Comments of

Demand Response Coordinating Committee

On

Discussion Draft of

National Action Plan on Demand Response

December 4, 2009

The Demand Response Coordinating Committee[1] (DRCC) is pleased to submit its thoughts and comments on the FERC Discussion Draft of the National Action Plan on Demand Response (NAPDR). The DRCC was formed in 2004 at the request of FERC and DOE to help coordinate and facilitate the exchange of demand response information and expertise among various parties and stakeholders, and it sees the direction that FERC is taking with the NAPDR as something that it can endorse. The DRCC believes that the NAPDR is something that will further the development of demand response resources and something that will be the lynchpin to reaping the expected benefits of smart grid development.

The DRCC believes the Discussion Draft follows Congressional direction, first set forth in EPACT Section 1252 (f) and then subsequently established in the Energy Independence and Security

[1] The DRCC is a non-profit organization formed in 2004 to increase the knowledge base in the U.S. on demand response and facilitate the exchange of information and expertise among demand response practitioners and policy makers.

Act, whereby demand response in the U.S. would be developed as an energy resource, a business practice and a behavioral aspect of how electricity is purchased and consumed. The DRCC also believes that FERC has not only fulfilled Congressional intent and direction to date, but has done so in an extremely thoughtful and creative way. Indeed, FERC has applied considerable "out-of-the-box" thinking in producing the NAPDR Discussion Draft ("Discussion Draft").

The DRCC has a number of specific comments and suggestions on various aspects of the Discussion Draft. Before turning to those, however, it would like to address the four main questions that FERC seeks input on.

1. <u>Are the three sets of possible strategies and activities described in the Discussion Draft appropriate and effective?</u>

   The DRCC's simple answer is yes. The three overarching strategies follow the general guidelines of EISA as required. The DRCC does not see any incompatibility and in fact sees the strategies and activities as being complementary and functionally interactive. In terms of them being effective, that will depend on a variety of factors, such as the resources applied and the scope and schedule of the NAPDR's implementation. The DRCC does see them as

being effective if done appropriately and under a set of guidelines that can provide metrics for success.

2. Should any part of the possible activities described in the Discussion Draft not be part of the NAPDR? Should any activities not listed be added to the NAPDR?

The DRCC sees the possible activities described in the Discussion Draft as being appropriately robust and comprehensive, and it does not find anything included to be inappropriate. That said, key to effective deployment will be the prioritization of the various components of the NAPDR and the allocation of available resources brought to bear. Some of the activities described may not be as relevant or necessary for the NAPDR's ultimate success. It also will be important to leverage existing activities and resources that are currently available so as to avoid unnecessary repetition and duplication.

In terms of things that may be missing, the DRCC believes that the NAPDR should add more in the way of "how to" resources that are designed to operate the "nuts and bolts" level of demand response implementation. The DRCC recommends a dynamic integration of continuous improvement rather than a "set and forget" approach. It

also recommends adding innovative strategies and activities as they become available.

The DRCC also believes that the Discussion Draft should be more inclusive of strategies and activities focused on federal-sector opportunities for demand response than it currently is. There may not be enough recognition of the federal building sector as one which should be embracing and implementing demand response. Thus, that sector should be a target of the NAPDR.

The DRCC thinks that it is likely necessary to further develop the regional aspects of implementation. The group plans to give further consideration of regional resources that might be created, including personnel, to help provide assistance to those parties that are working to try to implement demand response.

The DRCC does not believe that the Discussion Draft sufficiently includes Smart Grid or traditional Energy Efficiency components.

The DRCC believes that demand response is one of the main – if not the primary – means by which the smart grid will be made real and operable. In fact, the DRCC increasingly

finds that conversations, discussions, presentations, etc., about the smart grid and how to implement it and reap its benefits are actually conversations about demand response, without the words “demand response” necessarily being used. The DRCC maintains that further development of the NAPDR and its subsequent implementation must more-explicitly incorporate smart grid.

