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PJM IMPLEMENTS CHANGES IN COMPENSATION FOR DEMAND RESPONSE
First grid operator to meet requirements of FERC Order 745

(Valley Forge, Pa. – April 2, 2012) – PJM Interconnection implemented changes Sunday in the way demand response (DR) resources are paid in PJM’s Energy Market. The changes mean that PJM is the first grid operator to comply with the Federal Energy Regulatory Commission’s (FERC) Order 745 on demand response compensation, which was issued in March 2011.

Under the new PJM rules:
- Demand response resources dispatched by PJM will be paid the full locational marginal price (LMP) when it is cost effective, based on a net-benefits test.
- The net-benefits test determines the point at which the savings to the system from dispatching demand resources are greater than the cost of paying those resources the full LMP.
- All demand response participation in the Energy Market will be cleared in the Day-Ahead Market or through real-time dispatch by PJM to enable PJM to effectively maintain power balance.
- Demand resources must submit offers for a price and time in the way a generator does and must follow the price signal to be paid.

“Demand response plays an important and growing role in PJM’s markets,” said Andrew Ott, PJM’s senior vice president – Markets. “Treating DR more like generation in terms of scheduling and dispatching enhances grid operators’ ability to use demand resources effectively to maintain the reliability of the system.”

PJM also has proposed price responsive demand, which would enable retail consumers to respond directly to wholesale electricity prices through state rate options and advanced meters.

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 60 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 62,000 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 http://www.pjm.com.

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