

**Comments of
Demand Response and Advanced Metering Coalition (DRAM)**

Illinois Commerce Commission

Post 2006 Initiative

March 19, 2004

General Commentary

The DRAM Coalition is a diverse group of parties focused on providing information and education to policymakers and stakeholders on Demand Response and its enabling technologies. DRAM membership includes technology companies, utilities, trade associations and public interest groups.

DRAM applauds the Commission for the inclusion of demand response as one of the areas that needs to be addressed in the Post 2006 initiative. On page two of the Staff White Paper, three challenges facing the Commission are listed, including the design of bundled retail service offerings and service options that provide appropriate price signals and demand response. DRAM commends the staff for recognizing that demand response and dynamic pricing should not be viewed as something that only the competitive market can provide. Indeed, demand response pricing and programs can fit well within a regulated framework, helping customers and providers to optimize their usage and delivery. As policy makers increasingly acknowledge that customer choice and competition are not inseparable, demand response can offer customers who do not enter the market a new choice, similar to the way that green pricing is widely offered today.

DRAM urges the Commission to view demand response more comprehensively than its inclusion in "Challenge 3", however. DRAM believes that demand response can also help the Commission meet the first challenge listed, i.e. encouraging development of a competitive market when faced with concentrated generation markets and transmission constraints. Demand response is seen as being able to provide the necessary balance that a competitive market needs to properly function, both from the standpoint of customers and market participants. Demand response can help bring order to a market and provide a brake against exercise of market power. It can be used in a targeted manner to address localized load pockets and constraints derived from either generation or transmission problems. Also, by ensuring that market rules allow demand response providers to easily dispatch demand response into the market, the competitive provision of demand response offerings is supported. Finally, the technologies that are deployed to enable demand response can facilitate

increased speed and accuracy in the settlement of competitive customer transactions.

Demand response can also play a role in addressing the second challenge listed by Staff, i.e. working within a framework that relies heavily on FERC action. FERC is fully committed to demand response and sees it as a cornerstone for making competitive markets work. FERC is actively seeking to increase demand response activity in wholesale markets and to take what action it can to support provision of demand response at the retail level.

Comments on List of Issues

DRAM suggests that the following be added to the list of issues in the Staff White Paper:

Power Procurement

- In procuring power for bundled customers, to what extent should utilities evaluate, assess, and to the extent cost-effective, include demand response as an equivalent resource to generation for purposes of planning and operations.

Rate Issues

- Should customers returning to bundled service be put on time-based rates as their default option, under opt-out conditions?
- Which types of time-based rates, ranging from TOU to Critical Peak Pricing to Day Ahead Real Time, are appropriate for which customer classes? What has customer acceptance of such been in Illinois and other states to date?
- To what extent is existing infrastructure a barrier to wider deployment of time-based rates? How can electricity providers be provided with cost recovery assurances and incentives that will lead to the necessary infrastructure being put in place?

Competitive Issues

- What are the barriers to competitive providers providing demand response programs and/or dynamic pricing offers and what can FERC and/or the Commission do to address such?

Summary

DRAM thanks the Commission for this opportunity to comment at this stage of its Post 2006 activities and looks forward to providing information on the issues above as well as others as the process moves forward.

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