



February 6, 2003

Mark Walker, Director
Public Affairs
NWPPC
851 SW Sixth Ave. Suite 1100
Portland OR 97204

Dear Mr. Walker:

Attached are PNGC Power's comments on the Northwest Power Planning Council's **Demand Response** – *Issue Paper in Preparation for the Fifth Power Plan.*

Sincerely,

Eugene Rosolie
Conservation Administrator

PNGC Power's Comments on NWPPC Issue Paper The Role of Demand Response in the 5th Power Plan

PNGC Power appreciates the opportunity to comment on this Issue Paper, which we believe is a timely subject matter for the Council and the region's utilities and their customers. The Issue Paper is the first step in getting the discussion, and hopeful other activities, going on this important topic. But with any first step there remains plenty to do.

We are somewhat concerned by the Council's staff focus on "mechanisms" and incentives to customers. For example the Issue Paper states:

Instead of a policy goal specified in kilowatt-hours, **we have a goal of identifying incentive mechanisms** (e.g. prices paid or payments received) that will lead each consumer's chosen level of service to be best for the region as well. (Emphasis added.)

Identifying incentive mechanisms maybe a worthy goal but not the one that we believe the Council should be focusing on with demand response. PNGC Power's concern is that the Council maybe missing the more important pieces. As pointed at by the Peak Load Management Alliance (PLMA):

Demand response can be obtained through pricing or various load response programs, the appropriate infrastructure and customer relationships are needed to make this a reality.¹

In other words what will be the rules of the road and what will be the value proposition for the customer. It may be difficult for the Council to identify a value proposition for a utility customers but the Council can have a significant role to play in establishing the rules of the road. What are the regulatory barriers to demand response, at the state level (utility commissions), regional level (BPA), and federal level (FERC)? We would also encourage the Council to recognize that as a region we are a diverse group and not to loose sight that small rural utilities have much different circumstances than large urban utilities.

One important piece missing from the Issues Paper is a clear delineation of the potential benefits from demand response programs. We see at any number points in the paper where benefits are alluded to, mostly in the section **Why are We concerned with Demand Response?**, but when it comes to detailing those benefits most are never addressed. Specifically, the section **Potential benefits of demand response** focuses only on the potential size and value of the resource, with the subsection on value focused mainly on the reduction in generation costs. We would encourage the Council staff to take a broad view on the benefits and suggest the following: system reliability, market efficiency, risk management, environmental, customer service and

¹ Peak Load Management Alliance, *Demand Response: Design Principles for Certain Customer and Market Value*, February 2002. Available at www.PeakLMA.com

market power mitigation.² Of course any listing of benefits deepens somewhat on the goals one sets and this is another area that needs clarity. The goals of a demand response program could vary greatly and since the Council is looking at it on a regional level it should take this fact into account. Again we would point out that that small rural utilities have much different needs, etc. than large urban utilities.

The Council's Issue Paper has asked a number of questions that we will now answer.

Question 1: The paper has done an adequate job of laying out the various mechanisms for demand response. However, missing is the recognition that any successful demand response program relies on participation by customers. Better analysis needs to be done on creating value for customers in the various demand response programs.

Question 2: Most, if not all, programs have advantages and disadvantages however they will vary depending on the particular application.

Question 3: The question here seems to be one of program design and how it would apply to particular situations. PNGC Power has not had the time to do such a detailed review.

Question 4: If staff is thinking here of demand response programs as a portfolio that is a very useful direction to be going. Clearly the combination will depend on the circumstances of the particular utility; for instance a utility with little or no industrial customers will have little use for buybacks or interruptible contracts.

Question 5: There already appears to be significant number of pilot programs and assessments of those programs. The job now appears to be one of compiling a lessons learned from these various programs.

Question 6: We suggest contacting the Peak Load Management Alliance.

Question 7: As stated in our answer to question five there already appears to be numerous studies on the topic. We would also refer to our comments above about the need for the Council work with regulatory bodies in identifying barriers and creating "rules" that encourage demand response programs and for the Council should be working FERC and BPA and not just state regulatory bodies.

² Id.