The DRCC believes that demand response and its enabling technologies are key to enhancing and expanding traditional energy efficiency and to finally making it a sustainable, institutionalized and reliable demand-side resource. The DRCC thinks that consideration should be given to when linkages between efficiency and demand response must be established or strengthened. The DRCC thinks that consideration of benefits and savings attribution must be given to this integration strategy. The Discussion Draft seems to recognize this in various sections, but the DRCC feels that there may need to be a more explicit and embedded recognition of the benefits of intertwinement of traditional energy efficiency and demand response.

Commensurate with the recommendations above, the DRCC believes that DOE (and perhaps EPA) should be asked to get involved in the development of the NAPDR at this early stage

and that their expertise and involvement in the areas above be used to make the NAPDR one that demonstrates and actuates the key role that demand response has in supporting and implementing traditional energy efficiency and Smart Grid.

3. Is the possible strategy of using a coalition to carry out the objectives discussed in Part 1 consistent with EISA?

The DRCC believes strongly it is consistent, and it finds no reason why it would be inconsistent.

The DRCC contends that the purpose of the NAPDR is to build upon Section 1652 (f) of EPACT, which clearly states that demand response is to be a key component of U.S. energy policy and which clearly positions it as a resource that should be developed as part of the energy/electricity mix.

4. How can such a coalition best facilitate the implementation of the NAPDR?

The DRCC believes that the stakeholders that need to be part of the implementation of the NAPDR are for the most part known and otherwise identifiable, such that a Coalition

can be organized and implemented in a short amount of time.

The DRCC believes that a Coalition is appropriate for the tasks and activities laid out in the Discussion Draft. The group thinks that a non-governmental national coalition with both government and private support and oversight would provide the right mix of scope, flexibility, consistency, speed, administrative infrastructure, and various other attributes that will be necessary to implement the NAPDR quickly and effectively so as to yield demand response benefits and support the achievement of goals in other areas such as traditional energy efficiency, smart grid, PHEVs, storage, renewables, and climate change.

Additional Comments: Support for and Comments on Specific Elements of DRAFT NAPDR

National Coalition to Implement the National Action Plan (Section 1.2)

The DRCC endorses the idea of establishing a broad-based Coalition to play a central role in the NAPDR's implementation, particularly regarding communications. What

follows are the DRCC's comments on specific aspects of the proposed national coalition for implementing the NAPDR.

Coalition Needs to Be Broad-Based and Unbiased (Section 1.2)

Being broad-based and diverse may be *necessary* for the Coalition to communicate credibly, but it is not *sufficient*. To be credible the Coalition also will need to provide unbiased information and ensure that it is regarded as such by its audiences.

Coalition is Key to Implementation of NAPDR and Its Communication Campaign (Question 1.2A)

The DRCC supports the Discussion Draft's proposal of establishing a vigorous Coalition of key demand response stakeholders—including utilities, government and regulators, demand response providers, consumer and environmental representatives, and others—that will provide unbiased and credible leadership in implementing the communications campaign and other elements of the NAPDR. The Discussion Draft appropriately notes that while the federal government needs to play a central role in communicating about demand response, other public policy-oriented communications campaigns have greatly benefited by establishing coalitions of federal leaders and other knowledgeable, credible and committed players. The DRCC concurs that a well-designed

and functioning Coalition is key to successful implementation of any national plan on demand response. In turn such a Coalition could be invaluable in increasing the deployment of demand response to its full potential.

Coalition Should Supplement other Sources of Information (Question 1.2A)

The Coalition will need to carefully deploy its activities so that it is aligned with and complements other sources of information (e.g. marketing efforts of utilities and DR aggregators).

Distinction between Coalition/Organization: "Coalition of Coalitions" (Questions 1.2C, 1.2D, and 1.2E)

The Draft NAPDR is thoughtful about the design of the Coalition and its governing structure but does not distinguish between a coalition and an organization. A coalition may be its own organization or it may be operated and managed by an existing organization. The DRCC feels that the most appropriate structure for the NAPDR Coalition may be a "Coalition of Coalitions." For example, it may make sense to have existing organizations that cover a certain sector (wind, solar, state regulators, PHEVs, etc.) represent their constituency/members, as opposed to selecting/electing representatives from it. This distinction need not be made in

the NAPDR but it will become important if the Coalition conducts significant expenditures in support of the NAPDR.

