

# DRAM

— DEMAND RESPONSE *and* ADVANCED METERING Coalition

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March 24, 2006

Diana K. Wilson  
Secretary  
Arkansas Public Service Commission  
1000 Center Street  
Little Rock, Arkansas 72201

RE: Docket No. 06-004-R

Dear Secretary Wilson:

Please accept the attached as the comments of the Demand Response and Advanced Metering Coalition (DRAM) pursuant to the Commission's request for such in the Matter of a Notice of Inquiry Regarding a Rulemaking for Developing and Implementing Energy Efficiency Programs.

Comments or questions may be directed to Dan Delurey at 202.441.1420.

Thank you.

Sincerely,



Dan Delurey  
Demand Response and Advanced Metering Coalition

Comments of  
Demand Response and Advanced Metering Coalition (DRAM)  
Before the Arkansas Public Utilities Commission

In

Docket No. 06-004-R

IN THE MATTER OF A NOTICE OF INQUIRY  
REGARDING A RULEMAKING FOR  
DEVELOPING AND IMPLEMENTING ENERGY  
EFFICIENCY PROGRAMS

March 24, 2006

The Demand Response and Advanced Metering Coalition (DRAM) is an organization which includes the nation's leading providers of demand response technologies and services. Its objective is to provide information on demand response and its enabling technologies to policy makers and other interested parties.

DRAM applauds the Arkansas Commission for initiating this proceeding. The rulemaking represents an acknowledgement that demand side management (DSM) is a business and policy area that is ripe for exploration and expansion in Arkansas.

DRAM notes however, that the majority of the focus of the rulemaking is not on demand side management but instead on one component of DSM – energy efficiency. DRAM believes that the rulemaking should be expanded in scope to take a more holistic view of the demand side of the energy equation and include demand response as well as energy efficiency.

DRAM's proposes that the rulemaking take a DSM approach based on the following:

- 1. The Proceeding will presumably focus in large part on customer wants and needs, and customers want all options for managing and reducing their bill available to them – not just efficiency.*

Customers do not concern themselves with terms of art such as energy efficiency and demand response. They focus on what tools, options, etc they are provided with or can access that enable them to better manage their energy use and lower their energy bill. They view efficiency programs and demand response programs as different tools they can employ to accomplish the same objective.

Enabling customers with the increased ability to manage their energy and reduce their bill is a stated objective of this proceeding. It is also the stated reason that Section 1252 of the Energy Policy Act requires states to conduct an investigation and make a

finding as to how to provide demand response and enabling technologies such as advanced meters to all customers.

2. *Demand Response programs in most cases result in a net reduction in energy usage.*

A common misconception with demand response programs is that the load that is reduced on peak is replaced in its entirety or even increased in the off-peak period, thus leading to an increase in kWh used. Available research on this topic shows the opposite however; in most cases demand response programs show a net “conservation effect” on the order of 4%. The most easily understood example of why this occurs in the case of lighting – a customer does not turn on lighting “twice as much” during the off-peak period to replace the usage forgone during the peak period when lighting levels were reduced.

3. *Not all kWh saved are equal in terms of value – either in monetary or environmental terms*

Both the cost and the environmental profile of kWh saved and produced vary over the course of 24 hours. High cost generation resources are deployed during system peaks and these resources can also be those that are less efficient and that have greater emissions. The State of California has recognized this and begun to introduce methodologies for determining efficiency building standards and program cost effectiveness that treat the value of the kWh saved as different depending on the time at which it is saved.

It is true that in many cases demand response does not produce a large number of kWh reductions. But the kWh saved– and importantly, the capacity reduced or avoided - can be of a higher value overall, and have a larger impact on customer prices and bills, than that of an average kWh avoided.

4. *Customers cannot manage what they cannot measure*

One of the advantages to demand response from a customer standpoint, as well as that of the utility and regulator, is that the impacts are in most cases directly measurable and verifiable. One of the cornerstones of demand response is the deployment of technology which not only allows price signals to be provided to the customer, but which also provides control capability to the customer and/or the utility (or in some cases automated control that can be overridden by either). Electricity used and not used is precisely measured on a time basis allowing accurate and direct feedback on the results of actions taken to reduce usage and costs.

5. *Demand response can produce permanent load reductions*

The Order lists included “permanent” load reductions on its list of goals on page 3 of the document. Permanent load reductions are normally meant to refer to “embedded” efficiency steps taken that result in an end use unit using less energy and therefore contributing less to the overall demand on the system at all times. Demand response is admittedly more dynamic and indeed that is one of its positive attributes, but a properly designed and implemented demand response program can also become a permanent institutionalized part of the electricity system that can be relied upon in controllable, measurable ways to provide load reductions when needed. Customer price elasticity and technology acceptance has been demonstrated in program after program to support this.

In summary, DRAM reiterates its belief that all parties in Arkansas – customers, utilities and others – would be best served in this rulemaking by taking an approach whereby energy efficiency and demand response are seen as two different options for those parties under the overall concept demand side management. Energy efficiency and demand response each yield similar things in many ways but yet each also offers things that the

other one cannot. The important thing is that they be seen as complementary and not in competition or conflict with each other. The goal in Arkansas should be to explore, develop and deploy all demand side options and resources – energy efficiency and demand response.

Questions regarding these comments may be directed to:

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