



**January 11, 2008**

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## **Comments from Energy Curtailment Specialists, Inc. California Demand Response: A Vision for the Future**

**Energy Curtailment Specialists, Inc. (ECS) hereby submits the following written comments regarding California's Demand Response: A Vision for the Future.**

**ECS is the largest privately held demand response provider in the United States. ECS was founded in 2001, to provide both wholesale markets and Investor Owned Utilities with reliable demand response resources. ECS' portfolio of customers include a wide range of resources including the largest industrial loads, state schools and universities, healthcare providers, as well as property management and large commercial hotels.**

### ***Manage Electricity Costs***

- **Customers should have the opportunity to benefit from providing demand response  
ECS-Customers should also have opportunities to benefit from energy efficiency as well as demand response programs.**

### ***Reduce the Environmental Impact Caused by Electricity Usage***

- **The agency's definition of demand response does not include or encourage switching to use of fossil-fueled emergency backup generation  
ECS believes that recognizing the additional benefits that demand response providers from load curtailment without the use of backup or distributed**



generation is critical. Demand response from “pure” load curtailment should count in some fashion toward meeting California’s renewable energy goals.

### ***Consumer Education and Customer-Oriented Design***

- All customers that desire it should be able to easily access their information about their own electricity use with the option for hourly or more frequent information and with the option to share their information with a demand response provider, of their choosing  
ECS supports the Commission’s effort to make customer usage data more easily accessible as this information is a critical component and the first step needed to enroll customers into demand response programs. Without this critical piece of information customers cannot be enrolled into demand response programs in a timely way. Any delay in enrollment can and does jeopardize participation from customers. Customers want to see timely results.
- Demand response should be designed to be customer-friendly, simple, and easy to understand  
When looking at New York State’s demand response program one reason for the great success is largely due to the simplicity and customer-friendly approach. End use customers want programs and rules that are easily understood. Another area that the Commission should review is the number of demand response programs that are offered, what programs work and what programs do not work. Too much customer choice can overwhelm end-use customers. With several demand response programs, and changes to programs continually happening, this causes customer confusion and uncertainty. The Commission should seek to streamline programs and avoid customer confusion. In conjunction with customer-friendly demand response programs the Commission should direct utilities to allow customers the ability to move from one demand response program into another. A customers business needs may change, as well as how the customer wishes to participate in demand response, why should customers have to wait a year to change from one demand response program to join another demand response program that might better fit their business needs.

### ***Ability to Participate in Dynamic Pricing and Dispatchable Programs***

- All customers should also have the option to participate voluntarily in demand response where they can provide demand reductions as a dispatchable resource, including:
  1. In ISO markets: real-time, day ahead, day-of, emergency, and ancillary services  
ECS believes that allowing demand response to participate in the ancillary





service market is critical for demand response resources that have the ability to respond real-time. The ancillary service market provides an additional revenue stream for demand response that has a quick response time. Demand response resources that have the ability to respond quickly should be compensated for their spinning reserve (or sync reserve) from the ancillary service market and not through an availability payment (i.e. capacity payment).

### ***Technologies and Infrastructure***

- Any advanced metering systems should support the ability to automatically retrieve data information and provide the customer with timely access to this retrieved data  
ECS believes that advanced metering systems should allow customers, and their representatives, the ability to access and retrieve energy usage data in timely manner. Allowing this type of access will further facilitate and contribute to the growth of demand response.
- Advanced metering infrastructure, automated demand response and direct load control should be encouraged to provide customers with the opportunity to reduce usage with minimal intrusion and effort. Proliferation of user friendly technologies will have beneficial effects on grid reliability and operation  
ECS believes the Commission should take care when encouraging automated demand response and direct load control. While automated demand response can provide additional benefits for reliability, non-automated demand response has proven to be just as reliable as automated demand response. Many customers will opt out of demand response if the only option for enrollment is through automated or direct load control. While the end result for demand response should be reduced manual intervention many customers will want to start slow and gradually increase automated technologies into their business.

### ***Demand Response in the Wholesale Market***

- Market rules, including technical and operational standards, should not limit the ability for demand to bid directly into the wholesale market, including into capacity, ancillary services and energy markets  
ECS firmly believes that wholesale markets rules should encourage demand response participation for capacity, ancillary services, and energy. East coast wholesale markets allow demand response participation for all these markets.
- Market rules should allow for small load to be aggregated and bid into the wholesale market  
Through small load aggregation there is a great ability to meet minimum load requirement, which facilitates great participation from loads. Aggregation is<sub>3</sub>





also a key piece for hedging risk for a curtailment service provider. Without aggregation each individual customer would have to stand on their own in any demand response program. Curtailment Service Providers can shield customers from performance penalties when aggregation is allowed.

