

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.

)

Docket No. ER01-1671-000

**MOTION TO INTERVENE AND COMMENTS
OF THE NATIONAL ENERGY MARKETERS ASSOCIATION**

This Motion to Intervene and Comments is filed by the National Energy Marketers Association (NEM) pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.214), and the Notice of Filing issued on April 4, 2001, in the above-referenced proceeding. NEM requests that this Motion be granted for the reasons set forth below.

I.

Communications and correspondence concerning this Motion should be directed to the following:

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II.

The National Energy Marketers Association (NEM) is a national, non-profit trade association representing both wholesale and retail marketers of energy and energy-

related products, services, information and technologies throughout the United States. NEM's membership includes: small regional marketers, large traditional international wholesale and retail energy suppliers (as well as wind and solar power), billing and metering firms, Internet energy providers, energy-related software developers, risk managers, energy brokerage firms, information technology providers and both manufacturers and suppliers of advanced distributed generation. Our membership has both affiliated and unaffiliated companies.

This regionally diverse, broad-based coalition of energy and technology firms have come together under the NEM auspices to forge consensus and to help eliminate as many issues as possible that would delay competition. NEM is committed to working with representatives of state and federal governments, large and small consumer groups and utilities to devise fair and effective ways to implement restructuring of natural gas and electricity markets. NEM and its members appear before state Public Utility Commissions, the Federal Energy Regulatory Commission and legislative bodies throughout the nation. NEM members urge lawmakers and regulators to implement:

- a. Laws and regulations that open markets for natural gas and electricity;
- b. Rates, tariffs, interconnection rules and operating procedures that lower the cost of energy;
- c. Standards of conduct that protect consumers;
- d. Rules to permit competition on the basis of price and quality of service; and

- e. Policies that encourage new technologies, including the integration of energy, telecommunications and Internet services.

III.

NEM, as a representative of a diverse group of providers of energy and energy-related services, has an interest to advocate the implementation of rates, tariffs, operating procedures, standards of conduct, rules, and policies that will ensure the development and maintenance of efficient and reliable competitive electricity markets, both nationwide and on the PJM system. As electricity marketers and providers of energy-related services and technologies, various NEM members intend to provide service to customers in the electricity markets served by the PJM system. The ability of NEM members to compete fairly in these markets will be specifically affected by the outcome of this proceeding.

Even if other trade associations or individual marketers intervene in this matter, NEM's interests and position are significant and unique given (1) its industry diversity, (2) its interest in serving customers who take service from or through the PJM system, (3) its current and past participation in restructuring proceedings in FERC and state jurisdictions on similar and related issues, and (4) the substantial business interests of its members in the development of viable electricity markets in the PJM system.

As such, the interests of NEM and its members in this proceeding cannot be adequately represented by any other party hereto. Under all of these

circumstances, NEM submits that good cause exists to grant it leave to intervene in this proceeding.

IV.

On March 30, 2001, PJM Interconnection, L.L.C. (PJM) tendered for filing amendments to the PJM Open Access Transmission Tariff (Proposed Tariff) and the Amended and Restated PJM Operating Agreement to add the PJM 2001-2002 Load Response Pilot Program (Load Response Program) to facilitate load reductions during peak periods. The Load Response Program is comprised of an Emergency Option and an Economic Option. PJM submitted the Emergency Option pursuant to Section 205 of the Federal Power Act and the Economic Option pursuant to Section 206 of the Federal Power Act.

The Emergency Option of the Load Response Program is intended to provide a means of compensating end-use customers for reducing load in an emergency. Pursuant to the terms of the Emergency Option, participants will be reimbursed for reducing load based on the actual kWh relief provided, adjusted for losses. The PJM member that nominates the load reduction will be paid the higher of the appropriate zonal Locational Marginal Price (LMP) or \$500/MWh by PJM and will also be assessed a \$10 transaction fee per account for each event.¹

The Economic Option of the Load Response Program is intended to provide a means by which, "any qualified market participant may offer end-use customers

the opportunity to reduce the load they draw from the PJM system during high prices and share the relative savings."² Pursuant to the terms of the Economic Option, market settlements will occur as follows: If the load reduction is arranged by a Curtailment Service Provider³ or an end-use customer itself, PJM will bill the Load Serving Entity (LSE) serving the needs of the customer the appropriate LMP for the entire amount of energy needed to meet the customer's load without the reduction. PJM will refund the LSE an amount equal to the retail generation and transmission charge that the LSE would have received from the retail customer had the load not been reduced. The difference between the zonal LMP billed to the LSE for the customer's load without the reduction and the retail rate "refunded" to the LSE for the actual reduced load will be paid to the third party or end use customer that contracted for the reduction.⁴

PJM requests the Commission to find it has jurisdiction over the Load Response Program and to accept it as an amendment to the PJM Tariff and Operating Agreement effective for the period of June 1, 2001, through May 31, 2002.

