



Oregon

Kate Brown, Governor

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To: Northwest Power and Conservation Council Members and Staff

Re: Proposal to form a Demand Response Advisory Committee

Date: June 15, 2016

The Oregon Department of Energy (Department) appreciates the opportunity to provide feedback to the Northwest Power and Conservation Council (Council) on the Demand Response Advisory Committee Issue Paper recently published by the Council.

As stated in our comments to the Council on the Draft Seventh Power Plan (plan), submitted in December 2015,

The Department believes that Demand Response (DR) will play a vital future role in helping ensure least-cost, least-risk electricity resources in the region while ensuring that the region complies with environmental regulations during low-water years. However, the Department also acknowledges that some regional utilities do not yet need this capacity resource. A coordinated, phased-in approach to DR development will ensure development of DR in a manner that works for all utilities.

Given that the second priority in the Seventh Plan's resource strategy is to develop the ability to deploy demand response resources to meet system capacity needs under critical water and weather conditions, and that the action plan recommends that a minimum of 600 MW of demand response resources should be pursued if cost-effective, the region has an ambitious resource development task at hand. The Department views DR as a key, cost-effective resource for meeting Oregon's statutory goals of increasing renewable energy resources and reducing greenhouse gas emissions. The Department appreciates the prompt action by Council staff in publishing the issue paper and presenting a clear vision for the formation of the Demand Response Advisory Committee (committee) and a supporting System Integration Forum.

The Department supports the formation of a Demand Response Advisory Committee at the Council, and in our comments on the draft plan we put forward several suggestions for items to be included in the charter of the committee. We are pleased that nearly all our suggestions are incorporated in the scope of the proposed committee. We look forward to engaging as appropriate with the committee and incorporating the committee's ongoing work into our programs and projects.

The Council has asked for review and comment on the scope and timeline (near-term and long-term) of the proposed activities of the committee. It is the opinion of the Department that the overall scope of the committee is sufficient with one exception. The issue paper details the scope of the committee to include:

- (A) Assisting the Council in identifying technical, cost, environmental, institutional, and other barriers to the development of demand response resources.

The Department and others may come to understand that institutional barriers include contracting terms, conditions and related issues that are barriers to DR. However, it is our preference that contract



barriers and customer tariffs be explicitly listed in (A) for the scope of the committee. As we stated in our comments on the draft plan, pilot programs in the region have shown that for Bonneville's customer utilities to implement DR programs, necessary changes to contracts and customer tariffs may be more challenging than technology or program implementation.

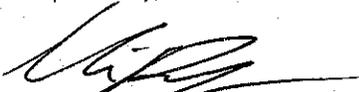
The Department is in agreement with the issue paper's emphasis on scope items (A) through (D) in the near-term. It is our preference that the committee take steps to begin work on scope item (E) whenever sufficient data becomes available from operating DR pilots and programs in the region, and we anticipate such data may become available before 2018.

Formation of the System Integration Forum is also supported by the Department, and echoes some of our requested scope for the committee in our comments on the draft plan. We agree with the issue paper statement that non-fossil based alternatives for system flexibility should be investigated, and some of these alternatives include energy storage (distributed and utility-scale), distributed generation (renewable and not), smart grid, and transactive energy. A System Integration Forum will allow important analytical approaches and program design successes (along with possible failures) to be shared across these sectors. For example, the Battery System Evaluation Tool (BSET) developed by Pacific Northwest National Laboratory may provide a useful construct to serve as a head start on evaluating use cases and the economics of system benefits that advanced DR is capable of providing, including and beyond peak shaving.

The Department expects that the System Integration Forum could provide a boost to another action plan goal, accelerating market transformation for DR. The action plan encourages regional market transformation efforts and the use of techniques to reduce the cost and expand the availability of products that exist on the customer-side of the meter that could serve as demand response resources. Utilities, researchers, vendors and contractors who are active in the energy storage, smart grid and distributed generation sectors will likely engage in the System Integration Forum and may bring valuable input on methods to accelerate market transformation for DR. By keeping the System Integration Forum as an ad-hoc group, not an additional advisory committee, the forum seems likely to have increased involvement from a wider variety of participants.

Again, the Department wishes to express our appreciation for the chance to provide input to the Council members and staff on the formation of a new Demand Response Advisory Committee and would be happy to provide any assistance in the future. We are confident the committee will prove to be a valuable resource to Oregon and to the region.

Respectfully,



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cc: Diane Broad, Oregon Department of Energy