

Comments of
Demand Response and Smart Grid Coalition
On
Discussion Draft of
National Action Plan on Demand Response

December 4, 2009

The Demand Response and Smart Grid Coalition¹ (DRSG) is pleased to submit its thoughts and comments on the FERC Discussion Draft of the National Action Plan on Demand Response (NAPDR). The DRSG is the trade association for companies that provide smart grid and demand response products and services.

The DRSG agrees with FERC's approach and direction in developing the NAPDR as reflected in the Discussion Draft. The DRSG applauds FERC for its willingness to take a creative approach that extends beyond its normal conceptual zone and aims squarely at the public policy goal of expanding the use of demand response and smart grid technologies and activities.

DRSG members know that demand response has come a long way over the recent decade in terms of acceptance and understanding of

¹ The DRSG is the trade association for companies that provide products and services in the areas of demand response, smart meters and smart grid technologies. DRSG works to educate and provide information to policymakers, utilities, the media, the financial community and stakeholders on how demand response and smart grid technologies such as smart meters can help modernize our electricity system and provide customers with new information and options for managing their electricity use.

what it is and what its benefits are or can be. They also know that demand response has grown in size as a part of the resource mix, and that demand response is now considered to be a reliable resource that can be counted on to deliver when called. FERC deserves credit for much of this progress. It has steadily supported demand response and taken actions at its disposal to expand its use and deployment.

While much progress has been made, demand response still represents a misunderstood and under-appreciated resource that is far from reaching its potential as a major component of the electricity supply and demand equation. Much work remains in making demand response a major tool for customers to use in managing their electricity usage and in reducing their emissions output.

Sensing this potential, Congress directed FERC in EISA to assess demand response potential on a state-by-state basis. Congress assumed that this potential assessment would demonstrate what it already believed to be the case, and so it also directed FERC to develop a National Action Plan on Demand Response.

The DRSG believes that the NAPDR is the vehicle that will take demand response to an entirely new level. It believes that absent the NAPDR, the realization of the full potential of demand response – and for that matter, smart grid – may proceed more slowly and less

effectively. This is largely due to the fact that demand response and smart grid are still nascent areas for utilities and regulators – the two primary actors in the deployment of demand response and the smart grid. The DRSG sees the NAPDR as playing a very important role in providing these parties with technical assistance, tools, resources, etc., to help them in their efforts.

Perhaps more important, however, is the NAPDR's intention to undertake a major multi-level and multi-faceted communications and education effort to develop broad-based understanding and acceptance of demand response and smart grid. The DRSG believes that once such understanding and acceptance is established, some of the barriers to forward movement will be eliminated. Absent these restrictions, utilities and policymakers will have a firmer foundation from which to change policies, make business decisions and deploy demand response and smart grid.

Regarding the main questions that FERC has asked for comment on, the DRSG offers the following comments:

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

The DRSG believes that the set of strategies and activities, as well as the overall vision, put forth in the Discussion Draft

are an appropriate approach to the challenge of taking demand response and smart grid to the “next level.” The DRSG believes that effectiveness will be a function to some extent of the budget that is available for carrying out the activities listed, but it also believes that a lot can be accomplished on a small budget. The communications and education program is an example of an activity where financial resources will play a more significant role in what can be accomplished. Other components can be done effectively for less.

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 DRSG believes that the Discussion Draft presents a comprehensive portfolio of activities that are complementary to one another, and it does not see any that should be removed from the NAPDR at this juncture. It may be that upon further work on the NAPDR by the Coalition and other parties that certain components should be prioritized over others, but that is best done once the Coalition and its stakeholders are working on fleshing out the details of the NAPDR.

In terms of things that may be missing, the DRSG does not believe that the Discussion Draft sufficiently includes and embraces traditional Energy Efficiency or Smart Grid.

The DRSG believes that demand response is the “connective tissue” between and among many of the different electricity sectors and that it is key to those sectors reaching their full potential.

For example, it is well accepted at this point that high levels of variable and intermittent renewable energy will not be possible unless deployment of such resources is accompanied by deployment of demand response and smart grid. Similarly, it is also now commonly accepted that deployment of traditional energy efficiency may not be capturing all of the efficiency potential that exists, particularly in terms of behavior-derived efficiency. The information that demand response and smart grid technologies will provide to customers has been shown to yield additional efficiency.

Most traditional efficiency efforts have not included demand response and/or focused on how to combine efficiency, demand response and smart grid. An example is the National Action Plan on Energy Efficiency. DRSG believes

that FERC should not work in a completely demand response silo and that it should reach out and include the efficiency and smart grid communities in the development and implementation of the NAPDR.

The DRSG also sees demand response as being the key way that the smart grid will be “put into action.” The DRSG notes that much of the work on and discussions about smart grid are really about demand response and demand response technologies. It believes that the NAPDR should explicitly include smart grid as a component and an overarching context.

The DRSG believes that one way to appropriately embrace and include traditional efficiency and smart grid would be for FERC to involve EPA and DOE as early as possible in the development of NAPDR so as to bring their expertise to bear on NAPDR in way that will make it a more holistic and more impactful effort.

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

The DRSG sees the approach being recommended in the Discussion Draft as entirely consistent with EISA. Moreover,

the DRSG believes that the Coalition approach is the best way to develop and implement the NAPDR. As stated through these comments, the DRSG believes that the NAPDR should be inclusive, and not exclusive, and a Coalition is a well-established means of doing that.

