

Statement from Demand Response Supporters

Energy Mandates Study Committee

September 1, 2015

Demand Response Supporters submit this statement to express support for the ongoing ability of Ohio consumers to participate in peak demand reductions programs throughout the State. The original peak demand reduction standards should be maintained. As discussed further below, demand response participation provides significant benefits to all energy users in the State and should continue to be encouraged.

The comments expressed in this filing represent those of the Demand Response Supporters, which is a coalition of providers and supporters of demand response united to overcome barriers to the use of demand response, and do not necessarily represent the views of each particular member. The Demand Response Supporters include: Comverge, Inc., CPower Corporation, EnergyConnect, a Johnson Controls Company, EnerNOC, Inc., and Weatherbug Home.

Overview

Peak demand reduction - or demand response - resources have been recognized by national and state regulatory authorities for the positive contribution these resources make. The Federal Energy Regulatory Commission has stated:

[d]emand response can provide competitive pressure to reduce wholesale power prices; increases 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.” (*Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28, 16 2008), FERC Stats. & Regs. ¶ 31,281, at P 16 (2008), *order on reh’g*, Order No. 719-A, 128 17 FERC ¶ 61,059 (2009).

Demand response resources are provided from the energy curtailment efforts of numerous residential, commercial, institutional, and industrial customer verticals, including, education, government, health care, hospitality, retailing, commercial real estate, agri-business, manufacturing, and many more. Currently, there are over 2,900 locations in Ohio that are participating in PJM's emergency demand response program.¹ The Ohio Hospital Association is a great example of an organization that fully supports and encourages demand response participation for the Association's members. In fact, many hospitals throughout the State participate in these programs.

Benefits

Demand response program participation provides significant benefits to the State. In fact, the strong DR participation from Ohio resources has provided the State with benefits in the form of added reliability, lower prices for all customers and economic development opportunities. For example, the PJM noted that there would have been blackouts near Canton, Ohio in the summer of 2013 if demand response resources had not been available.²

Economic Development

The economic development value from demand response resource to the State is also quite impressive. Demand response provides customers with an additional stream of revenue that could be critical to the continued existence of these entities and to the growth of Ohio's economy.

Demand Response Supporters estimate that during the current PJM delivery year (June 1, 2015

¹ 2015 Demand Response Operations Markets Activity Report: June 2015 on page 3. The document can be found at <http://www.pjm.com/~media/committees-groups/subcommittees/drs/20150618/20150618-item-05-2015-demand-response-monthly-report.ashx>.

² [PJM] Year in Review – Operations, 2014 PJM Annual Meeting (May 13, 2014) at page 10.

through May 31, 2016) Ohio DR participants will earn over \$200 million for their participation in demand response programs. That money goes directly to businesses within Ohio to support their operations, make them more competitive and grow the Ohio economy.

Customer Savings

In addition, demand response participation provides significant savings for all customers. The PJM Independent MarketMonitor reported that demand response participation in the 2013/14 PJM Reliability Pricing Model, Base Residual Auction resulted in a savings of \$11.8 billion to all customers in the PJM region for that year. Using publicly available data Demand Response Supporters estimate that the share of savings for Ohio Electric customers during that delivery year was over \$2 billion from demand side participation in PJM's capacity market. The benefits to the State from both the direct payments to DR participants and the savings to all customer as a result of DR participation is a tremendous asset to the bottom line of many energy consumers throughout the State.

Reliability

Program participants across the State come in all sizes. For example, the University of Dayton is a participant in demand response programs and summarized their participation this way:

[Participation] provides a financial benefit to the university by being compensated for the reduction of a set amount of the universities electric load (kW), while PJM benefits by avoiding the purchase of expensive power from other suppliers, the suppliers save by not having to construct new power generation facilities (*the demand response program is a more cost effective solution for utilities to avoid building new generation plants*). Additionally, through good stewardship, we all benefit by lessening our environmental impact on the planet.³

³ https://www.udayton.edu/facilities/energy_sustainability/dr_faq.php

Dayton is one of many schools throughout the State that finds great value in participating in demand response programs.⁴

Clean Power Plan - Compliance

Moving forward these very same resources can play a significant role in helping the State achieve compliance with the Clean Power Plan. Last November, the Navigant research group released a study that determined that demand response can – and does – play a significant role in reduction carbon emissions: “Overall Navigant estimates that DR can directly reduce CO2 emissions by more than 1 percent through peak load reductions and provision of ancillary services, and that it can indirectly reduce CO2 emissions by more than 1 percent through accelerating changes in the fuel mix and increasing renewable penetration. For context, 1 percent of 2012 CO2 emissions from affected sources under the CPP is 19.5 million metric tons.” As the State evaluates options for compliance with the proposed Clean Power Plan rule Demand Response will no doubt provide regulators with greater flexibility for developing the State’s Implementation Plan.

Conclusion

In conclusion, efforts should be made to maintain the participation levels of these resources going forward as a long-term resource that provides many benefits to the electric consumers of the State.

⁴ For example, Ohio University also participates in demand response programs.

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