

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON
“CALIFORNIA DEMAND RESPONSE – A VISION FOR THE FUTURE”**

The Alliance for Retail Energy Markets (AReM)¹ appreciates the opportunity to provide comments on the paper released December 19, 2007 entitled, “California Demand Response – A Vision for the Future.” AReM is a regulatory alliance of electric service providers (ESPs) that are active in the California retail direct access market as load-serving entities (LSEs). AReM’s members are also active participants in the California Independent System Operator’s (CAISO) markets, including the buying, selling and scheduling of power on a wholesale basis. A large percentage of industrial and commercial participants in current demand response programs are served by AReM’s members. AReM and several of our members have participated in the on-going working groups sponsored by the CAISO and the California Public Utilities Commission (CPUC) and plan to continue such participation.

AReM strongly supports the expansion of cost-effective demand response resources to enhance reliability, make optimal use of California’s investment in advanced metering infrastructure (AMI), and avoid unneeded construction of additional generation and transmission projects. AReM advocates encouraging demand response projects that allow for effective peak reduction as well as maximum end-use customer response to day-ahead and real-time prices. AReM therefore supports the current Vision Statement, but respectfully requests some additions.

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the state's direct access market. This filing represents the position of AReM, but not necessarily the view of individual members or any affiliates of its members with respect to any specific issue.

First, the Vision Statement should clearly state that demand response programs should provide, to the maximum extent possible, Resource Adequacy credits for LSEs and that, in fact, the programs should be designed with that objective in mind.

Second, AReM recommends the Vision Statement state that the working group will consider how demand response programs and related regulatory provisions can be structured so that they result in reduced Greenhouse Gas (GHG) emissions and provide LSEs with associated credits.

Lastly, with regard to the Vision Statement's "Objectives" section and the category of issues entitled "Investor-Owned Utility [IOU] Issues" (at pps. 4-5), AReM has no objections to the listed issues, but notes that the Vision Statement does not contain a corollary category of ESP issues. AReM has identified several ESP issues that warrant inclusion in the Vision Statement's "Objectives" section:

Electric Service Provider (ESP) Issues

- ESPs should encourage direct access customer participation in demand response programs.
- Demand response programs offered by the IOUs should be designed so as not to disadvantage direct access customers.
- Demand response programs offered by the IOUs and paid for by all customers should allow direct access customers the option to participate and should require close coordination of any such customer participation between the IOUs and the ESPs.
- A fair and non-discriminatory procedure should be developed to account for power transfers from direct access customers when demand response programs operate.

AReM thanks the CPUC and the working group participants for their consideration of these comments.

January 11, 2008