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

The DRSG believes that the best way to do the Coalition is via a "Coalition of Coalitions." That way a stakeholder group (e.g., one that represents wind power) comes to the effort with an established means of representing that group and speaking for that sector.

The DRSG believes that the Coalition should be one that is not government led, but instead one that is independent under government oversight.

Additional Comments

The DRSG offers the following additional comments on different aspects of the Discussion Draft:

National vs Regional/Local Communications

The Discussion Draft appropriately recognizes the importance of communications and education on demand response and smart grid. The DRSG believes that the approach to communications must be made modular and flexible so that a national effort can support, complement and blend with local efforts. The DRSG believes that there should be a Communications Plan within the overall NAPDR.

Scalability of Communications

The ability to mount an effective communications/education effort is almost always a function of available budget, and that will surely be the case with NAPDR. Thus it is important to build a communications plan that is scalable and that allows levels of communications commensurate with budget. The communications plan should also focus intensively on low-cost or no-cost communications options such as PSAs, Public Relations, Social Media, etc.

Climate Change

Demand response and smart grid are increasingly and rightfully being seen as a key part of any plan to address climate change. They not only help in straightforward emissions reductions, but they also are necessary for enabling and managing large amounts of variable renewable energy on the electricity system. The

NAPDR must be developed and implemented in a climate change context. Doing so will make it more credible, more accepted and more effective.

Funding for NAPDR

A speedy success for the NAPDR will be in part a function of funding. That funding could come from the Congress in response to recommendations that FERC and DOE make to the Congress six months after the NAPDR is finished. The DRSG believes that FERC and DOE should not wait until 2010 to begin to pursue funding. This pursuit should begin now. FERC should use its leadership position on NAPDR and demand response to issue the call for funding and to begin to seek funding. The sooner that the NAPDR is implemented, the sooner it will yield jobs, emissions reductions and improvements to the nation's economy and security.

Definition of Demand Response

The DRSG speaks often in these comments of the need to look beyond demand response and include traditional energy efficiency and smart grid in the NAPDR. On the issue of demand response itself, it is important that FERC use a broad and expansive definition. The best example of the scope, breadth and diversity of demand response is the make-up of DRSG. It includes companies in the following areas: In-Home Displays and

Networks; Appliances; Smart Metering; Smart Devices; Network Communications; Communications and Controls; Meter Data Management; System Integration; Demand Response Providers; Energy Storage; Lighting; Energy Management; Smart Grid Technologies, etc. A definition and discussion of demand response needs to include these and other parts of the larger demand response world.

Technical Assistance to States

It will be necessary for the NAPDR to prioritize its effort, not only based on budget limitations, but also based on the relative importance of the various things it will undertake. The DRSG believes that one element of the NAPDR that deserves a high priority ranking is assistance to state policymakers and stakeholders. With each passing year, and with each passing development at the federal level on demand response and smart grid, the importance of state action becomes all the clearer. Putting demand response and smart grid into action requires local investment in technologies and infrastructure. It also requires the introduction of new information and new options for customers, including time-based pricing. These efforts require state and/or local action by regulators, utilities and stakeholders, and the NAPDR should do everything it can to facilitate and support such.

NAPDR's Role in Ensuring Consistency

The Discussion Draft calls for essential actions to increase the deployment of demand response. Such essential actions include developing and disseminating information, best practices, analytical models, technical assistance, etc., to a variety of parties. In this vein, the NAPDR can play a very important role in ensuring that analytical models, etc., are nationally consistent in order to provide all parties with a common metric for change. For example, models for calculating baseline and demand response impact should be defined so that, ex post facto, economist and other analysts can easily discern and calculate the achievement of each state and/or utility. This need also points to the importance of coordination between FERC and DOE, as the latter has a major task at hand in measuring demand reductions as part of ARRA §1306 and §1304 grants. Further, NIST and NAESB are also addressing standards for Measurement, Verification and Estimation ("MVE") of demand response. Coupled with these initiatives, is proposed peak-load-reduction legislation that, if passed, would likely necessitate that utilities and states have clear and consistent methods for determining demand response results. It is understood that there may be regional differences and different numbers, but the methodology for determining baselines and verifying subsequent demand reductions must be consistent. The DRSB believes an interagency coordinated effort within the context of the NAPDR is important to the overall success of not only the NAPDR, but also demand response and smart grid.

National Town Meeting on Demand Response & Smart Grid

The DRSG as an organization and DRSG members have been strong supporters of the National Town Meeting on Demand Response and Smart Grid series put on by the Demand Response Coordinating Committee. The DRSG members believe the 2009 National Town Meeting's specific focus on the NAPDR helped a wide variety of parties focus on the NAPDR, in some cases for the first time, and contribute to the evolution of FERC's Discussion Drafts. The DRSG believes that FERC should look to the next National Town Meeting, scheduled for June 2010, as an event to explicitly use to launch the final NAPDR.

Conclusion/Summary

The DRSG believes that the National Action Plan on Demand Response can be—to employ a somewhat overused term—a real “game-changer” in terms of meeting a number of public policy objectives, ranging from job creation to climate change. The development of the NAPDR and its implementation will cause demand response and smart grid to happen faster than would otherwise happen absent the NAPDR. By leading to faster and greater deployment of demand response, it will act as the tide that will lift many other boats in the energy and environmental areas. The DRSG as an organization stands ready to contribute the time,

resources and effort to put the NAPDR on a fast track. The DRSG commends FERC for its leadership and commitment to date, and it looks forward to supporting FERC as the plan continues to unfold.