- Demand response providers should have access to customer data, with appropriate confidentiality protection, to enable the development and implementation of demand response products that meet customer needs  
Without access to customer data, either at the wholesale level or through an IOU, demand response providers cannot accurately determine a customer load profile, or how a prospective customer uses energy. Access to data is critical and is the first step to facilitate any demand response program. The energy usage data is the customer's data and customers should be free to access and give third party providers prompt access to the data with proper authorization.
- Demand response should be treated as a resource for planning and procurement purposes  
ECS firmly believes that demand response is a reliable supply to both investor owned utilities and wholesale markets and should be treated and counted when determining long term resource needs. In New York demand response is used when determining the annual resource needs assessment, as demand response is counted as capacity and contributes to meeting the forecasted load requirement.
- Demand response participants should be given appropriately aligned wholesale market pricing signals, which incorporate locational marginal prices  
Locational marginal prices for both capacity and energy are critical components of a well design and structured wholesale market. Locational pricing for both energy and capacity provide adequate price signals as to where supply is needed, including demand response. When looking at the East Coast markets, PJM, ISO-NE, and NYISO all provide Locational pricing for energy and capacity that is available to demand response resources as well as traditional supply.

### ***Investor-Owned Utility (IOU) Issues***

- IOUs should incorporate demand response resources into their overall procurement portfolio and as a portion of their reserve requirements  
If the IOU's were required to incorporate demand response into their procurement portfolio this would send clear signals to demand response investors that not only is the State of California committed to demand response but the utilities see the value of this vital additional resource. IOU's could determine what percentage of their annual peak load that would be called under emergency



conditions. This percentage might be tied directly to the percentage of demand response that each IOU must incorporate into their procurement portfolio as a reserve requirement.

- IOUs should treat demand response resources similar to other resources in their procurement portfolio when considering a mix of resources necessary to satisfy their load-serving obligation  
Again, by tying demand response to an IOU's reserve requirements, either through a percentage of their total procurement portfolio or percentage of peak load under emergency conditions, this would indicate that demand response is viewed and treated similar to other resources within the procurement portfolio.
- All IOU demand response efforts should be periodically evaluated to determine past performance and improve future effectiveness  
Program performance and effectiveness must be periodically reviewed and evaluated. Programs that are working and continually showing results should remain in effect. However programs that show little results or poor performance should be evaluated to determine if there are barriers to entry, rules that are hampering performance, and elimination of program is needed. If demand response programs have poor performance, both demand response providers and IOU's should be looking to rework the program rules to provide performance or remove the program, thereby eliminating another program that might cause customer confusion.
- IOUs should competitively procure demand response resources in an open and competitive demand response market  
A competitive and open procurement process can assist the IOU's to bring many different types of demand response resources into their resource portfolio's. Through an open and competitive bid process IOU's gain a wider base of resources to contract with. Demand response comes in many different types, day-of resources, day-ahead resources, spinning reserves, etc. Through a competitive procurement process direct level and types seek to broaden an IOU's portfolio.

### ***Coordination between CPUC, CEC and CAISO***

- Effective demand response efforts will require coordination among the agencies promulgating this vision statement  
To assist the state in facilitating a demand response market that sends the right signals to customers and third party providers it is clear that there will need to be a coordinated effort from all agencies through-out the state. Demand response will need support not only from the CPCU, CEC and CAISO but from the





state's three IOU's as well. In order to gain greater participation and buy-in from customers, customers must know that all State Agencies are behind the effort to make demand response a reliable resource that can be counted on to perform when needed.

- Changes to ISO market rules to allow additional participation by non-IOU demand response providers

ECS firmly believes that not allowing demand response to participate in the wholesale market has been a shortcoming. When looking to the East Coast markets it is clear that by allowing demand response to participate in these markets, as an additional supply-side resource, that demand response has grown and provided these markets with an additional tool to assist during times of high demand, high energy prices, and emergency operating conditions.

**Respectfully submitted:**

**Energy Curtailment Specialists, Inc.**

A handwritten signature in black ink, appearing to read "Glen E. Smith".

**Glen E. Smith**  
**President & CEO**

A handwritten signature in black ink, appearing to read "Marie Pieniazek".

**Marie Pieniazek**  
**VP, Government & Regulatory Affairs**

