

**STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD**

**FILED WITH
Executive Secretary
November 18, 2011
IOWA UTILITIES BOARD**

IN RE:

PURPA STANDARDS IN THE ENERGY
INDEPENDENCE AND SECURITY ACT
OF 2007

DOCKET NO. NOI-2008-0003

**COMMENTS ADDRESSING THE BOARD'S QUESTIONS
ABOUT AGGREGATORS OF RETAIL CUSTOMERS
BY THE DEMAND RESPONSE SUPPORTERS**

Comverge, Inc., EnerNOC, Inc., EnergyConnect by Johnson Controls, Energy Curtailment Specialists, Inc., Environmental Law & Policy Center of the Midwest, and Wal-Mart Stores, Inc., and Sam's West, Inc. (collectively DR Supporters) appreciate the opportunity to submit comments to address the aggregator of retail customer (ARC) issues the Iowa Utilities Board Staff (Staff) filed in the above captioned docket on September 29, 2011 and the Board subsequently approved on October 14, 2011. DR Supporters also appreciate the Board's efforts to develop a sensible demand response policy that encourages demand response activity in Iowa. DR Supporters provide the following comments for the Board to consider.

I. INTRODUCTION

Demand response opportunities provide economic benefits to participants, which can lead to significant competitive and economic development advantages for the State of Iowa. Particularly in industries with high energy costs or those with very competitive pricing, the ability to fully participate in demand response programs can be influential to a company's success and to its decisions as to where to locate facilities.

In addition, demand response provides benefits for all customers. Demand response plays an important role in ensuring the reliability of grid operations and the competitiveness of the Midwest Independent System Operator (MISO) market. FERC as the entity that oversees operations in MISO – and other Regional Transmission Operators throughout the United States - has recently stated:

Demand response can provide competitive pressure to reduce wholesale power prices; increase awareness of energy usage; provides for more efficient operation of markets; mitigates market power; enhances reliability; and in combination with certain new technologies, can support the use of renewable energy resources, distributed generation, and advanced metering.¹

For these reasons, demand response should be encouraged to the greatest extent reasonable in the State.

ARCs are not currently permitted to be a Market Participant within MISO's footprint. However, ARCs have been active participants in stakeholder meetings at MISO and in several ARC proceedings on the state utility commission level throughout the MISO footprint.

II. RESPONSES TO THE STAFF'S ARC QUESTIONS

A. How might the operation of ARCs in Iowa affect the participation of utility customers in demand response tariffs or programs, such as interruptible, time-of-use, or direct load control programs?

The affect that ARC participation will have to encourage utility customers to participate in demand response programs cannot be fully determined until the opportunities are defined. However, the expertise and experience that ARCs can offer typically has resulted in greater customer participation. In general, as quality opportunities are developed for customers – and competition is permitted -- the greater the customer participation level.

DR Supporters recommend that the Board provide a forum for further dialogue where all

¹ Wholesale Competition in Regions with Organized Electric Markets, Order No. 719, 73 Fed. Reg. 64, 100 (Oct. 28, 2008).

of the options for ARC participation can be considered. Of course, one of the scenarios to be considered should be allowing customers to choose whether or not to participate in the MISO demand response programs through the utility, an ARC, or directly with the MISO. Allowing customer choice, as opposed to simply offering utility programs will provide the most incentives and rate payer benefits for demand response participation to customers. In particular ARCs can offer a variety of attractive, flexible opportunities to participate in demand response in wholesale markets that utility based retail programs simply may not be able to provide.

By allowing ARCs unencumbered access to work with customers within the Board's jurisdiction, the Board would ensure that Iowa ratepayers will enjoy the full benefits of demand response, including direct payments to Iowa businesses that will boost the local economy, environmental benefits, and lower electricity costs that would result from increased levels of participation. Additionally, demand response, in wholesale markets, is not a subsidized resource. Therefore, Iowa ratepayers could save on extra program costs such as line item demand response, and utility personnel resources which could be spent on other utility or ratepayer priorities. In order to participate in the wholesale market, demand response would have to be more cost-effective than the resource that it is displacing.

It must be noted that presently there are a number of obstacles that foreclose customer choice as to participation in MISO's markets that need to be resolved even if the Board approved direct ARC or customer participation. In particular, MISO's proposed rules for DR participation have not yet been approved by the Federal Energy Regulatory Commission (FERC). However, the DR Supporters are hopeful that FERC's decision will come in the near future and that the result will include strong procedures that provide the appropriate (and consistent) oversight and communication expectations for DR providers throughout MISO's footprint. It is in everyone's

best interest to make sure MISO's tariff and business practice manual are comprehensive and inclusive.

Finally, Customers must make sacrifices to participate in these programs and those sacrifices need to be recognized and rewarded. Demand Response is a resource that is beneficial to all ratepayers, the utility and the MISO and should be encouraged. Clearly the going market rates for energy and, potentially in the near future, capacity will play a significant role in determining whether the monetary earning for participation is financially viable. Moreover, that threshold amount will vary by customer and the level of sacrifice needed by their business or residence. The administrative, personnel, equipment investment, or back office costs must also be considered in the incentive analysis.

B. How might the operation of ARCs in Iowa affect the forecasts of Iowa utilities with respect to peak load, reserve margins, energy sales, and other parameters?

