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**PJM REVISES RULES TO IMPROVE  
DEMAND RESPONSE SETTLEMENTS**

*New measurement will enhance  
economic demand participation*

(Valley Forge, Pa. – April 16, 2008) – Participants in PJM Interconnection’s economic demand response program will see an improved settlement process as a result of revisions to PJM’s tariff and operating agreement, filed with the Federal Energy Regulatory Commission.

The modifications will provide measurement and verification rules that ensure economic demand response reflects true response to price, reduce settlement disputes and improve the overall efficiency of the program.

“These revisions will make demand response participation more attractive by providing a higher confidence level for demand response participants and buyers and minimizing settlement disputes,” said Andrew L. Ott, PJM vice president – markets. “As the economic demand response program has evolved and matured, we saw that there were gaps in the rules. These revisions close gaps identified in the rules and ensure the market is fair and attractive to participants.”

Beginning in late 2006, PJM saw an increasing number of disputes questioning the validity of demand response settlements. As a result, a stakeholder process was initiated to create sufficient measurement and verification rules that accurately capture end-use customer operations. The resulting proposed revisions were nearly unanimously endorsed by PJM members.

The revised rules establish a better method for setting a customer baseline load, an estimate of how much electricity a customer would have used had it not reduced its use in response to day-ahead and real-time prices. The customer baseline is used to calculate how much a participant should be paid based for reducing use. In addition, the proposed revisions:

- clarify that only demand reductions in response to price are eligible for energy settlements,
- establish objective criteria to assist with the identification of inappropriate market activity,

- MORE -

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- authorize PJM to prohibit participation the PJM Energy Markets for repeated rule violations, and to refer such market participant activity to the PJM Market Monitoring Unit and/or the Federal Energy Regulatory Commission,
- establish specific rules governing the participation of aggregated demand response, and
- establish flexible notification and bidding rules to enhance participation of self-scheduled and dispatchable demand response in the PJM Energy Market.

*PJM Interconnection ensures the reliability of the high-voltage electric power system serving 51 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, which includes 6,038 substations and 56,250 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at [www.pjm.com](http://www.pjm.com).*

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