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January 14, 2011

Ms. Rae McQuade, President
North American Energy Standards Board
801 Travis, Suite 1675
Houston, TX 77002

Dear Ms. McQuade,

Pursuant to your December 8, 2010 request, EnerNOC, Inc. hereby submits its formal comments regarding the proposed Phase II measurement and verification business practice standards for Wholesale Electric Market Demand Response (DR) Programs.

EnerNOC the largest demand response resources and energy management services provider in the world. EnerNOC currently manages over 5,100 of demand response resources capability across over 8,000 sites nationwide and in the United Kingdom. We actively participate in a range of reliability-based demand response programs, economic price response programs, and ancillary services programs.

EnerNOC is been an active direct participant in the demand response programs 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 contracts with a variety of utilities to provide demand response services, including 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.

EnerNOC has been involved throughout the NAESB and FERC processes that gave rise to the instant proposal. That involvement was initially characterized by optimism, optimism that NAESB might be the forum in which the wealth of experience held by its members would be consolidated and distilled into a set of proposed "best practices" for the measurement and verification of demand response. Such best practices would allow a new utility or ISO/RTO to build upon the hard-won experience of its predecessors and avoid the mistakes made by others.

Sadly, that optimism has turned into profound skepticism that the entity charged with developing standards for DR measurement and verification is capable of doing so.

After presenting to FERC a set of Phase I recommendations that FERC itself characterized as a "framework" for standards, a "starting point" from which "much work needs to be done," and after being charged by FERC to seek "standardization of measurement and verification methods¹" for DR, NAESB has produced a set of "standards" that fall lamentably short of their goals.

In Order 676-F, FERC made clear its expectations, or at least its hopes for the Phase II effort:

28. Improvement in measurement and verification standards will work to ensure that the performance of demand response resources can be accurately quantified. Standardization of measurement and verification methods also will help to reduce costs for customers participating in multiple markets. Without

¹ / 131 FERC 61,022, Order 676-F Para. 28.

consistent standards, customers and demand response providers that participate in more than one RTO or ISO would then have to incur the costs of developing different business processes to adapt to the differing RTO/ISO requirements, increasing the cost and complexity of their business. Furthermore, the Phase II M&V Standards should help achieve greater efficiency in the operation and evaluation of the performance of demand response products and services².

After more than eighteen months of effort following an appeal for guidance to the WEQ Executive Committee, the replacement of the responsible co-chairs, and the issuance of Order 676-F with its specific direction, the NAESB process has resulted in three principle modifications to the Phase I standards³. The Glossary has been revised to accommodate the laudable efforts of that sub group, and several of the numerical values have been revised to “bracket” the values currently in use by the ISOs/RTOs. Finally, the most significant substantive change has been to replace approximately 175 uses of the term “system operator” with the words “Governing Documents.”

This last change came in response to charges by EnerNOC and others that the “standards” mostly amounted to whatever the system operators in every region said they were. ISOs/RTOs were anxious to clarify that these “standards,” most of which they characterized during discussions as “market rules,” were really the product of various stakeholder processes and FERC-approved tariff filings, not the unilateral dictates that the Phase I language suggested they were. This is understandable, and we concede the change does add a scintilla of incremental accuracy to the Phase II effort. What it does not add is any substantive progress toward the development of actual standards.

Similarly, the “bracketing” exercise was initially intended to look at various numerical values applied to certain Performance Evaluation or Business Practice criteria to determine how far apart the various ISOs/RTOs were in their approaches.

² Id. at para. 28

³ There were also numerous formatting and numbering changes, as well as the elimination of a voluminous section regarding the history of the workgroup meetings that led up to the final standards, however, these were not substantive.

This was, as EnerNOC understood the process at the time, to have been the first step in a process to narrow those differences. Unfortunately, it became clear that the ISO/RTO participants, who dominated the participation in the NAESB subcommittee meetings, had no intention of going beyond enumerating the differences or highlighting the use of a single number in the case where there were no differences. So, this effort too, led to no greater consistency in the final standards or “market rules” across ISOs/RTOs than did the other efforts.

EnerNOC and ELCON foresaw this possibility but FERC admonished the parties to be open-minded:

34.ELCON expresses concern that the views of RTOs and ISOs will be given greater consideration than those of other participants in the NAESB process. As discussed earlier, the NAESB process requires consensus agreement from all seven segments of the industry and no segment, therefore, can dominate the development of a standard. We expect the participants in the NAESB process actively to consider and be open to proposals and concerns from any source and to try to reconcile differences so that the standards promote accurate measurement and verification of the performance of demand resources⁴.

Unfortunately, there was no such openness. The parties that dominated the discussions steadfastly refused any and all attempts to “reconcile differences.” Instead, they termed these differences “market rules,” holding that they should be inviolate. While NAESB’s super-majority process ensured that no parties could dominate the process to make sure any change did take place, it also made equally sure that significant change did not take place.

