BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the Coordination of State and Federal Regulatory Policies for Facilitating the Deployment of all Electric Customers of All Classes Consistent With the Public Interest	)))))	File No. EW-2010-0187

COMMENTS OF ENERGY CURTAILMENT SPECIALISTS, INC.
INVESTIGATE IMPLEMENTATION OF VARIOUS DEMAND-SIDE PROGRAMS

INTRODUCTION

Energy Curtailment Specialists, Inc. (ECS) is one of the nation's largest Demand Response and Energy Management Service Companies, and a leading demand response provider for commercial, industrial, and institutional customers. ECS is a recognized leader, innovator and experienced demand response service provider. Successful initiatives are crucial for system reliability, market efficiency and intelligent resource utilization. Efforts to enable participation are providing significant benefits to utilities, transmission operators and ratepayers alike, fulfilling a crucial role in meeting environmental and sustainability goals.

ECS would like to thank the Missouri Public Service Commission ("MoPSC") for providing the opportunity to address, in advance of the February 22, 2010 Workshop, the questions raised by the MoPSC. ECS respectfully submits the following comments to the twenty-six questions propounded by the MoPSC.

COMMUNICATIONS

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CONCLUSION

In conclusion, ECS respectfully thanks the MoPSC for the opportunity to submit our comments in the above captioned proceeding.

Respectfully submitted,

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Questions for Electric Issues Workshop on February 22, 2010

Energy Curtailment Specialists, Inc.
February 17, 2010

1. **Does the term "energy efficiency" include shifting demand to off-peak periods? See Section 393.1124.2(4).**
ECS: The term energy efficiency term can be interpreted to mean several different actions. At this point in time ECS cannot comment on whether or not energy efficiency would include shifting demand to an off-peak period until we clearly understand exactly what end result the MoPSC would be seeking to accomplish.

Does "modify net consumption" as used in Section 393.1124.2(3) include shifting demand to off peak periods? See Section 393.1124.2(2).
ECS: Yes, ECS believes that "modify net consumption" can be termed in load reduction during curtailment events, or curtailing usage that is shifted to another period of time in order to meet the load reduction that is needed. Many demand response programs are designed to allow for shifting demand from on-peak periods to off-peak periods. Some demand response participants might opt to shift usage to another period in order to meet the curtailment event, while other participants might opt to curtail their load and not shift usage to another period of time.

2. What does "load management" as used in Section 393.1124.2(3) mean?
ECS: There can be several different types of demand response programs. Some are designed as capacity programs (emergency curtailment), economic programs (price response), and ancillary service programs (spinning reserves & regulation service). Load management can mean managing load during emergency curtailments, economic response, or providing ancillary services. ECS looks at load management as the act of managing the customers load during any or all demand response program events or dispatch.

3. What is "demand savings"? How should "demand savings" be determined? See Section 393.1124.4
ECS: Demand savings can be found in emergency programs, by reducing the peak load during high periods of demand, thereby eliminating the need to build peaking units year after year. For economic and ancillary service markets this can be found in lowering the demand for energy by allowing demand response resources to respond to price signals, including reserves and regulation. Demand savings can be determined through a measurement and verification process based on program designs, and measured against what the demand response program is seeking to eliminate. An example would be if a local Utility is looking to reduce the peak demand during the period of 12:00 pm to 5:00pm, during the summer months of June – September, thereby eliminating the need to build a new peaking unit. The cost effectiveness test would look at the forgone cost to

build the unit and what the cost of funding a peaking demand response program would be.

4. How should "energy savings" be determined? See Section 393.1124.4. Should there be a regular, standard process for determining whether a utility program achieves "cost-effective measurable and verifiable efficiency savings"? See Section 393.1124.3(3). If "yes," what should be that regular, standard process?
ECS: ECS believes there should be an established process, and the MoPSC should seek to develop both the process and the standards by which demand response and energy efficiency will be measured and verified. Without measurement and verification both the MoPSC and the Utilities would have no way of determining if programs are cost effective, are producing the desired results that are sought, and if full customer participation is taking place. Through solid measurement and verification this will enable both the MoPSC and Utilities to annually review programs and determine if changes are needed so that greater participation can be recognized in future years.

