



## **II. BACKGROUND**

The Commission proposes to incorporate by reference into its regulations the NAESB Phase I M&V Standards and associated terms used in the WEQ-015 glossary. The Commission states that the Phase I M&V Standards are primarily intended to enhance the transparency and consistency of the methods used to measure and verify demand response resources in wholesale electricity markets administered by RTOs and ISOs. The Commission also states that the standards will facilitate the ability of demand response providers to participate in electricity markets, thereby reducing transaction costs and providing an opportunity for more customers to participate in these programs.

The Commission also states that members of the WEQ should continue their efforts to develop the substantive standards needed to achieve greater efficiency in the operation and evaluation of the performance of demand response resources. The Commission believes that the industry should take the lead in developing and implementing demand response standards that will be both practical and workable. To that end, the Commission requests comments on whether it should establish a deadline for the development of these remaining standards and, if so, when that deadline should be.

## **III. COMMENTS**

The IRC provides the following comments for the Commission's consideration.

### **A. The Commission Should Approve the NAESB Phase I Demand Response M&V Standards**

The Commission seeks comment on its proposal to incorporate by reference into its regulations the Phase I M&V Standards and associated terms used in the WEQ-015 glossary. The IRC believes that the NAESB process for developing the Phase I M&V Standards and associated terms has been an effective way to bring together organizations that are involved in

or impacted by wholesale demand response. Ratification of the Phase I M&V Standards by NAESB's membership has already had the following impacts on the industry:

1. The associated terms are beginning to replace region-specific terms related to demand response and demand response event timing in stakeholder meetings, manuals, and public forums.
2. The Phase I M&V Standards and associated terms were adopted by the NAESB Retail working group as the basis for the Phase I M&V Standards for Retail Demand Response, which helped accelerate the development of M&V Standards specifically tailored to retail markets, thereby reducing development time to less than one year.
3. NERC's Demand Response Data Task Force has adopted many of the associated terms from the Phase I M&V Standards for development of a collection system to track demand response event participation.
4. Many ISOs/RTOs are currently working with NAESB on Smart Grid communication standards for demand response and are using the associated terms from the Phase I M&V Standards.

IRC members actively participated in the development of the Phase I M&V Standards. NAESB staff supported the development of these standards by providing the forum for review of draft recommendations and comments and managing the process of ratification by NAESB membership. The IRC supports the NAESB standards development process, which includes provisions for on-going revisions. The IRC supports the Commission's proposal to incorporate by reference into its regulations the NAESB Phase I M&V Standards and associated terms used in the WEQ-015 glossary.

**B. The Current Process for the Development of Technical Standards is Working Well and there is No Need for the Commission to Establish a Deadline at this Time.**

The NOPR asks for comments on whether the Commission should establish a deadline for the development of more detailed technical standards. The IRC believes that it would be premature for the Commission to establish a deadline for the development of more detailed Phase II standards at this time because the scope and priorities of the Phase II M&V standards, similar to any other new standard that is adopted by NAESB, will need to be

identified and discussed by stakeholders. The IRC concurs with the Commission that the most comprehensive and effective standards are those that are developed in an environment that permits full vetting within the industry. The IRC believes that the NAESB subcommittee process and industry working groups provide a representative forum and open process for vetting new standards. In particular, NAESB provides an open and inclusive process so that all interested participants can have a voice in the development of business practices. Meetings are posted in advance on the NAESB website and have adequate lead times. Also, meeting materials and work product from the working groups, subcommittees, and Executive committee are available to the public. Working group meetings are either conference calls or in person meetings with remote access capability so that cost is not a hindrance to participation. Membership in NAESB is not required at the working group level. With the balanced voting requirements of the NAESB ANSI accredited standards development process, all parties are ensured a voice. Imposing an arbitrary deadline on the process could result in the development of standards that are not fully vetted by the industry or that subsequently could face significant opposition as they work their way through the NAESB ratification process. In lieu of establishing a specific deadline, the IRC recommends that the Commission establish a series of semi-annual communications deadlines for NAESB Staff to report to the Commission on the progress and status of the Phase II effort.

The IRC agrees with the Commission's longstanding position that a comprehensive stakeholder consensus process helps to ensure the reasonableness of industry standards and that standards have the widest possible support within the industry that must conduct business under them. The NAESB process, under which the Phase I M&V Standards were developed, was effective for developing a comprehensive set of NAESB standards for measurement and verification of demand response resources in wholesale electricity markets administered by

RTOs and ISOs. The IRC recommends that Phase II, currently underway, follow the same course.

When NAESB prepared its filing for the Phase I M&V Standards, the wholesale electric working group tasked with supporting NAESB's 2009 Work Plan item 4b<sup>2</sup> had not begun to meet. Since NAESB's filing, however, the Wholesale Demand Response Working Group 3 has met eight times, produced numerous work papers<sup>3</sup> and continued to define scope. A semi-monthly schedule is in place for future Working Group 3 meetings. The NAESB DSM/EE web page link<sup>4</sup> documents the activities to date of the Wholesale Demand Response Working Group 3 and shows the future meeting schedule.

Thus, the NAESB Phase II efforts are underway and are proceeding under the direction of the NAESB Executive Committee and Board, similar to the Phase I M&V Standards that the Commission now seeks to approve. This process should be permitted to continue on its course. There is no need for the Commission to establish a deadline for the completion of this effort.

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<sup>2</sup> "Develop more detailed technical standards for the measurement and verification of demand response products and services in ISO-RTO footprint areas, including examples to be developed to support item 4(a) above."

<sup>3</sup> As an additional matter, the IRC notes that during the development, and then after the adoption, of the Phase I M&V Standards, the IRC developed and made available the "North American Wholesale Electricity Demand Response Program Comparison", also known as the IRC Matrix. This Matrix addresses outstanding stakeholder questions regarding the technical details and applicability of the standards to existing ISO/RTO products. This document, which was posted to the IRC website on April 28, 2009 ([www.iso-rto.org](http://www.iso-rto.org)) and is available through the NAESB website along with the Phase I M&V Standards, provides detailed technical information on all North American wholesale electricity products in which demand response resources may participate. The IRC Matrix constitutes a completed work product under the NAESB WEQ work plan for 2009 (Item 4.a)<sup>6</sup> and supports the Phase I and Phase II M&V Standards as the first consolidated source of information regarding the implementation of the NAESB business practice standards by ISOs and RTOs. The IRC Matrix allows stakeholders, demand response providers, and regulators easy access to the technical data for the purpose of obtaining M&V requirements administered by the ISO or RTO, as specified in the Phase I M&V Standards. The IRC has committed to updating the Matrix each spring to reflect any changes or development of new market products for demand response resources.

<sup>4</sup> <http://www.naesb.org/dsm-ee.asp>

#### IV. CONCLUSION

The IRC requests that the Commission consider the expressed comments before proceeding to issue the final order on the NAESB Phase I M&V Standards and process for developing the Phase II standards.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom this 22nd day of October, 2009.

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