Unable or unwilling to follow FERC’s direction, the WEQ DSM/EE Subcommittee was equally unable or unwilling to follow the explicit direction it was given by the WEQ Executive Committee. Largely at EnerNOC’s insistence, the Subcommittee sought direction from the WEQ Executive Committee in late 2009. The WEQ EC chartered a

⁴ Id at para 34 (emphasis added)

Task Force to consider the request and that Task Force issued the attached guidance on December 1, 2009.

While the Subcommittee appears to have made a good faith effort to be responsive to Recommendation 1, specifying a number of minimums, maximums or specific metrics, the same cannot be said for the other recommendations. For example, Recommendation 2 was not followed.

The Task Force recognizes that a specific performance evaluation type may not be appropriate for use with a given service type. The Task Force recommends that the subcommittee investigate and develop additional information specific to performance evaluation type and associated service type. Specifically, the additional information should include identification of the characteristics for each performance evaluation type/service type combination. Regional differences should be identified where appropriate. This does not mean the subcommittee should strive to develop a single performance evaluation method or baseline scheme. Rather, the overall goal is to craft consensus standards to aid all participants in the use measurement and verification methods for demand response programs in wholesale electric markets.

No consideration was given to determining whether some Performance Evaluation types might not be appropriate for some products. The characteristics for each performance type/service combination were not identified. Regional differences, in the sense that each ISO/RTO's rules should be sacrosanct were assumed to be the universal rule, and "consensus standards" were never the goal and no attempt was ever made to craft them.

With respect to the EC's "Additional Observations," despite FERC staff's confirmation that the group "should seek to standardize performance evaluation criteria for demand response programs across all of the ISO/RTOs," the Subcommittee utterly ignored the EC's direction that it "should work to create general principles that apply to all ISO/RTOs while also allowing for regional differences." Instead, it took the position that all there were or should be were "regional differences."

In the end, the Phase II standards still amount to a lengthy recitation of the principal that there are no standards. Instead, the rules are what the “Governing Documents” of the ISOs/RTOs say they are and the patchwork quilt of M&V approaches across the country continues to stand as a barrier to those CSPs who would extend their operations nationwide.

As FERC noted in Order 676-F “demand response providers that participate in more than one RTO or ISO should not have to incur the costs of developing different business processes to adapt to the differing RTO/ISO requirements, increasing the cost and complexity of their business.”⁵

EnerNOC opposes adoption of the proposed standards insofar as they claim to be responsive either to FERC’s charge in Order 676-F or to the mandate of the NAESB WEQ Executive Committee. While we acknowledge that the Phase II standards do provide some incremental improvement over Phase I, they fall so far short of expectations that we cannot support them, lest we give credence to any suggestion that they have accomplished their goals.

Respectfully Submitted,



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⁵ Id at para. 33.



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via email

TO: NAESB WEQ Executive Committee
FROM: NAESB WEQ DR/DSM EC Task Force
RE: Guidance for NAESB WEQ DR/DSM Subcommittee
DATE: December 1, 2009

During the October 27, 2009, meeting of the WEQ Executive Committee, a Task Force was established to give guidance to the WEQ EC regarding the scope of work to be performed by the WEQ DSM/EE Subcommittee Work Group 3. A member from each segment was selected to provide balance to the Task Force. The Task Force met via teleconference on the following dates: Monday, November 2; Thursday, November 5; Tuesday, November 10, 2009; Thursday, November 12, 2009. Minutes from each meeting are attached for your review.

Based upon its review of background information, consultation with each of the subcommittee chairs and its deliberations, the Task Force has observed that confusion exists within the subcommittee concerning the meaning of the phrase “program design” that has hindered its efforts. The Task Force believes that program design encompasses the plan for branding, marketing, incentive, implementation strategies, customer relationship management, verification, performance targets, and budgets. Program design, in this context, is viewed by the Task Force as policy making, which is outside NAESB’s purview. The current scope of the subcommittee’s work is limited to measurement and verification of demand response. However, this does not preclude submittal of a new standards request for development of additional business practices outside this scope.

As a result of this review, the Task Force makes the following recommendations to the EC:

1. Direct the subcommittee to review the Business Practices for Measurement and Verification of Wholesale Electricity Demand Response (the “Phase I Standards”) and identify standards that could be enhanced.
2. The Task Force recommends that the subcommittee investigate and develop additional information specific to performance evaluation type and associated service type.

Recommendation 1

The Task Force recommends that the subcommittee be directed to review the Phase I Standards (WEQ-015, Business Practice Requirements: Provision of Wholesale Electric Demand Response Energy Products) in conjunction with the ISO/RTO Council’s (“IRC”) Demand Response Matrix to determine whether improvements, in the form of additional technical detail and/or clarity, can be made to any of the Phase I Standards. For example, the phrase “the System Operator shall specify” is used repeatedly within the standards. The subcommittee should enhance the standards by replacing this phrase with language that establishes minimums, maximums or specific metrics, where appropriate.