5. What is meant by the term(s) "rate design modifications" / "rate design? modification" as it appears in Section 393.1124.5?
ECS: No comment

6. How does a "customer" "notify" the "electric corporation" that the customer elects not to participate in demand-side measures offered by an "electrical corporation"? See Section 393.1124.7.
ECS: ECS would propose that the Commission consider modifying this section of the Statute so that customers are required to notify the electric corporation that they "intend" to participate in a demand-side measures, otherwise the electric corporation might enroll customers into demand-side measures or programs that do not fit or meet the customer's needs. If the electric corporation is required to notify customers of their enrollment it will be problematical for the electric corporation to ensure that each and every customer has been notified and understands the program they are enrolled in and the risk the customer might face through such an enrollment. It is not only easier, but more valuable in terms of better performance for a customer to "opt" into a program than to "opt" out.

7. Is there any significance to the fact that the term "electric corporation" appears in SB 376 in addition to the term "electrical corporation," and the term "electric corporation" is not a defined term in Section 386.020?
ECS: No comment

8. What is the definition of the term "customer" as that term is used in SB 376?
ECS: ECS believes the term "customer" as is used in SB 376 means all electric retail customers whom take delivery from an electric corporation under a retail tariff.

9. What is meant by the term "corporation-specific settlements" which appears in Section 393.1124.11?
ECS: ECS believes that "corporate-specific settlement" is needed to recognize the differences in electric corporation demand-side and energy efficiency programs, which

might be implemented with MoPSC approval. Each electric corporate might design and implement either a demand-side or energy efficiency program that differs from another electric corporation, therefore corporate specific settlement will be needed to account for program differences. That said, if the MoPSC is inclined to establish a uniform program, then ECS would suggest that the settlement process, however established, be uniform.

10. How does, or how should, an electrical corporation propose a demand-side program pursuant to Section 393.1124? See Section 393.1124.4. How does, or should, the Commission approve demand-side programs proposed pursuant to Section 393.1124? See Section 393.1124.4.

ECS: The electric corporations must determine the resource need, how much of each resource (demand response, energy efficiency) is needed, and the program design mechanisms. There are several different types of program designs across the country. Some of these programs provide additional incentives that seek to encourage participation beyond the wholesale market and act as a rider to wholesale demand response programs, while other states have developed demand response programs at the retail level only. Neither of the wholesale markets that have market operations within the state of Missouri, SPP or MISO, have a mechanism in place to compensate demand response customer participation beyond just an energy payment. In Eastern markets, NYISO, PJM, & ISO-NE, capacity markets provide this critical compensation mechanism. In California the Investor Owned Utilities have contracted with third party providers (ARCs) allowing ARCs to enroll demand response participants. ECS would propose that each electric corporation implement an open market (where all ARC's can provide demand response and energy efficiency) that will allow ARCs to participate on equal footing. ECS would propose that each electric corporation develop a demand response and energy efficiency tariff, which allows full customer participation and full ARCs participation. By allowing an open market, or open tariff solution, each electric corporation thereby increases the potential amount of demand response and energy efficiency that can and will be procured.

11. How should the determination be made whether a demand-side program is beneficial to all customers in a customer class regardless of whether the program is utilized by all customers? See Section 393.1124.4.

ECS: Demand response is a useful component of a modern electrical system because it increases reliability and reduces costs to **all** electricity consumers. The benefits of demand response are widely recognized. Demand response provides economic benefits to participants, which can lead to significant competitive and economic development advantages. This can especially be found in industries with high energy costs or those with very competitive pricing. Those that do not participate in demand response programs gain additional benefits of increased reliability and lower price volatility from demand response. The MoPSC should consider all the above factors when determining if a demand-side program is beneficial to all customers, regardless of their participation. If a demand-side program seeks to reduce energy prices, lower peak demand on the system, or reduce the need to build new generation and/or transmission then clearly demand-side programs would be beneficial to all customers within the energy corporation's service territory.

