sunset or termination date.

Thank you for your careful consideration of Pennsylvania's concerns on this critical issue.

Sincerely,

  


Edward G. Rendell  
Governor