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The Task Force is of the belief that this recommendation is consistent with Annual Plan item 4(b) as currently written. However, the Task Force proposes that the EC consider modifying item 4(b) as follows to provide additional clarity (item 4(a) on the 2010 WEQ Annual Plan):

Review the NAESB Business Practices for Measurement and Verification of Wholesale Electricity Demand Response (WEQ-015) in conjunction with the IRC developed Demand Response Matrix and identify business practice requirements that could be improved or made clearer through the addition of specific technical detail. The wholesale and retail demand response work groups and the Smart Grid task force should actively and timely communicate and coordinate work products to ensure consistency between the three work groups. Each work group should take into account the work products developed by the other.

Recommendation 2

The Task Force recognizes that a specific performance evaluation type may not be appropriate for use with a given service type. The Task Force recommends that the subcommittee investigate and develop additional information specific to performance evaluation type and associated service type. Specifically, the additional information should include identification of the characteristics for each performance evaluation type/service type combination. Regional differences should be identified where appropriate. This does not mean the subcommittee should strive to develop a single performance evaluation method or baseline scheme. Rather, the overall goal is to craft consensus standards to aid all participants in the use measurement and verification methods for demand response programs in wholesale electric markets.

Performance Evaluation Type	Valid For Service Type			
	Energy	Capacity	Reserves	Regulation
Maximum Base Load	✓	✓	✓	
Meter Before / Meter After	✓	✓	✓	✓
Baseline Type-I	✓	✓	✓	
Baseline Type-II	✓	✓	✓	



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Metering Generator Output	✓	✓	✓	✓
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The Task Force believes this evaluation could result in greater detail or insight into the Phase I Standards. The Task Force does not believe that such information should be considered as part of a NAESB business practice or standard that could be imposed upon any entity. It is for this reason that the development of an appendix may be appropriate. (For further discussion on December 3, 2009).

The Task Force recommends adding the following as item 4(b) on the WEQ 2010 Annual Plan to implement this recommendation:

4(b) For each performance evaluation type/service type combination identified in WEQ-015, using the IRC matrix as a starting point, assess and determine what standards or guidelines, if any, should be developed to aid all participants in the use of measurement and verification methods for demand response programs in organized wholesale electric markets. If the determination is made that standards or guidelines will be developed, those items will be added as sub-items to 4(b).

Additional Observations

Based upon the deliberations leading to the passage of the Phase I Standards, text contained within the FERC NOPR¹ and the Commission’s comments contained in its order on CAISO’s Order No. 719 compliance filing², it appears to the Task Force that there is an expectation among some NAESB participants³ and FERC⁴ that NAESB will continue its efforts beyond Phase I to develop more DR standards. Additionally, during a conference call with FERC staff on November 19th, the task force interpreted Staff comments that the phase II effort should seek to standardize performance evaluation criteria for demand response programs across all of the ISO/RTOs. Rather than focusing on the development of a set of standards, NAESB should work to create general principles that apply to all ISO/RTOs while also allowing for regional differences.

¹ Docket No. RM05-5-017, Standards for Business Practices and Communication Protocols for Public Utilities, Notice of Proposed Rulemaking, September 17, 2009

² “However, we note that the North American Energy Standards Board (NAESB) has adopted Phase I business practice standards for the measurement and verification of demand response, a first step in a process that may lead to greater standardization through the NAESB consensus process”. ¶43, Order on Compliance Filing, Docket No. ER09-1408-000, November 19, 2009

³ “NAESB stresses that the key to several NAESB participants’ willingness to accept the standards submitted on April 17th was the agreement among participants to include more specific technical measurement and verification standards in NAESB’s current annual work plan and to proceed with further work on more detailed technical standards.” Ibid, p.4

⁴ “Members of the WEQ need to continue their efforts to develop the substantive standards needed to achieve greater efficiency in the operation and evaluation of the performance of demand response products and services. The Commission continues to believe that the industry should take the lead in developing and implementing demand response standards that will be both practical and workable.” Ibid, p.8



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Although the subject subcommittee is limited (per the Annual Plan) to looking at M&V standards, the Task Force is of the opinion that NAESB and the WEQ should take a broader look at DSM/DR/EE standards and products. Questions such as, “What is program design?” and NAESB’s role (if any) in program design need to be clarified. Such an effort will help NAESB be responsive to the expectations of its membership, the industry, and FERC. For example, FERC held a technical conference on November 19 regarding demand response. NAESB should monitor these types of activities and, where appropriate, identify additional annual plan items to facilitate necessary work. The Task Force is also concerned about a potential divergence or conflict between M&V standards being developed in the WEQ versus those being developed for the Retail Quadrant. We do not see any mechanism in place to identify and resolve potential conflicts. It is recommended that a new provisional item be added to the WEQ 2010 Annual Plan to accommodate

Review the need for, and develop standards where appropriate, in response to issues raised by FERC’s National Action Plan on Demand Response.

Respectfully Submitted,

DR Task Force

Alan Johnson
Daryl McGee
Alan Pritchard
Roy True
Cathy Wesley
Lou Ann Westerfield
Attachments

Task Force meeting notes - November 2, 2009

Task Force meeting notes – November 5, 2009

Task Force meeting notes – November 10, 2009

Task Force meeting notes – November 12, 2009

Task Force meeting notes – November 16, 2009

Task Force meeting notes – November 30, 2009