National Communications Program (Section 2.2)

The DRCC supports the Discussion Draft's recognition of the need for a major communications campaign focused on the benefits of and opportunities for demand response. Below are the DRCC's comments on specific aspects of the proposed national communications program.

Market Research (Section 2.2.1.2)

The DRCC shares the Discussion Draft's view that a "national demand response mass media campaign targeting residential and small commercial customers" should not be done as the very first step in implementing the NAPDR. Market research, beyond what is already available or transferable from regional studies, should be accomplished first, including polling and surveying related to establishing a baseline of understanding that can be used to design a communications campaign. (Conducting foundational market research, for example, can sharpen terminology and document attitudes of different consumer groups and classes.)

The DRCC also believes, however, that the general awareness component of the communications campaign dealing with the concept of demand response should be done as soon as possible (assuming budget allows). The DRCC maintains that a communications effort, done effectively, can provide a foundation that will allow many if not most of the other elements to be done more easily and more effectively. Consumers who understand that demand response can help reduce their electricity bills, for example, will be more receptive to the installation of smart meters and the availability of new dynamic retail rates or to the installation of load control devices. This is particularly true in the case of state policy makers. An informed public that understands the concepts and benefits of demand response and smart grid will be more likely to accept changes made to implement such and less likely to react negatively to such changes. Such a situation will allow state policy makers – who have much of the responsibility for implementing demand response and smart grid – to proceed more quickly and comprehensively.

Another benefit of doing this will be to provide consumers with enough basic understanding of the potential benefits of demand response and smart grid that they connect the dots when utilities and load serving entities make demand response opportunities available.

Finally, market research also could provide benefits beyond those that directly affect the NAPDR. For example, multiple other parties (including utilities and aggregators) will continue to educate about demand response, and they would benefit from insightful research into the field.

Develop Messages that Resonate (Section 2.2.1.3)

The DRCC believes that key to any communications and marketing effort is identification of and customization for various target audiences. The initial market research and the subsequent design of the NAPDR's outreach and communications must account for the differences among different target audiences, or it will not be successful. For example, some target audiences may be more attracted to the economic benefits of demand response while others will be drawn to the environmental benefits.

Coalition Should Have "Communications Best Practices Working Group" (Section 2.2.1.4)

Many demand response providers have in-house marketing and research groups that have, over the last several decades, refined and tailored communications plans aimed at varying customer groups and regions. The DRCC agrees that

the proposed Coalition should form a working group, consisting of these already-existing marketing experts, to identify best practices for communications. The working group could present their Best Practices at the NAPDR National Forum. It also could present annually any updates on research focused on maturity stages, customer classes, and regions.

Communications Is Not the Only Priority of NAPDR (Question 2.2A)

While the DRCC is strongly supportive of the Discussion Draft's attention to communications, it does not believe that communications is the only high priority for the NAPDR or that "messaging" should come at the expense of providing hands-on marketing support, targeted technical assistance, or demand response tools and materials.

Intertwinement of Demand Response, Smart Grid, and Energy Efficiency—Smart Energy Use Practices (Section 2.2.1.5)

The DRCC endorses the Discussion Draft's recognition that greater value is available by considering demand response not only in its own right, but also as part of a broader "smart energy use" concept that includes the smart grid and energy efficiency. Certainly, appreciating these connections is essential for successful demand response communications to end users

and policymakers. Furthermore, these connections are increasingly important for not only the communications but also the "substance" of demand response. It is important to focus greater attention on demand response's synergy with end-use energy efficiency, its greater use of tariff design, and its increasingly important contribution to renewables integration, emissions reduction, and power grid-wide energy efficiency.

