



MARTIN O'MALLEY
GOVERNOR

STATE HOUSE
100 STATE Circle
ANNAPOLIS, MARYLAND 21401-1925

(410) 974-3901
(TOLL FREE) 1-800-811-8336

November 10, 2010

Mr. Howard Schneider
Chair, Board of Managers
PJM Interconnection, L.L.C.
955 Jefferson Ave.
Norristown, PA 19403

Via email: schneider@pjm.com

Dear Mr. Schneider:

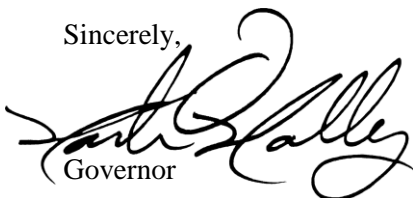
In 2008, I spearheaded the EmPower Maryland Act, the nation's most ambitious energy efficiency goal to reduce Maryland's peak demand and overall consumption 15% by 2015. Recognizing that the least expensive kilowatt is the one not needed, Maryland's residents, businesses and utilities have already invested tens of millions of dollars to reduce their electricity consumption, particularly during peak hours. To continue this progress, I write to express my strong support for including a "summer-only unlimited" option for demand response capacity resources in any package of demand response reform that PJM proposes to the Federal Energy Regulatory Commission (FERC).

Prompted by the EmPOWER Maryland Act, Maryland has emerged as the leader in PJM, if not the nation, in demand response. Our Public Service Commission (PSC) utilized demand response as a means to address potential capacity gaps in the transmission-constrained areas of our State. In addition, Maryland's utility companies have developed and offered popular residential and commercial demand response programs, and the PSC has actively encouraged backup generators to participate in PJM demand response programs as well.

I understand that the recent discussion around demand response saturation has created a great deal of uncertainty about whether and to what extent Maryland's utilities' demand response and smart grid programs would be able to participate under the new rules. The potential stakes to Maryland are great: if our utilities' demand response and smart grid programs cannot participate as at least "summer-only unlimited" capacity resources, the likely reduction in revenue earned by these programs will threaten their underlying business cases by not recognizing and appropriately compensating these resources. This would translate into hundreds of millions of dollars of costs and lost opportunities that would be borne by Maryland ratepayers.

PJM has characterized the demand response saturation issue as a reliability issue. As such, I anticipate that PJM will make a request of FERC to reform their demand response program this year. The absence of a "summer-only unlimited" option would greatly threaten Maryland's EmPower Maryland programs and undermine the progress made to date. We hope that PJM will recognize the value in offering a summer-only product, and will include one in its proposal to FERC. I appreciate the opportunity to submit these comments. Please do not hesitate to contact me regarding this important issue.

Sincerely,


Governor