12. Does any Missouri statute, case law, or regulation prohibit or restrict electric utility customers from participating directly or indirectly through aggregator of retail customers (ARCs) in demand response bidding programs, as discussed in FERC's Order Nos. 719 and 719(A)?
ECS: ECS knows of no Missouri statute, case law, or regulation that would prohibit Missouri retail electric utility customers from participating directly through an ARC in demand response programs.

13. Does a single retail customer or an ARC act as a public utility subject to MoPSC regulation under Missouri statute, case law, or regulation if it bids demand response into SPP's or MISO's organized energy market?
ECS: ECS respectfully submits that ARC's do not act as public utilities and therefore should not be subject to MoPSC regulation under the Missouri statute. The essential role of an ARC is to bridge the gap between the individual customers and the demand response program administrator, whether the administrator is an ISO/RTO or utility. ARCs have the ability to structure customer contracts in a manner that fits the individual customers needs, shield customers from program penalty risk, provide advance metering, and assist customers in program rules and regulations. ARCs take on more of a role of energy service consulting, which offers demand response as part of a comprehensive array of services to the end use customers.

14. Does the right to furnish retail electric service under Section 393.170 give a certificated utility an exclusive right to "benefit" from demand response activities of its retail customers either directly or indirectly through an ARC?
ECS: Demand response is something the customer does with their electricity, or does not do. By participating in demand response programs, customers create valuable products that their utility should have no claim on. Due to the nature of their businesses, some customers are more capable of providing demand response than others are. Some customers choose to make the investment and commitment necessary to provide demand response, while others do not. Thus, demand response products represent a beneficial use of retail electric service, created by customers through their own investment of time, money, and effort. ECS is not aware of any right the certified utility has to the electricity that the utility sells to the customers.

15. How would a certificated utility and its other retail customers be affected if a single retail customer or an ARC bid demand response directly into SPP's or MISO's organized energy market?
ECS: ECS does not believe that a utility, or retail customers, would be affected if there demand response was bid directly into the wholesale market. Demand response brings the same benefit to electricity consumers as does new supply resources, generation, into the market. In an organized competitive market a new supply resource will only reduce wholesale prices of electricity if the new resource is priced lower than existing resources. For many demand response participants the cost to enter the market is lower than building a new generating facility therefore demand response resources seek to reduce the prices end-users pay for their electricity. Non-participating customers gain additional

benefits of increased reliability and lower price volatility from demand response. Demand resources also increase the system supply diversity for both utilities and wholesale markets, both making it more reliable and reducing the impact of fuel cost changes on prices.

16. What would be the effect on utility rate design if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?

ECS: Encouraging customers to curtail during high energy usage, or peak demand days, seeks to lower energy procurement costs. Demand response enables wholesale markets and utilities to forgo the cost of dispatching more expensive generation, which usually only operates during peak demand days. If current utility rate design captures the costs associated with operating more expense generation, during peak demand, then a demand response program will seek to lower the overall rate design, if the demand response program costs are lower then the costs associated with operating peaking generation.

17. What would be the effect on utility revenue collection if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?

ECS: No comment

18. How would utility's long-term load forecasting process change if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?

ECS: As with other ISO/RTO wholesale markets when a demand response event is activated during the date and time of a system peak the demand response MWs are added back to the peak load so that the load reflects operating conditions without the use of demand response. The type of demand response program should dictate if the demand response MWs are added back to the load forecast or if the load remains unchanged. If the utility is utilizing a demand response program to lower peak demand, then the load forecast should not be adjusted to reflect the demand response event. However, if a utility or ISO/RTO is utilizing a demand response program for emergency purposes then the MWs that curtailed during an emergency (if during the date and time of the system peak) should be added back to the load forecast for long-term forecasting.

