

**COMMENTS OF ENERNOC, INC  
ON THE APRIL 8, 2009 PRESENTATION  
ON DEMAND RESPONSE BARRIERS**

EnerNOC, Inc. (“EnerNOC”) is pleased to provide comments on the *California Background and Demand Response Barriers* presentation, dated April 8, 2009 (“DR Barrier Study”). The presentation is a compilation of various stakeholders’ perspectives on significant barriers that exist in the California market that may inhibit or significantly delay DR participation in CAISO markets. EnerNOC’s comments are meant to identify barriers that are not included in the presentation as well as issues that are improperly defined as barriers.

**General Comments**

EnerNOC supports CAISO’s efforts to comply with the FERC Order 719 directive to “study and report on whether further reforms are necessary to eliminate barriers to demand response in organized markets.” EnerNOC appreciates the collaborative approach taken by the CAISO to incorporate stakeholders’ perceived barriers to direct participation in organized markets, and we intend to continue to work closely with CAISO staff and stakeholders to ensure that CAISO rules provide for Curtailment Service Providers (CSPs) to participate directly in CAISO’s wholesale markets.

While EnerNOC understands the timing and resource constraints that require stakeholders to comment on the April 8 presentation rather than the study itself, it should be noted that this is more challenging and may not entirely capture the spirit and tone of the final study. For example, by trying to capture stakeholder feedback in bullet form, many of the perceived “barriers” sound overwhelming and insurmountable, and EnerNOC does not believe it is the intention of the CAISO or its consultants to portray the challenges to direct participation as insurmountable obstacles but rather as barriers that can be eliminated, in many cases, through existing CAISO initiatives.

**Barriers That Are Not Included**

EnerNOC has identified some barriers to direct participation that do not appear to be reflected in the presentation. Perhaps the most significant barrier is not included because it is obvious, but it should be included. CSPs cannot currently participate in CAISO markets. EnerNOC is actively participating in the stakeholder working group to identify issues associated with implementing Proxy Demand Response (PDR), which would allow CSPs to bid directly into CAISO energy markets, but CSPs are currently not allowed to participate in these markets. The DR Barrier Study should expressly call this out as a barrier.

Another barrier that is not directly included in Slide 36, *Operation and Settlement Barriers*, is a direct consequence of the current PDR proposal, and EnerNOC will be highlighting this concern in its comments on the recently-released Draft Final Proposal on PDR. However, since PDR is being proposed as the vehicle for DR to directly

participate in CAISO markets, it is appropriate to highlight this barrier here as well. Under the PDR proposal, the LSE's day-ahead schedule will be adjusted to reflect DR bids in both the Day-Ahead and Real Time markets. There will not be uninstructed deviation charges that CAISO will owe to the LSE. However, it is understood that there will be a need for the LSE and the CSP to settle outside of the CAISO process for something equivalent to uninstructed deviations. EnerNOC has raised the concern about a lack of transparency into the secondary settlement since it will occur in the context of a bilateral arrangement between the CSP and the LSE and outside of organized markets. This secondary settlement could eliminate any economic opportunity for direct participation of CSPs, require separate and potentially very dissimilar bilateral negotiations with each LSE and, thus, has the potential to be a significant barrier.

One additional barrier should be included in either slide 33 or 35, "Infrastructure and Technology Barriers." The WECC telemetry requirements are a real barrier, but the requirement to have only one Scheduling Coordinator (SC) per meter is also a significant barrier to direct participation as it prohibits service from an LSE and a different CSP to the same customer.

### **Issues Improperly Defined as Barriers**

It would be helpful if there was more clarification around how the study defines "issues" and "barriers." EnerNOC believes that a number of the barriers identified in the presentation are more appropriately classified as issues or challenges rather than barriers to direct participation.

Slide 23 - *Gaming and cost-shifting issues posed with nodal pricing of generation vs. aggregated pricing of load.* This appears to be more appropriate in response to the Proxy Demand Response (PDR) proposal than to this study, and the wording itself identifies this as an issue, not a barrier.

Slide 25 – *'Irreconcilable differences' between FERC/CAISO and Legislature / CEC / CPUC.* The jurisdictional issues included are definitely challenges, but they don't appear to be true barriers.

Slide 26—*Political resistance to reflecting dynamic or locational pricing in retail rates.* Dynamic prices are not a requirement to have direct wholesale participation of demand response services, so this appears to be an issue rather than a barrier.

Slide 28—*Mixed signals from 5% DR goal, EAP loading order and cost-effectiveness protocols.* There are a number of policy issues that are unresolved, but this does not appear to be a barrier to direct participation.

Slide 29—*Multiple initiatives overwhelming capacity of stakeholders and market participants.* It is true that stakeholders and market participants are pulled in multiple directions at any given time, and this is a challenge of participating in the California market but it should not be a barrier to direct participation at CAISO.

Slides 30 and 31—*Utilities and regulators fundamentally underestimate challenge of changing customer behavior. Complexity of market from customers' perspective.* Third-party DR providers make it their entire business to simplify the customers' participation in both retail DR programs and wholesale DR markets, so this is not a barrier.

Slide 34—*Infrastructure and systems costs associated with locational marginal pricing.* It is EnerNOC's understanding that the IOUs are required to map customers to CAISO nodes as part of LMP implementation under MRTU, so this appears to be an argument against LMP rather than a barrier to direct participation.

Slide 36—*Load Forecasting Challenges.* Separation of DR from load could be a challenge, but if the IOUs do the load forecast based on contracted MWs for CSPs, and CSPs do the demand reductions, this doesn't appear to be a barrier.

Slide 37—*Inherent compromises in balancing multiple objectives of baseline methodology.* EnerNOC is an active participant in baseline discussions and proceedings in California and will attest that developing a standard baseline methodology is challenging, but we do not perceive this to be a barrier to direct participation. The aggressive timing CAISO is proposing for baseline development may be a barrier. However, EnerNOC is committed to work with CAISO and the stakeholders in developing a baseline methodology to meet a May 2010 implementation target.