

From: Ivin Rhyne [mailto:IRhyne@energy.state.ca.us]
Sent: Wednesday, November 12, 2008 12:23 PM
To: Price, Jim
Cc: Ron Hoffman; RogerL47@aol.com; Rosenfeld, Art; David Hungerford; mapiette@lbl.gov
Subject: Comments on Draft Final Proposal of Post Release 1 MRTU Functionality for Demand Response

Mr. Price,

I would like to offer two primary comments on your functionality [white paper](#) regarding Demand Response:

1. Minimum Bid

For both the DDR and PDR, it should be clear what the minimum size of the bid is (in Megawatts). This will be critical to setting the threshold for participation and cost effectiveness.

2. Time Elements

For many customers, Demand Response resources do not have fixed marginal costs over time. This is brought out in the Statewide Pricing Pilot which found that customers were much more willing to participate in 2 hour demand response blocks rather than 4 hour blocks. This indicates that the longer a user operates under a reduced electrical usage mode, the perceived costs (whether financial or comfort based) increases with each additional hour. This is very different than generating resources where the marginal cost for an additional hour of generation is generally flat (or even declining). So while a generator is indifferent to operating for 2 hours or 10 hours at the bid price, a demand response customer will be very sensitive to how long the operational requirement will be.

This means that demand response bids should be explicit for the time frame being bid on. This can mean having multiple bid markets (1 hour, 2 hour, 4 hour, etc...) into which customers are allowed to bid. Or it means having a time element incorporated into the bid that shows how long the customer is willing to function at each level of reduced consumption.

Thank you,

Ivin Rhyne

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