19. How would utility's budgeting process change if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?

ECS: No comment

20. Are there any other consequences of allowing participation in demand response programs by a single retail customer or an ARC?

ECS: As stated earlier, demand response is a useful component of the electric system, with the potential to increase reliability and reduce costs to electric consumers. If properly designed, demand response programs will enable customers to provide demand response while imposing no costs on the customers' host utility. Allowing ARCs, such as

ECS, to enroll customers in either SPP or MISO programs brings many benefits to participating customers and all electricity customers in general. Additionally, allowing participation in demand response programs through an ARC gives access to demand response opportunities to customer classes who would otherwise be denied the benefits of interruptible tariffs. In recent years, FERC has taken an active role in promoting demand response in wholesale markets, most recently through Order 719, which, among other things, mandated that demand response be able to compete on equal terms with generation, and that independent providers be given equal access to wholesale markets.

21. How would customers' demand rates be estimated if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?
ECS: No comment

22. How would demand sales be transacted from an operation standpoint if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?
ECS: No comment

23. Would existing or planned demand response programs, and the costs associated with implementation of these programs, be undermined or cause a loss in benefits to retail ratepayers if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?
ECS: No, ECS does not believe that demand response programs undermine or cause a loss of benefits to retail ratepayers, and in fact ECS believes that all retail ratepayers benefit from demand response programs. As outlined in other sections of our comments demand response programs seek to reduce peak demand, lower energy costs, and reduce the need to build peaking units year after year.

24. If the MoPSC has the authority to do so, what conditions would the MoPSC place on a single retail customer or an ARC if it bids demand response directly into SPP's or MISO's organized energy market?
ECS: ECS does not believe that the MoPSC should place any conditions on ARCs, or single retail customers, that seek to bid their demand response availability into the SPP or MISO. Both single retail customers and ARCs will have conditions, or program rules, which must be adhered to, imposed on them by either the SPP or MISO. Should the MoPSC seek to impose additional conditions on ARCs it might be viewed as an additional barrier to entry for demand response.

25. How are efforts to encourage demand response by MoPSC jurisdictional electric utilities implicated if a single retail customer or an ARC bids demand response directly in SPP's or MISO's organized energy market?
ECS: First, ECS believes that should the MoPSC encourage electric utilities to develop demand response programs, through retail rate tariffs, the MoPSC should also encourage the utilities to allow ARCs to participate as third party providers in the utilities program(s). Secondly, seeking input from ARCs during development of programs would

allow utilities and the MoPSC the ability to gain valuable knowledge from industry leaders in the field of demand response. The Eastern wholesale markets, PJM, ISO-NE, and NYISO, have fully developed demand response markets and many ARCs participate in these markets. By allowing ARCs the ability to provide input, and assistance with program design, this will bring significant industry knowledge to the table. ECS believes it is critical to get program rules and design developed as accurate as possible from the start, thereby allowing for greater participation from the onset.

26. How are efforts to encourage energy efficiency programs by MoPSC? Jurisdictional electric utilities implicated if a single retail customer or an ARC bids demand response directly into SPP's or MISO's organized energy market?

ECS: Studies show, and ECS' experience demonstrates, that commercial end-users of electricity use the incentives they receive from their participation in demand response programs to further invest in energy efficiency projects, enabling a long term impact. Think of it this way, if you spend a dollar to run a peaking unit or for peak energy procurement all you'll ever get back is a dollar of energy. If you spend that same dollar on a demand response program every indicator points to receiving far more than a dollar in return through increased energy management investment, behavioral change, and employment of dedicated conservation habits. In fact demand response is literally 'dispatchable conservation' forever intertwined with any energy management initiative. The ultimate goal is an efficient electricity market from generation through to consumption.