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FEDERAL ENERGY REGULATORY COMMISSION

March 17, 2011

Commissioner John R. Norris

**STATEMENT**

Docket Nos. RM10-17-000

## **Statement of Commissioner John R. Norris on Market-Based Demand Response Compensation Rule**

I support the decision in the Final Rule to pay demand response resources the full market price when cost effective for a number of reasons. First, it empowers consumers to make decisions about their electricity consumption based on price. Second, it will increase competition and help our system run more efficiently. Third, our decision will spur innovation, in part by providing potential demand response resources with the needed market signal to invest in the tools necessary to participate in the energy market.

Moreover, this decision will help in adding more cost-effective resources to the mix that can participate in the organized markets. Going forward, we will need a wide variety of resources to meet the tremendous challenges facing our electric power sector at a cost that consumers can afford. These challenges include meeting new Environmental Protection Agency rules, maintaining reliability and mitigating increasing costs to consumers. In sum, the Final Rule recognizes that demand response resources should receive a level of compensation that reflects the value to the marketplace that these resources provide.

It is important to note that together with opportunity comes responsibility. If demand response resources are paid the full market price, we must ensure that they are treated as equal market participants, with equivalent obligations to those imposed on other resources. The Final Rule recognizes this. In particular, it correctly recognizes the need to ensure that the reductions demand response providers are paid for are true and accurate. The Final Rule therefore calls on the ISOs and RTOs to take another look at their measurement and verification protocols and ensure their integrity.

As the demand response industry grows and matures, we may also need to take a broader look at market rules and procedures as they relate to demand response resources, to make sure they are appropriate to their level of participation in the organized wholesale energy markets.