

ELCON ACTION MEMO

Date: December 12, 2008

Respond By: ASAP or During January 5, 2009 Technical Committee Conference Call

To: Member Representatives & Technical Committee

From: John Hughes, Email: jhughes@elcon.org

Subject: Demand Response

Attachment: Comments on NAESB DR M&V Standards, Dated December 8, 2008, 6 pages.

During the Technical Committee conference call on Wednesday the committee agreed to reschedule the planned January 7th committee conference call to January 5th, the date formal comments are due at NAESB on the proposed NAESB standards for demand response "M&V." The call will begin at 1:30 PM Eastern. An important action item of the call will be to complete the preparation of "formal" ELCON comments in response to the revised NAESB DR standard, which must be filed later that day.

Based on the discussion during this week's conference call, many members are pessimistic regarding the potential benefits of the draft NAESB standards. This pessimism is driven by open-ended discretion of ISO/RTO "System Operators" to dictate terms and conditions of demand response transactions between the providers (such as industrial loads) and the users of the resources (the ISOs and RTOs). The unwillingness of the authors of the draft standards (all ISO/RTO employees) to compromise on ELCON recommendations to clarify language is also grounds for suspecting that the intent of the drafters is not to be trusted.

The preliminary thinking is that ELCON resubmit its original comments filed in response to the "informal" comment period except for comments that were faithfully accepted by the standards drafting team. We may consider adding references to the push back during the December 2 subcommittee meeting.

The attachments were sent to you previously but are included here for your convenience. I've attached the revised NAESB DR standard that includes changes that were acceptable to the drafters. Also attached is the matrix I prepared comparing ELCON's original "informal" comments on the draft NAESB standard on demand response with the response of the NAESB working group who drafted the standard. Relevant comments of other parties are also included.

The voting procedures of the Wholesale Electric Quadrant Executive Committee (WEQ EC) are slightly different from the procedures used during the subcommittee vote. In neither case can a single segment "exert undue influence over any decision." Thus no single segment (e.g., IOUs) was capable of stopping passage of the draft standards during the subcommittee vote and the same applies at the WEQ EC level. The subcommittee vote allowed non-members to vote -- and four non-member industrial representatives did register for the meeting and voted in the End Use Segment. But only dues-paying members can vote in the WEQ EC. To correct and clarify what was stated during the

Technical Committee conference call, we cannot (and no other single segment can) veto a decision. The WEQ EC uses "Balanced Voting" (same as subcommittee voting) and votes are allowed by notational ballot. A super-majority (67%) of voting members is required for ratification, including an affirmative vote of at least 40% by each Segment. There are currently 7 entities (representing 6 sub-segments) registered in the End Users Segment of the WEQ -- one (BP) is registered as a "Large Industrial End User" and one (ExxonMobil) is registered as a "End Use (Self Generation)." The other sub-segment members are "At Large," "Regulator," "Residential/Commercial," and "End Use" (who is "also in another segment"). It is not clear from NAESB documents who those entities are or who they represent. A weighted 40% of their vote is sufficient for segment ratification of a vote.

Action Requested: Send me your concerns with the revised NAESB standard that you would like to be included in ELCON comments to be filed on January 5, 2009. These comments will be packaged as ELCON comments for submission to NAESB on January 5, after discussion and review during the Technical Committee conference call.