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NAESB WEQ DSM/EE Working Group 3

It is Energy Curtailment Specialists, Inc. (ECS) position that NAESB WEQ DSM/EE Workgroup 3 efforts should focus on further development of Phase II Measurement and Verification Standards, which are intended to establish business practice standards. These standards should facilitate the ability of demand response providers to participate in electricity markets, and should equally provide an opportunity for more loads to participate in demand response. We respectfully believe that it would be inappropriate for this workgroup to presume what the exclusive intent of each ISO/RTO is relative to their M&V protocol (ie. “actual reduction in real-time load” versus something else). The “intent” of each ISO/RTO should be within *their* scope, not this group’s scope.

ECS believes there are three critical elements that must be addressed in the Phase II M&V Technical Standards development: 1) Phase II M&V Technical Standards should not seek to circumvent the individual ISO/RTO stakeholder process; 2) Further development of the five approved NAESB baselines should be integrated into Phase II development; 3) Phase II development must preserve FERC’s criteria for baseline development.¹

ISO/RTO Stakeholder Process

ISO/RTO governance structures are critical components in the development of the market rules. The governance structure provides stakeholders the opportunity to

¹ Demand Response in Wholesale Markets Technical Conference, April 23, 2007 Docket No. AD07-11-000

participate in a forum where issues regarding the operation, implementation, and future of both the wholesale market and demand response programs are discussed, debated and voted on by all stakeholders. ECS believes that demand response program designs are critical issues that all market participants, within each ISO/RTO, must share in the discussion, debate, and vote.

The purpose of NAESB's WEQ is to propose, evaluate, and adopt *voluntary* standards designed to promote more competitive, efficient, reliable wholesale electric service. ECS believes that Phase II, development of more detailed technical standards for measurement and verification, must include all elements of demand response program designs that are currently present in ISO/RTO demand response programs. If more technical measurement and verification standards are developed that seek to eliminate methods which are currently used by individual ISO/RTO's, this action will directly circumvent the governance structure of ISO/RTOs.

Maximizing Demand Response Participation

ECS supports statements in FERC's recent NOPR, that the *entire* industry must conduct business under the standards developed by NAESB (and their members), and Phase II M&V Standards are intended to establish business practice standards that facilitate the ability of demand response providers to participate in electricity markets, reducing transaction costs and providing an opportunity for *more* customers to participate in these programs, especially customers that operate in more than one organized market. As FERC has stated, these standards should reflect the widest possible support.

ECS believes it is critical that measurement and verification protocols provide alternatives, as developed during Phase I, based on customer load types and operating practices, as no single baseline approach works well for all types of demand response loads. As is documented in the Phase I development, there are several ISO/RTOs that utilize the firm service level baseline for capacity products, and several ISO/RTO's that utilize baseline Type I for capacity products, and some ISO/RTO's that utilize both methods. Clearly, Phase II development of more detailed technical standards must focus on the established measurement and verification methods that are currently utilized across ISO/RTO's. The five established baseline methods permit maximum inclusion of

all demand response loads. If Phase II seeks to bar, or eliminate, *any* of the five baseline methods, which have been established through ISO/RTO governance structures, this action will impede participation in demand response programs for some loads.

Measurement and Verification Development

As outlined during FERCs April 2007 “Demand Response in Wholesale Markets” Technical Conference, baseline development must be balanced to provide simplicity, accuracy, minimization of gaming, predictability, and consistency. Clearly Phase I development shows some consistency across ISO/RTO’s, as many of the ISO/RTO’s utilize some, if not all, of the baseline methodologies. ECS believes that the five baseline methods, as outlined in Phase I, provide all of the five criteria as outline above. Phase II development should focus on providing more technical details for each of the established baselines and should not seek to eliminate or bar the use of one baseline over another for some or all demand response products.

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