

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

Assessment of Demand Response Resources) Docket No. AD06-2-000

**COMMENTS OF NEW ENGLAND CONFERENCE OF PUBLIC UTILITIES
COMMISSIONERS ON ASSESSMENT OF DEMAND RESPONSE RESOURCES**

This Federal Energy Regulatory Commission (“FERC” or the “Commission”) proceeding arises from section 1252(e)(3) of the Energy Policy Act of 2005 (“EPAAct 2005”), which requires the Commission to issue a report assessing demand resources by region. On November 3, 2005, the Commission issued a Notice of Proposed Voluntary Survey and Technical Conference (“Notice”). The Commission announced that a voluntary survey, a technical conference, and written comments would assist in preparing the report required by EPAAct 2005. Notice at P.1-3. Pursuant to the Commission’s Notice, New England Conference of Public Utilities Commissioners (“NECPUC”) submits the following comments on the Commission’s proposed technical conference topics.

I. Executive Summary

NECPUC files these comments in support of the Commission’s endeavor. NECPUC further comments in support of ISO New England’s (“ISO-NE”) market rule provisions which incentivize demand response participation. Finally, NECPUC comments on the importance of (1) considering contributions from *all* types of capital investments that reduce electricity usage and lessen the need for new supply resources and (2) including participation of all demand response resources in the structure and operation of wholesale markets.

II. Background

Section 1252 (e)(3) of the EAct 2005 requires the Commission to draft and publish a report, by appropriate region, that assesses demand response resources, including those available from all consumer classes. Specifically, EAct 2005 requires that the Commission identify and review:

- (A) saturation and penetration rates of advanced meters and communications technologies, devices and systems;
- (B) existing demand response programs and time-based rate programs;
- (C) the annual resource contribution of demand resources;
- (D) the potential for demand response as a quantifiable, reliable resource for regional planning purposes;
- (E) steps taken to ensure that, in regional transmission planning and operations, demand resources are provided equitable treatment as a quantifiable, reliable resource relative to the resource obligations of any load-serving entity, transmission provider, or transmitting party; and
- (F) regulatory barriers to improved customer participation in demand response, peak reduction and critical period pricing programs.

Notice at P.1-2. The Commission is developing a survey to address the issue relating to advanced meters. On the other issues, it seeks input from state regulators and members of the industry which will “enhance its ability to present a comprehensive and well informed report” Notice at P.3. Accordingly, the Commission invited public comment and participation in a technical conference to receive such input. *Id.*

III. Comments

A. Reliability Contributions From Demand Response in the ISO-NE Control Area

NECPUC supports ISO-NE's market rule provisions that incentivize demand response participation. ISO-NE defines demand response and describes the purpose of its demand response programs as follows:

Demand response in wholesale electricity markets refers to resources that reduce their electricity consumption in response to either high wholesale prices or system reliability events in exchange for compensation based on wholesale market prices. Demand response can help address short-run reliability problems by reducing supply needs. It also can reduce spot-market price spikes and provide a hedge against price risks for wholesale purchasers. Along with a well-designed market, ample supply, and robust transmission infrastructure, demand response is an important part of a wholesale market. New England's Demand Response Programs are aimed at reducing electricity consumption, particularly during periods of high demand when prices are highest. ISO New England's demand response efforts are designed to increase system reliability, mitigate extreme price volatility, and increase the market's response to price signals.

2004 Annual Markets Report at 89 (internal footnotes omitted). ISO-NE reports that “[d]uring 2004, implementation of demand-response programs by the ISO resulted in over 13,000 MWh of decreased electricity usage in New England.” *Id.* at 8. ISO-NE's demand response programs thus make an important contribution both to a functioning wholesale market and to system reliability.

NECPUC supports efforts to quantify demand response as a resource for regional planning purposes. NECPUC also supports measures to ensure that in regional planning demand resources are provided equitable treatment as quantifiable reliable resources in the context of resource adequacy. As the New England regional system plan (“RSP”) process continues to evolve in New England, NECPUC believes that the role of demand response resource should receive greater emphasis. Similarly, NECPUC believes that

demand response should play a greater role in resource adequacy determinations as envisioned in EAct 2005. Finally, demand response, which, as discussed below, should be broadly defined to include energy efficiency, needs to be better integrated into the wholesale market structure.

B. Valuing Contributions From All Kinds of Demand Response Capital Investments

NECPUC believes that it is important for the Commission and ISO-NE to recognize that properly monitored and implemented energy efficiency provides system benefits as do load reductions resulting from ISO-NE's existing demand response market rules. The distinction between demand response and energy efficiency is succinctly stated as follows:

Demand response targets reducing loads during a few brief periods over the course of a year, when prices are high or reliability is threatened due to supply constraints. Energy efficiency targets energy savings at all times throughout the year, whenever the affected end-use equipment is being used.

Exploring the Relationship Between Demand Response and Energy Efficiency: A Review of Experience and Discussion of Key Issues ("Demand Response and Energy Efficiency"), Dan York, Ph.D and Martin Kushler, PhD, American Council for an Energy-Efficient Economy at p. vi.

Both the Commission and ISOs should consider impacts from both demand response and efficiency capital investments, since both can reduce the need for new supply resources. Nationwide, state or utility-operated demand side capital investments have made a major contribution to peak demand reduction:

[A]ccording to the Energy Information Administration, utility DSM programs in 2003 reduced peak demand by 22,904 MW. Energy

efficiency programs achieved 13,581 MW of this total; load-management programs achieved 9,323 MW.

Demand Response and Energy Efficiency at 14. Energy efficiency improvements have an added benefit in that they are “certain and lasting in nature,” and do not “require repeated behavioral compliance.” *Id.* at 50.

NECPUC believes that both state and federal regulators should work together to find ways to integrate all load-reducing capital investments in order to maximize the amount of reliability benefits that can be achieved from demand resources. Integrating all forms of demand response into wholesale markets may incentivize more capital investments of this type. *See id.* at 50.

Because both types of programs make important reliability contributions, NECPUC urges both ISO-NE and the Commission to focus on ways to measure contributions from all forms of load reduction capital investments, including energy efficiency.

IV. Conclusion

NECPUC appreciates this opportunity to open a dialogue with the Commission on approaches to encouraging additional demand response and integrating all forms of demand response into the resource planning process and wholesale market structure.

Respectfully submitted,

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