

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

National Action Plan on Demand Response) **Docket No. AD09-10-000**

COMMENTS OF ISO NEW ENGLAND INC.

I. INTRODUCTION

ISO New England Inc. (“ISO-NE”) submits these comments in response to the Federal Energy Regulatory Commission’s (“Commission”) request for comments on the Draft of the National Action Plan on Demand Response (“NAP”) issued in the referenced docket on March 11, 2010.

Through the Energy Independence and Security Act of 2007 (“EISA”),¹ Congress required that the Commission staff develop the NAP as one of several steps in order to fully develop the demand response potential in the United States. The Commission staff and its consultants conducted outreach to a full range of “industry stakeholders; local, state and federal governing officials including state regulatory utility commissioners; and non-governmental groups including trade associations.”² An earlier discussion draft was issued in October 2009 in advance of a technical conference held November 19-20, 2009, where input and comments were accepted from stakeholders by the Commission.

II. BACKGROUND

The NAP is designed to meet three objectives, as specified in EISA Section 529:

¹ Pub. L. No. 110-140, § 529, 121 Stat. 1492, 1664 (2007) (to be codified at National Energy Conservation Policy Act, 42 U.S.C. §§ 8241, 8279).

² NAP at 5.

- 1) Identify requirements for technical assistance to states to allow them to maximize the amount of demand response resources that can be developed and deployed.
- 2) Design and identify requirements for implementation of a national communications program that includes broad-based customer education and support.
- 3) Develop or identify analytical tools, information, model regulatory provisions, model contracts, and other support materials for use by customers, states, utilities, and demand response providers.³

The Strategic Vision of the NAP calls for implementation to occur through a federal agency that will “lead and fund implementation of the National Action Plan with assistance from a panel of Coalition members. This panel would consist of volunteer leaders from individual companies, organizations, and state and local governments who could provide advice, strategic insights and expertise.”⁴ Further, the federal agency would “be tasked with making strategic and day-to-day decisions such as setting priorities and managing the budget.”⁵

III. COMMENTS

ISO-NE provides the following comments on the NAP for the Commission’s consideration.

A. The Coalition should play a lead role

ISO-NE believes that a Coalition, comprised of stakeholders that are actively engaged and knowledgeable about demand response, can effectively implement the NAP. Coalition members can be drawn from several existing and active groups – composed of demand response providers, end users, utilities, and regulators – with demonstrated capability to promote industry activity. These groups’ capabilities are evidenced by the significant amount of demand response

³ NAP at 1.

⁴ *Id.*

⁵ *Id.*

that exists across North America, and the active role that the industry has taken in current and ongoing standards development for retail and wholesale demand response. The Coalition can work collaboratively with a federal agency within the U.S. Department of Energy (“DOE”), to give the Coalition ready access to the broad range of potential resources that will be needed in the implementation process.

Establishing the Coalition and providing it with appropriate federal [and other] funding should be a priority. The Coalition’s organizational structure, authority for funding, and decision-making processes also require clarification, since these elements are not described in detail in the NAP.

B. A roadmap is needed

A great deal of detailed information will be made available through the proposed website and data clearinghouse, as well as through various tools and materials described by the NAP. ISO-NE believes that the sheer volume of the available information makes it essential to formulate a policy “roadmap” identifying processes to highlight the key data on which sound demand response policies can be based, including policies that facilitate use of dynamic pricing and smart grid technologies.

To illustrate, a roadmap might have the following “mile markers:”

- Agree on who the stakeholders are and make them part of the process.
- Agree on the most significant barriers to regional or state implementation to demand response.
- Describe or list the various options for demand response and smart-grid requirements that would be best suited to the pertinent state or region. Include metrics such as costs and benefits as well as considerations of the interactions and impact upon the existing electrical system.
- Provide relevant case histories and laws or regulations that will help policymakers understand any unique or unfamiliar aspects of creating or modifying demand response policy.

