



North American Energy Standards Board (NAESB)

2008 WEQ Annual Plan Item 5(a) Recommendation:  
Proposed Business Practices for a Framework for Measurement and  
Verification of Wholesale Electric Market Demand Response

Comments of the  
Electricity Consumers Resource Council (ELCON)

Dated January 12, 2009

The Electricity Consumers Resource Council (ELCON) appreciates the opportunity to respond to the December 4, 2008 Request for Formal Comments on the WEQ Annual Plan Item 5(a) Recommendation.

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 in the 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 submitted comments to NAESB in response to the October 6, 2008 WEQ informal request on proposed measurement and verification business practice standards for Wholesale Electric Market Demand Response Programs. In those comments we indicated our strong support for NAESB's efforts that produced the draft recommendation. We said it was an important milestone for the industry and applauded NAESB for its leadership role on this important issue.

We also indicated that we reviewed many of the provisions of the proposed standards in the context of how they might be used as barriers to participation even though we did not – at the time – believe that that was the intent of the authors. In the past, the stakeholder process at some ISOs or RTOs has not been a favorable environment for promoting the efficient use of Demand Resources. The generally hostile response from the working group during the December 2 meeting to some of our comments and concerns (as well as to the constructive comments submitted by other parties) forces us to reconsider the motives of the working group and merits of the Recommendations. We are greatly disappointed that simple requests to clarify language that ELCON and the working group would seem to be in mutual agreement were rejected.

*[Note: The following red-lined material was moved from the backend of the comments. Rather than attempt to rewrite the Recommendation to incorporate these concerns, they are presented here as broader, generic concerns.]*

ELCON has two overarching “technical” concerns with the Recommendation that cannot be easily fixed with simple wordsmithing.

First, a concern that pervades the Recommendation 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 Demand Response Providers, and not so much (if at all) the complementary obligations of the System Operators. Thus, the burden of the standards is solely on the providers and the System Operators are free to do as they wish.

A second concern is that there is 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. We do not agree with the working group that our concern is “inconsistent with intent and scope of these proposed standards.” To the contrary, any provision that is so open-ended is itself inconsistent with the intent of standards marking.

Without more forthright consideration of changes to the Recommendation that would produce meaningful standards for promoting the cost-effective use of demand response, ELCON urges the WEQ to reject the Recommendation.

ELCON offers that following comments on the Recommendation.

1. Measurement and Verification - We continue to believe that it is a misnomer and misleading to define these business practices solely in the context of "measurement and verification" (M&V). 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 preliminary 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 approval of the Recommendation in its current form will preclude or delay opportunities in the future to standardize M&V protocols on a more comprehensive basis. We acknowledge (and supported) the amendment during the December 2 meeting to add the word "framework" to the title. But this does not change the fact that the first two items in the "Introduction" are "1. Measurement and Verification Standards" and "2. Applicability of Measurement and Verification Standards." The continued emphasis on M&V misrepresents the actual substance of the 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. We appreciate the attempt to address this concern by modifying the definition of "Demand Response Event" but we do not believe the fix actually solves the problem. 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 a Demand Resource may return to its normal or other load level. ("Definition of Terms")

**Release/Recall** - The System Operator shall specify the time at which a Demand Resource 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. We do not agree with the working group that our concern is “inconsistent with intent and scope of these proposed standards.” To the contrary, any provision that is so open ended is itself inconsistent with the intent of standards marking.~~

5. 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, there is a more compelling need for transparency. We also do not want Demand

Response Providers to be put in situations in which they are routinely providing uncompensated services or being otherwise misled by the System Operator.

We recommend that the following be inserted after the description of the four product/service categories on pages 6 and 7:

It is the intent of these standards that when a System Operator offers to procure a specific Demand Response product/service from a Demand Response Provider that the System Operator will dispatch that product/service at the time of Deployment for the intended purpose unless other arrangements have been met with the Demand Response Provider.

~~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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