DR Supporters agree with MidAmerican Energy Companies that the operation of ARCS would not significantly hamper the ability of the utility to forecast peak load and energy usage.²

C. If ARCs are allowed to operate in Iowa, would utilities seek to alter the goals in their energy efficiency plans for capacity and energy savings?

DR Supporters appreciate that Iowa utilities have expended considerable effort to develop their energy efficiency portfolios. DR Supporters agree that ARC participation should add value to the programs developed by the utilities – and options for customers -- and not

²Re: PURPA Standards in the Energy Independence and Security Act of 2007, Docket No. NOI-2008-0003, Response of MidAmerican Energy Company at 14 (April 1, 2010).

simply shift existing program capacity away from the utility. DR Supporters hope to work together with the utilities to meet their goals and their plans. In many cases creative ways can be developed to address any planning concerns.

ARCs are uniquely positioned to monitor and develop demand response technology across the country and provide Iowa's customers (and utilities) with opportunities and the expertise needed to truly take advantage of the benefits of demand response. The nature of demand response service is always changing and ARCs are in a unique position to stay on top of those changes. For example, movements toward more fast-response demand response for ancillary services purposes may necessitate more technologically-advanced ways of managing demand response resources.

D. If the Board takes no action with respect to ARCs, what effect will that have on Iowa load serving entities in the short-term and long-term?

When evaluating how action or inaction will affect Iowa load serving entities DR Supporters ask the Board to consider how customers will be affected. There is significant value to all ratepayers to deploying demand response relative to procuring additional supply resources. If demand response is implemented in accordance with FERC's most recent ruling in the Demand Response Compensation in Organized Wholesale Energy Markets Docket, FERC Docket No. RM10-17-000, Order No. 745 ("Order 745") then demand response must first establish that it creates a benefit for all customers. FERC ruled that demand response will only be dispatched by an ISO, and paid full locational marginal (LMP) price when the benefit, of reducing wholesale market clearing prices, exceeds the cost of paying the demand resource. In other words, all customers whether participants or non-participants, would have to experience a benefit in excess of the cost of participation before demand response is either dispatched or paid

full LMP.

FERC also determined that the costs associated with demand response should be allocated to all customers who benefit from the lower LMP resulting from demand response. In paragraph 102 of Order 745, FERC stated:

We therefore find just and reasonable the requirement that each RTO and ISO allocate the costs associated with demand response compensation proportionally to all entities that purchase from the relevant energy market in the area(s) where the demand response reduces the market price for energy. (emphasis added).

Given the lack of constraints in the MISO system and the requirement that the demand response resource be cost-effective in order to be dispatched, Iowa customers would see a net benefit when demand response is dispatched to lower average prices. This remains true if customers in neighboring states are allowed to participate in demand response, but the Board chose to prohibit – or limit -- ARCs in Iowa. However, under that scenario Iowa customers would still be allocated a portion of the cost of demand response payments to pay for the demand response procured by other states – but the state’s customers would not realize the full benefits of demand response because they would be ineligible for direct payments for their own participation.

III. CONCLUSION

The DR Supporters appreciate this opportunity to submit comments addressing the role of ARCs in developing further demand response program participation for customers under the Board’s jurisdiction on behalf of customers in Iowa. We look forward to continuing the dialogue in the future months and creating options that promote demand response participation.

Respectfully Submitted,

/s/ Gregory J. Poulos
Gregory J. Poulos
Manager, Regulatory Affairs
EnerNOC, Inc.
101 Federal St., Suite 1100
Boston, MA 02110
Phone: (614) 507-7377
E-mail: gpoulos@enernoc.com

/s/ Alberto Martinez -- GJP
Alberto Martinez
Director,
Energy Curtailment Specialists, Inc
4455 Genesee St
Buffalo, NY 14225
Phone: (877) 711-5453 ext. 571
E-mail: albertom@ecsgrid.com

/s/ Bruce Campbell -- GJP
Bruce Campbell
Director of Regulatory Affairs
EnergyConnect by Johnson Controls
444North Capitol St. NW, Suite 729
Washington, DC 20001
Phone: (202) 360-4371
E-mail: bcampbell@energyconnectinc.com

/s/ Frank Lacey -- GJP
Frank Lacey
Vice President, Regulatory, Markets and Government Relations
Comverge, Inc.
511 Schoolhouse Road, Suite 200
Kennett Square, PA 19348
Phone: (484) 734-2206
E-mail: flacey@comverge.com

/s/ Ken Baker -GJP

Ken Baker
Sr. Manager, Sustainable Regulation and Legislation
Walmart Stores, Inc.
2001 SE 10th St.
Bentonville, AR 72716-0550
Phone: (479) 204-0404
E-mail: ken.baker@wal-mart.com

Angela Beehler
Sr. Director of Energy Regulation and Legislation
Walmart Stores, Inc.
2001 SE 10th St.
Bentonville, AR 72716-0550
Phone: (479) 204-0437
E-mail: angie.beehler@wal-mart.com

/s/ Justin Vickers -- GJP

Justin Vickers
Law Fellow
Environmental Law & Policy Center
35 East Wacker Drive, Suite 1600
Chicago, IL 60601
Phone: (515) 244-0253
E-mail: jvickers@elpc.org