- Decide upon demand response options and technologies to be implemented.
- Create policies that address barriers and define appropriate levels of financing and incentives for suppliers of demand response and smart grid technologies as well as how the costs will be allocated.
- Throughout the process, consult stakeholders on a recurring basis.⁶

The Coalition and the federal government would provide resources as outlined in the NAP.

C. The current NAP draft appropriately focuses on the need to enable price-responsive demand in tandem with the facilitation of development and deployment of “smart grid” technologies and programs

ISO-NE supports the NAP’s call for simultaneous promotion of price-responsive demand and an advanced metering infrastructure (“AMI”) that can better enable consumer response to prices.⁷ In the Commission’s National Assessment of Demand Response Potential, 24 barriers to demand response were identified, among which were the lack of AMI penetration and the disconnect between retail and wholesale prices.⁸ Dynamic pricing, where retail prices reflect wholesale costs in a significant manner, cannot be implemented effectively without greater penetration of advanced metering. At the same time, benefits from AMI investment are increased when that infrastructure enables dynamic pricing or some other form of price-responsive demand.⁹ Therefore, ISO-NE agrees that simultaneous pursuit of price-responsive demand and AMI is necessary.

⁶ Again, the roadmap is simply illustrative, and a more comprehensive roadmap can be created based on the experience gained through initiatives being pursued through the United States.

⁷ NAP at 11.

⁸ See Commission Staff Report, “National Assessment of Demand Response Potential” at 66, Docket No. AD09-10, June 2009 (“National Assessment”).

⁹ See, e.g., S. Borenstein, M. Jaske, and A. Rosenfeld, “Dynamic Pricing, Advanced Metering and Demand Response in Electricity Markets,” CSEM WP 105, Center for the Study of Energy Markets, (continued...)

D. Additional efforts are required to provide information to balancing and reliability entities so that they can integrate the benefits of price-responsive demand and AMI into their dispatch

Additional efforts are required to provide meaningful information to balancing and reliability entities described in the NERC Functional Model, so that they can integrate the benefits of price-responsive demand and AMI into the efficient dispatch of conventional resources. A more specific understanding of how load would react to price signals or other information provided under AMI¹⁰ would permit these entities to develop more effective and efficient operation plans. The final version of the NAP should include this as a priority.

E. The NAP should place more emphasis on eliminating identified barriers to demand response

ISO-NE believes that the NAP should place more emphasis on reducing the barriers to demand response identified in the National Assessment. A significant product of the National Assessment was an analysis of the barriers that prevent the full realization of potential demand response.¹¹ Twenty-four specific barriers were identified, in four categories: Regulatory, Economic, Technological, and Other. Many of the tools and educational materials mentioned in the NAP address those barriers, but they do not, in general, explicitly mention the connection to the National Assessment.

For example, the NAP includes tools and materials in connection with the National Assessment's recommendations for "Sharing ... Information on Effective Program Design" and

(...continued)

University of California Energy Institute, at 75, available at <http://www.ucei.berkeley.edu/PDF/csemwp105.pdf>.

¹⁰ Receipt of this information would not be designed to give balancing and reliability entities direct command and control over the load.

¹¹ See National Assessment at 65-67 (in Chapter VI, "Barriers to Demand Response"), 69-73 (in Chapter VII, "Policy Recommendations"), and 189-200 (in Appendix C, "Detail on Barriers Analysis").

“Increasing Customer Awareness of Education on Demand Response,” but does not identify tools and materials in support of the National Assessment recommendations concerning “Coordination of Wholesale and Retail Demand Response Strategy” and the “Role of Demand Response in Operational and Long-Term Planning, and Recovery of Associated Costs.” In other words, the NAP should clearly identify resources that can be used to reduce all of the barriers to demand response identified in the National Assessment.

In a similar vein, the list of research gaps in Appendix 2 of the NAP should be keyed to regulatory, economic, technological, or other barriers identified in the National Assessment. This would highlight their importance and permit prioritization of efforts to fill these research gaps.

IV. CONCLUSION

ISO-NE respectfully requests that the Commission take these comments into account in developing the final National Action Plan on Demand Response.

Respectfully submitted,

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