



North American Energy Standards Board (NAESB)  
Proposed Measurement and Verification Business Practice Standards  
for Wholesale Electric Market Demand Response Programs

Comments of the  
Electricity Consumers Resource Council (ELCON)

Dated October 20, 2008

The Electricity Consumers Resource Council (ELCON) appreciates the opportunity to comment on the draft recommendation for proposed measurement and verification business practice standards for wholesale electric market demand response programs (NAESB Request No. 2008 AP Item 5(a)).

ELCON is the national association representing large industrial consumers of electricity. ELCON member companies produce a wide range of products from virtually every segment of the manufacturing community. ELCON members operate hundreds of major facilities and are consumers of electricity in the footprints of all ISOs and RTOs in North America that are potentially affected by the recommended business practice standards.

Most ELCON members are "Demand Response Providers" as defined by the draft recommendation. They have had years, if not decades, of experience operating under interruptible tariffs and contracts. They have also been participants in the demand response and emergency load curtailment programs of FERC-approved ISOs and RTOs, and ERCOT. Through their membership in ELCON they have followed the progress of the DSM-EE effort by NAESB.

**Comments**

ELCON strongly supports NAESB's efforts that produced this draft recommendation. It is an important milestone for the industry and we applaud NAESB for its leadership role in this regard. We look at many of the provisions of the proposed standards in the context of how they might be used as barriers to participation even though we do not believe that is the intent of the authors. In the past, the stakeholder process at some ISOs or RTOs has not been a favorably environment for promoting the efficient use of Demand Resources. ELCON offers that following comments on the draft recommendation.

1. Measurement and Verification - We believe it may be a misnomer to label this draft recommendation “measurement and verification” (M&V) business practice standards since the standard would defer many actual M&V functions to the System Operator and applicable tariffs. The proposal does not standardize many M&V functions, but rather, provides a standardized template (or taxonomy) for designing Demand Response programs and offerings in the wholesale electric markets, and provide capabilities for supporting the measurement and verification of the Demand Resource. There are aspects of measurement and verification that are not covered under this draft recommendation that the industry may seek to address in future standards. Our concern is that this option not be precluded by the draft recommendation.

2. Normal Operations/Recovery Period - The standard should not require a return to “normal operations” (implying a return to a higher or the ex ante level of load) unless the Demand Response Provider has been contracted to do so. The Demand Response Provider should be allowed the discretion to remain at the lower Load level after the Demand Response Event. Any other such requirement should be treated as a separate Event. The applicable definitions should be clarified as follows:

**Normal Operations** - The time following Release/Recall at which a System Operator may allow a Demand Resource to cease any obligation regarding its Load consumption, and to be available again for Deployment. (“Definition of Terms”)

**Recovery Period** - The time between Release/Recall and Normal Operations, representing the window under which Demand Resources may return to their normal or other load level. (“Definition of Terms”)

**Release/Recall** - The System Operator shall specify the time at which Demand Resources shall cease any obligation regarding its Load consumption. (“Business Practice Requirements” except for Regulation Products (015-1.12))

3. Demand Resource Availability Measurement - The current provision on Demand Resource Availability Measurement in the Business Practice Requirements is too open ended. We recommend:

**Demand Resource Availability Measurement** - The System Operator shall specify any reasonable requirements for measuring the capability of a Demand Resource to meet its obligation that do not burden the Demand Resource with unnecessary or unduly costly requirements.

("Business Practice Requirements" – Capacity Products (015-1.4) and Reserve Products (015-1.8))

4. Aggregation – The proposal for Aggregation under the four service types may be subject to abuse or discriminatory treatment of Aggregators. The System Operator should not be in the position to decide who can or cannot aggregate loads. The System Operator should be required to accept resources from Aggregators that are already pre-qualified under applicable state or federal regulations, and the terms and conditions of each ISO or RTO's tariffs. We suggest a new provision:

**Aggregation** – The System Operator shall treat Aggregated Demand Response on a comparable basis with other Demand Response.  
("Business Practice Requirements")

5. Telemetry – There are an abundance of definitions and references to telemetry in the draft recommendation. We recognize that there is a need for telemetry adequate to ensure predictable system operations and reliable confirmation of instructions by the Demand Resource in providing services. Our problem is with the broad scope of provisions such as "Telemetry Requirements" and "Other Telemetry Measurements" in which there are no implied or explicit limits on what the System Operator may require. We suggest that any requirements (initial or additional) be commensurate with achieving compliance at least-cost to the Demand Response Provider.

Another issue related to telemetry is the statement in the provisions on Telemetry Requirements that reads: "... the entity responsible for installing and maintaining Telemetry equipment ... ." We suggest it should read "the entity or entities responsible for installing and maintaining Telemetry equipment ... ." This will recognize that more than one contractor or vendor may be associated with the installation and/or maintenance of the equipment.

6. Maximum Base Load Evaluation – As a general concern, the definition/description of this performance evaluation type needs amplification or clarification. It is not immediately obvious to some readers what in fact is being described. We recommend that the working group rework the definition or maybe supplement it with an example.

A second comment on "Maximum Base Load" is a question: Why is MBL not an acceptable method of Demand Response for Reserves?

7. Comply with NERC Reliability Standards – On page 7 of the draft there is a statement that "all entities supplying Demand Response Services shall comply with NERC reliability standards." We are not aware of any NERC registration or

certification requirement that requires that Demand Response Providers be registered in the NERC Compliance Registry and therefore subject to NERC Reliability Standards. More likely it is the System Operator (e.g., as Balancing Authority) who will have to comply.<sup>1</sup> Regardless of who is required to register in the NERC Compliance Registry, the responsibility is a requirement of federal law subject to financial penalties.

8. System Operator Discretion to Dispatch Demand Resource for Reasons Other Than for What was Intended – A general concern of Demand Response Providers is committing to provide a specific Demand Response service, and then when the Event actually occurs, the Demand Resource is dispatched as another service. While we understand and appreciate a System Operator’s need for flexibility, we also do not want Demand Response Providers to be put in situations in which they are routinely providing uncompensated services. We request that the working group address this concern. Also related to this concern is the need for reasonable limits on Events that are triggered as “Call Options.” Here the fear is that the System Operator may be overly cautious and tend to over use a Demand Resource. The proposed standards tend to emphasize only the obligations of Demand Resources and not so much (if at all) the complementary obligations of the System Operators. We want to encourage the formation of professional, business-like partnerships, and avoid adversarial relationships.

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<sup>1</sup> See NERC Statement of Compliance Registry Criteria (Revision 4) at:

[http://www.nerc.com/fileUploads/File/Compliance/Statement\\_of\\_Compliance\\_Registry\\_Criteria\\_V4-0.pdf](http://www.nerc.com/fileUploads/File/Compliance/Statement_of_Compliance_Registry_Criteria_V4-0.pdf)