The DRCC believes, however, that the Discussion Draft may not focus sufficiently on the intersection and intertwinement of traditional energy efficiency, demand response and smart grid. It is concerned that these areas of policy, business practice and technology are developing too much in "silos." In particular, the DRCC notes that the connection between demand response and smart grid is very close. Increasingly there is reference in smart grid discussions to demand response, without recognition that demand response requires different types of policy changes and a different set of business practices and models.

As a result, the DRCC recommends that the final NAPDR place greater emphasis on the relationship between demand response and energy efficiency, emissions mitigation and the smart grid. The NAPDR should include recommendations for actions that can simultaneously advance demand response and those other "smart energy use" goals.

In terms of intertwinement of energy efficiency and demand response, however, it is important to not take a broad brush prior to looking at different target audiences and different components of the plan. For example, one of the elements of the NAPDR will be to support and assist local parties in the design and marketing of specific demand response programs and offerings. Care must be taken to consider whether combining energy efficiency and demand response programs at the local level makes as much sense for large commercial/industrial customers as for mass market customers.

Involve DOE and EPA in NAPDR (Section 2.2.1.5)

The DRCC believes that it makes sense to explore involving DOE and EPA in the creation of the NAPDR now and not just in the development of recommendations after the NAPDR has been sent to Congress.

While EISA allows FERC to develop the final NAPDR and then engage DOE, the DRCC's position is that the best NAPDR would be one that is developed with the smart grid, energy efficiency and distributed generation expertise and experience that has been developed at DOE. The DRCC also believes that the smart grid grant activities at DOE will require what the NAPDR

will provide in order to capture the benefits that the grant-funded projects are capable of yielding. The DRCC sees no reason why FERC and DOE cannot work together to produce a National Action Plan on DR and Smart Grid. The DRCC encourages FERC to reach out to DOE at the highest levels possible in this regard.

The DOE not only offers its smart grid expertise, but also its experience and capabilities in energy efficiency and renewable energy. As stated earlier, the DRCC believes that the NAPDR must be one that includes other sectors to be the most effective plan it can be.

A similar situation exists with respect to EPA and its expertise and experience in energy efficiency, particularly when it comes to the Energy Star program. EPA, together with DOE, has created and implemented a National Action Plan on Energy Efficiency. Cooperation and coordination between FERC, DOE, and EPA makes sense for the NAPDR and the National Action Plan on Energy Efficiency as well as for the efforts of DOE's Office of Energy Efficiency and Renewable Energy.

Regional and Local Implementation (Section 2.2.2)

While endorsing a national communications campaign, the DRCC also agrees with the Discussion Draft's

recommendation that such an effort would have to allow and support regional and local customization of communication and marketing efforts. The NAPDR should not be seen as something that will act as a sales or marketing effort in a specific geographic area. Instead it should be an "umbrella" communications effort, and the tools and resources it provides should support local efforts by local parties to "sell" demand response and smart grid and to recruit participants.

NAPDR National Forum (Section 2.1.1)

Per the Discussion Draft's suggestion on page 15, the DRCC recommends utilizing its National Town Meeting on Demand Response and Smart Grid as the venue for the proposed NAPDR National Forum. The National Town Meeting is well established and attended. It provides funding assistance to state policymakers to facilitate their participation. Using the National Town Meeting as the venue for the NAPDR National Forum would eliminate the need for a new startup effort for the NAPDR, and it would efficiently and optimally use funding, individuals' time, logistical infrastructure, and intellectual capital. The next National Town Meeting has been scheduled for June 23 – 24, 2010, in Washington, DC. These dates are

commensurate with FERC sending the Final NAPDR to Congress.

Essential Actions

The DRCC supports the Discussion Draft's call for essential actions to increase the deployment of demand response, including developing and disseminating information, best practices, analytical models, technical assistance, etc., to a variety of parties. Below are the DRCC's comments on specific proposed actions.

