



October 22, 2008

Ms. Rae McQuade, President
North American Energy Standards Board
1301 Fannin, Suite 2350
Houston, TX 77002

Dear Ms. McQuade,

Pursuant to your October 6, 2008 request, EnerNOC, Inc. hereby submits its comments regarding on proposed measurement and verification business practice standards for Wholesale Electric Market Demand Response (DR) Programs.

EnerNOC is a leading demand response resources and energy management services provider throughout the United States. EnerNOC currently manages over 1,643MW of demand response resources capability across over 3,000 sites nationwide. We actively participate in a range of reliability-based demand response programs, economic price response programs, and ancillary services markets.

EnerNOC is an active direct participant in the demand response programs of three Independent System Operators ("ISOs") or Regional Transmission Organizations ("RTOs"), including New York ISO, ISO New England, and the PJM Interconnection. We are also direct participants in ERCOT, and via utility contracts, indirect participants in the California ISO programs. We have signed contracts with a variety of utilities to provide demand response services, including Connecticut Light & Power, Southern California Edison, Pacific Gas & Electric, San Diego Gas & Electric, National Grid, NSTAR, the Tennessee Valley Authority, Tampa Electric Company, and Public Service of New Mexico. EnerNOC's demand response activities are implemented via automated, aggregated, and intelligent management of end-user lighting, HVAC, distributed generation, and industrial process equipment. This breadth of experience with different DR programs across the country uniquely qualifies EnerNOC to comment upon M&V standards for DR.



We wish to express our appreciation of the work done to date by the DSM-EE task force, especially in developing a common framework and vocabulary that can be used to discuss DR programs. Unfortunately, our principal observation is that this is the only task accomplished by the group to date.

The DSM-EE group was directed to:

Review and develop needed model business practices for a standardized method for quantifying benefits, savings, cost avoidance and/or the reduction in energy demand and usage derived from the implementation of demand side management and energy efficiency programs. This effort will include demand side response, energy efficiency programs and metering, including the 'curtailment service provider' program. (2008 WEQ Annual Plan at 12)

The product on which comments are now being sought, while again very useful as a glossary and framework, makes virtually no attempt to develop standardized M&V approaches. Instead it simply defers to each of the RTOs/ISOs the complete discretion to determine appropriate M&V standards. Indeed, the most frequently used phrase in the Recommendation is "...unless otherwise specified by the System Operator", followed closely by "the System Operator shall specify..."

NAESB's entire purpose, as we understand it, is to identify business standards and best practices in order to facilitate seamless markets. If nothing else, the DSM-EE group, if not the written recommendation, established beyond question that there are numerous varying approaches to DR M&V, that many are inconsistent with each other, and that these inconsistencies constitute "seams" between adjacent markets. As EnerNOC stated at each of the meetings it was able to attend, a recommendation that endorses all of the myriad current practices of the System Operators, urging no significant changes, should be viewed as a failure.

It is not surprising that RTO and ISO representatives working on the report might assert that everything was working just fine and that the proverbial "thousand flowers" should continue to bloom. While we understand the desire to protect one's own business practices, it runs contrary to mandate to the DSM-EE task force. It is now incumbent on NAESB to at least attempt to impose some order – to select some of the heartier blooms.



EnerNOC Whitepaper: The Demand Response Baseline

To the extent that the product on which comments are now being sought contains specific recommendations (such as the 3% accuracy minimum for meters), EnerNOC is generally supportive. However, so much more is left entirely to the discretion of the System Operators that the end result from the standpoint of defining useful standards is pabulum.

EnerNOC has spent much time over the last year developing the attached whitepaper concerning appropriate baselines for demand response programs. The whitepaper is based on EnerNOC's great experience (some of it quite bitter) with all of the largest DR programs across the nation. In it we address the various advantages and disadvantages of the approaches now in use citing both our own experience, as well as the latest studies issued thus far.

While we do note that there are some criteria that are interdependent and that trade-offs can still be necessary, our essential finding is that the basic needs of demand response providers and consumers alike are best served by a common framework. We describe that framework in the whitepaper and offer it as the basis for a set of DR M&V business practice standards that will truly facilitate seamless markets.

Respectfully Submitted,



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