

**BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission)
To Consider Demand Response Initiatives)**

Case 09-E-0115

**COMMENTS OF THE
NATIONAL ENERGY MARKETERS ASSOCIATION**

The National Energy Marketers Association (NEM)¹ hereby submits comments on the “Assessment of the Potential for Cost Effective Demand Response by Consolidated Edison Company of New York, Inc.,” dated June 1, 2009, as filed in the above-referenced proceeding. This ConEd filing was published in the July 8, 2009, State Register for comment. By these comments, NEM recommends that as part of the effort to improve cost effective demand response, that residential and small commercial customer demand response load profiles be established by ConEd (and also the other New York utilities) to be used for marketer settlement purposes with the NYISO.

In its Order Instituting Proceeding, the Commission decided that,

This proceeding will focus demand response efforts in the New York Independent System Operator (NYISO) Zone J where demand response is expected to be the most cost-effective. NYISO Zone J, served by Consolidated Edison Company of New York, Inc., (the Company), experiences the greatest rate of peak load growth and the highest wholesale energy and capacity costs. NYISO Zone J also relies on numerous peaking generation units, some of which are relatively inefficient and produce high emissions.²

¹ NEM is a non-profit trade association representing both leading suppliers and major consumers of natural gas and electricity as well as energy-related products, services, information and advanced technologies throughout the United States, Canada and the European Union. NEM's membership includes independent power producers, suppliers of distributed generation, energy brokers, power traders, global commodity exchanges and clearing solutions, demand side and load management firms, direct marketing organizations, billing, back office, customer service and related information technology providers. NEM members also include inventors, patent holders, systems integrators, and developers of advanced metering, solar, fuel cell, lighting and power line technologies.

² Case 09-E-0115, Order Instituting Proceeding, issued February 17, 2009, at page 2.

The Commission was interested in exploring the enhancement of existing programs but also sought to “examine the potential use of competitive providers within the context of utility-administered programs.”³ It is this issue for which NEM and its members, including wholesale and retail marketers of energy supply and demand response related services and technologies, are perhaps uniquely suited to address.

We recognize that the Commission’s recent groundbreaking order on utility smart grid projects, prohibiting the creation of utility information monopolies, will do much to ensure a competitively neutral playing field when the new generation of smart meters and other smart grid technologies are deployed throughout New York State.⁴ However, in the interim before smart meter and smart grid technologies are available to be called upon to measure and verify precisely consumers’ actual demand response, NEM believes that there is a low cost option available to permit consumers to increase their participation in demand response behavior today. What this entails is the development of demand response load profiles for residential and small commercial customers by ConEd, as opposed to the standard load profiles currently in use, for marketers use in the settlement process at the NYISO.⁵

³ Id.

⁴ "We acknowledge NEM's concerns regarding the creation of an information monopoly through the deployment of AMI that is proprietary and closed to outside providers. We do not support the creation of an information monopoly through our approval of these smart grid projects, and thus, require utilities to take all steps appropriate, including adherence to the AMI minimum functional requirements, to prevent such monopoly from being created. Consequently utilities, unless otherwise waived, shall adhere to the AMI minimum functional requirement that customers or their competitive providers will be able to access meter data in an open, standard, nonproprietary format, as both NEM and EnerNOC suggest." Cases 09-E-0310 AND 09-M-0074 – Order Authorizing Recovery of Costs Associated with Stimulus Projects, issued July 27, 2009, at pages 39-40.

⁵ The NYISO will not currently accept marketer-generated load profiles.

NEM urges the Commission to consider requiring the development of demand response load profiles as a low cost pilot program, to be implemented by the marketer community, that will test consumers' appetite for demand response products. Indeed, there should be no significant costs associated with providing a first generation demand response load profile, and this will provide an excellent platform to transition consumers to become even more proactive with their energy usage decisions as smart grid technologies are implemented and fully available.

The way that the demand response load profiles can work is straightforward. The demand response load profile should provide a more granular, refined profile than is currently available and incent realistic first steps at educating and implementing residential and small commercial demand response. A first generation transitional demand response load profile for residential and small businesses can establish load-shifting goals as differentiated from current standard load profiles. With these load profiles available, marketers can develop more off-peak type product offerings for customers, and buy more energy in off peak periods, supporting both reduced usage (volumetric benefit) and a lower commodity rate (price benefit). The marketer bears the risk that its customers will not conform to the demand response load profile until smart meters, smart thermostats, or a second more accurate generation of demand response load profiles become available. And, if the marketer is not conforming to the demand response load profile, the "penalty" could also be to revert them to the standard load profiles currently applicable to the existing service classes of its customers.

Marketers are the appropriate conduit to bring demand response products to consumers because they perform a number of functions in the marketplace: 1) development of

innovative DR products and services; 2) consumer education about DR benefits; 3) enabling consumer participation in the market, across multiple markets; and 4) providing transparent pricing and incentive behavior changes at the mass market level. Marketers have been making demand response offerings in the marketplace for many years, and the smart grid can enhance the quality and quantity of this type of competitive offerings in the years to come. Marketers will be key contributors to creating demand response consumer awareness, which will catalyze the adoption of smart grid technologies and resultingly hasten the accomplishment of State goals to reduce consumption 15% by 2015. With demand response load profiles, marketers can offer consumers with rates that leverage existing technologies to provide feedback to affect consumption behavior such as providing text messages on peak price events, using smart thermostats, and/or “google” power meters.⁶ Indeed, an Oxford University study found that consumers provided with direct feedback (i.e., from a meter or associated display monitor) on their energy usage achieved reductions in the range of 5-15%.⁷

Simply stated, the Commission cannot rely solely on pre-existing load profiles to enable smart grid technologies and the competitive marketplace to deliver meaningful demand response. Specifically, without a new first generation demand response load profile marketers would only be in the position to offer consumers a volumetric benefit, not a price benefit, for reducing demand. Accordingly, we recommend that the Commission require ConEd to develop a first generation transitional demand response load profiles for

⁶ The Google PowerMeter shows consumers their electricity consumption in a secure Google gadget. See <http://www.google.org/powermeter/index.html>

⁷ The Effectiveness of Feedback on Energy Consumption, Sarah Darby, University of Oxford, Environmental Change Institute, April 2006, at page 3. The study also found that savings in the range of 0-10% were achievable when consumers received indirect feedback on energy usage (feedback that has been processed in some manner before reaching the consumer, usually billing). Id.

its residential and small commercial customers until sufficient data is available from smart meters to refine such a transitional load profile.

III. Conclusion

NEM appreciates this opportunity to offer its recommendations on the ConEd DR Report and to provide the Commission and stakeholders with a low cost method of increasing demand response participation on the part of residential and small commercial customers. Marketers are poised to bring innovative demand response products to market as soon as transitional demand response load profiles for these consumers are developed, enabling a more rapid transition to the promise of a smart grid.

Respectfully submitted,

Craig G. Goodman
President
Stacey L. Rantala
Director, Regulatory Services
National Energy Marketers Association
3333 K Street, NW, Suite 110
Washington, DC 20007
Tel: (202) 333-3288
Fax: (202) 333-3266
Email: cgoodman@energymarketers.com;
srantala@energymarketers.com

Dated: August 20, 2009.