COMMENTS OF ENERNOC, INC. ON

CAISO SCP II DRAFT FINAL PROPOSAL

EnerNOC, Inc. (EnerNOC) provides comments specific to the CAISO's Standard Capacity Product (SCP) II Draft Final Proposal, issued on February 19, 2010. As we expressed in our February 2, 2010 comments on the SCP II Straw Proposal, EnerNOC's main concern with CAISO's proposal continues to be that demand response (DR) is exempt from SCP II until 2012. While FERC's June 2009 Order[1] approving SCP I did grant a temporary exemption for DR resources, FERC directed CAISO and stakeholders to "diligently work toward a sunset in a timely manner."[2] Delaying implementation of SCP for DR until 2012 does not feel "timely."

EnerNOC's Position:

EnerNOC strongly believes that the timeline outlined in CAISO's Draft Final Proposal may prevent DR resources from participating fully in CAISO markets. Capacity payments are a vital part of the revenue stream for DR resources in the retail programs and in other wholesale markets, as capacity payments provide the necessary incentive for customers to participate as a DR resource. There is currently no definition for resource adequacy for DR resources that participate directly in wholesale markets, nor is there an opportunity for these resources to receive a capacity payment in the existing SCP.

CAISO's Proxy Demand Resource (PDR) is a vehicle for DR to participate directly in wholesale energy and ancillary services markets, but PDR is not a capacity-based program. It is EnerNOC's position that the development of direct participation of DR resources in wholesale markets will be substantially diminished without recognition of the capacity value of the resource. In the absence of a capacity market at CAISO, the SCP provides the ability to transact DR capacity in the wholesale markets. Recognition of the resource adequacy value of DR resources and the ability to transact that capacity in wholesale markets are essential elements to the success of direct implementation of DR resources in wholesale markets.

With PDR expected to be available in May 2010, EnerNOC is concerned that the lack of an opportunity to receive a capacity payment for DR participation in wholesale markets will force customers to choose not to participate in wholesale market transactions. Along with other stakeholders, EnerNOC has invested substantial time and effort in the PDR process. EnerNOC considers losing two full years of DR participation in CAISO's markets while this issue remains unresolved to be truly disappointing. As we have outlined in our previous comments on the Straw Proposal, EnerNOC urges CAISO to begin a stakeholder process as soon as possible, in conjunction with the CPUC resource adequacy proceeding, to identify the issues that still need to be resolved so there can be robust participation by DR resources in PDR in 2011.

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[1] Order 127 FERC ¶ 61,298

[2] June 28, 2009 FERC Order at pg. 22.