V.

NEM commends PJM for proposing aggressive demand response measures that will mitigate congestion and increase throughput of energy supplies and thereby

¹ PJM Interconnection, L.L.C., Docket No. ER01-1671-000, Amendments to Open Access Transmission Tariff and Amended and Restated Operating Agreement to implement the PJM 2001-2002 Load Response Pilot Program, page 12.

² PJM Proposed Tariff at Sheet 256D.

³ A curtailment service provider is an existing PJM member that acts on behalf of non-members. PJM Proposed Tariff at Sheet 256E.

increasing energy supplies during peak demand periods. NEM also commends PJM for proposing measures that can help reduce and/or shift demand loads and thereby mitigate potential supply shortfalls and price spikes in the PJM system. NEM believes this one-year voluntary pilot program could provide an excellent example of how market-based conservation and load-shifting measures can lower energy prices without imposing mandatory price caps which could distort market signals over the long term.

NEM urged the Commission in its Comments⁵ on the energy markets in the western U.S. to consider such measures in other areas of the country that face congestion, bottlenecks and potential energy shortfalls. NEM asserts that in order to bring true price competition to the markets, consumers must be able to respond to price signals. The Load Response Program will facilitate such a response.

The Commission recently discussed the importance of demand response programs in its Order to increase electric generation and natural gas supply in the western U.S.⁶ The Commission noted that:

It is widely accepted that dropping even a few megawatts off the system at peak periods is more efficient and economical than the incremental cost of generating them. Demand reduction offers a short-term and cost-effective means to provide additional resources during times of scarcity. Therefore, the Commission will allow,

⁴ PJM Application at page 16.

⁵ Comments of the National Energy Marketers Association on Removing Obstacles to Increased Electric Generation and Natural Gas Supply in the Western United States, Docket No. EL01-47-000, dated March 29, 2001, available on the NEM Website at: http://www.energymarketers.com/Documents/NEM_Cmts_on_EL01-47.pdf.

⁶ Removing Obstacles to Increased Electric Generation and Natural Gas Supply in the Western United States, Docket No. EL01-47-000, Order Removing Obstacles to Increased Electric Generation and Natural Gas Supply in the Western United States and Requesting Comments on Further Actions to Increase Energy Supply and Decrease Energy Consumption, issued March 14, 2001.

effective on the date of this order, retail customers, as permitted by state laws and regulations, and wholesale customers to reduce consumption for the purpose of reselling their load reduction at wholesale. By providing additional load resources when generating resources are scarce, these "negawatts" should help maintain the reliability of the grid.⁷

NEM agrees with the Commission and submits that the PJM Load Response Program is an excellent template for accomplishing these goals in an efficient manner. We urge approval and implementation of this Program as soon as possible.

In addition to providing customers with the ability to respond to price signals, Load Serving Entities (LSEs) will be essentially revenue neutral in the Load Response Program. This is because the LSEs continue to receive their rates from customers that reduce load, and customers can voluntarily shift their load from "on peak" to "off peak" based on sound economic judgment and market-based rates. The costs to LSEs of the Load Response Program are limited to nominal administration costs.. NEM applauds PJM for proposing such a market-based solution.

NEM supports the immediate implementation of both the emergency and economic load shifting/conservation measures, rebates and load shifting/conservation incentive rates. Although demand side management may not solve all of our country's long-term energy supply needs and new generation will

⁷ Id. at page 10.

and must be developed, it will provide the time to site and permit such generation while mitigating price spikes or shortages in the short term.

VI.

WHEREFORE, NEM respectfully requests that the Commission permit it to intervene in the above-referenced proceeding and be made a party for all purposes. NEM urges the Commission to approve, implement, and indeed encourage similar demand response measures that allow consumers to respond to market price signals elsewhere in the country at the earliest possible time. Market-based Load Response Programs such as this will provide an important precedent and immediate market-based relief for PJM and others areas of the country facing similar issues.

Sincerely,

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Counsel for The National Energy Marketers Association

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated: April 19, 2001
Washington, D.C.

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