Tools and Materials to Support Demand Response (Section 2.3)

Priority attention should be given to developing and sharing analytical tools regarding demand response's value streams and cost-effectiveness. These tools need to be sufficiently granular to be useful on a system-specific, if not utility-specific, basis. Furthermore, to be forward-looking they need to incorporate "non-traditional" demand response value streams, such as emissions mitigation, energy efficiency (both supply- and demand-side) and renewables integration. The other proposed analytical tools also will be valuable, including the financial decision tools for specific industries.

Beneficiaries of and Need for Technical Assistance, Tools, etc. (PUCs, Utilities, States, Consumer advocates, etc.)

The DRCC approves of the Discussion Draft's recognition that there are numerous parties that need to be the beneficiaries of the information, technical assistance, tools, etc., which will be developed by the NAPDR. The DRCC believes that state PUCs may be the most important parties, but strongly agrees that the NAPDR should also assist investor- and publicly-owned utilities; ISOs and RTOs; ESCOs (energy service companies); state legislatures; governor's offices; various state agencies (e.g. energy offices, air boards, public facilities managers); city officials; consumer and environmental advocates; manufacturers and providers of demand response and smart grid-oriented products (e.g. appliances, energy storage, distributed renewables, energy management systems); and others. Of course, "one size" will not fit all of these parties, and the Coalition will need to carefully prioritize resources to effectively reach these various parties.

Informational and Educational Sessions for Regulators (Section 2.1.2)

The DRCC recommends conducting regular periodic webinars geared towards specific topics and regions. This would make such informational sessions easier to budget for

and participate in. The DRCC has an established capability and record in producing and delivering Webinars and would be able to provide specific assistance and expertise in this area.

Communications Training for States (Section 2.1.3)

The DRCC recommends that, as part of the National Forum/National Town Meeting on Demand Response and Smart Grid, a one-day workshop for state/governing officials be held. The new NAPDR Coalition should be tasked with developing a communications training program specific to this audience.

Sponsoring Technical Papers (Section 2.1.5)

In addition to sponsoring technical papers, the Coalition should collect existing research and reports that have been independently developed and then centralize these into a searchable Demand Response & Smart Grid online library hosted on the Coalition's website. For future research and technical papers, the National Forum should contain a day for the presentation of papers and research reports, similar to what other national organizations such as IEEE do at their conferences.

Federal Funding of NAPDR

The DRCC notes that implementing the NAPDR will take considerable financial and staff resources, and it encourages FERC, DOE, Congress and other potential funding providers to begin formal consideration of the resource needs for implementing the NAPDR. Next year's federal budget should fall within the purview of such consideration. Experience has demonstrated that it is not at all realistic to assume that a new coalition of private and non-profit entities will be able to successfully construct a public/private budget that will allow the Coalition and the NAPDR to be implemented. Also, from a budgetary standpoint, it is not necessary to have in hand the full desired amount for a comprehensive national communications program. The Coalition can be implemented prior to that, at various budget and functionality levels.

Conclusion/Summary

The DRCC believes that FERC has made great strides to date in the development of the National Action Plan on Demand Response. It also has produced a draft document that, based on the two-day Technical Conference held in Washington, DC, has achieved early consensus among stakeholders.

The DRCC believes the state of progress and level of consensus sets up a situation where work can begin now to develop various components of what will be the eventual final NAPDR.

To effectuate this, the DRCC is planning one or more events for early 2010 – most likely free workshops – where stakeholders can gather and exchange expertise and experience that would be relative to further implementation of demand response via the NAPDR.

Further, the DRCC plans to open up its database of demand response and smart grid information for use by those seeking to construct and implement the NAPDR.

In addition, the 2010 National Town Meeting on Demand Response and Smart Grid will be held on Wednesday and Thursday, June 23-24, at the Mayflower Hotel in Washington, DC. The DRCC plans to once again have the National Town Meeting focus on the smart grid and the NAPDR, the final version of which will have been just sent up to Congress.

The DRCC looks forward to working with FERC and with other stakeholders and parties to make the NAPDR a major contributing factor in addressing the nation's energy, economic and environmental challenges.