

DRAM

DEMAND RESPONSE *and* ADVANCED METERING *Coalition*

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January 17, 2005

James McNulty
Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Implementation of the Alternative Energy Portfolio Standards Act of 2004 (“Act”)
Docket No. M-00051865

COMMENTS OF THE DEMAND RESPONSE AND ADVANCED METERING COALITION (“DRAM”)¹

DRAM submits these comments in the above-captioned docket in response to Secretary McNulty’s letter of January 7, 2005. DRAM strongly supports the Act, which will provide many benefits to Pennsylvanians as well as serve as a beacon to other states considering alternative energy standards.

Our comments are with respect to the issue of counting demand response resources. The Act states that an alternative energy credit “shall equal one megawatt hour (MWh) of electricity from an alternative energy source.” Section 2 of the Act specifically includes demand response in the definition of “Alternative energy sources” as follows:

¹ - DRAM is an educational and policy coalition that consists of policy groups demand response technology providers, and advanced metering companies. Its goal is to inform policymakers.

load management or demand response technologies, management practices or other strategies in residential, commercial, industrial, institutional and government customers that shift electric load from periods of higher demand to periods of lower demand (Section 2, paragraph 12(ii))

Thus, demand response credits may be counted by counting the number of MWh of load shifted from “higher demand” to “lower demand” hours. Any MWh shifted in response to time-of-use, critical peak pricing, conservation credit pricing², or real-time pricing, count under the Act.

The amount of load shifting should be measured based on agreed-upon protocols developed through controlled research projects. This is the way energy efficiency and price-based demand response programs have traditionally been measured.³ In short, effects are estimated as a function of measure type (*e.g.* type of pricing program), recorded response in the test population (*e.g.* price elasticity of demand), and then applied to the population receiving the demand response program and/or technology. As an example, residential customers typically shift 15-20% of usage from higher demand to lower demand periods;⁴ such shifting would be counted as alternative energy resources under the Act.

We would also like to raise an issue regarding load management programs for the Commission’s consideration. While load management programs are included as alternative energy sources under the Act, these programs qualify for very few credits. The reason is that load management programs operate only a few hours per year, so even though these programs cause major reductions in megawatts (MW), they cause only small reductions in MWh. Since the Act calls for providing credits based on MWh, load management programs are disadvantaged. DRAM does not have a proposed solution to this dilemma but raises it as an issue for consideration by the Parties.

DRAM appreciates the opportunity to comment.

Very truly yours,

Dan Delurey
Executive Director
DRAM Coalition

² - A program in which customers are paid a rebate based on a recorded amount of demand reduction during peak hours; often referred to as a “buyback” or “demand bidding” program.

³ - See King, Chris S. and Sanjoy Chatterjee, “Predicting California Demand Response,” Public Utilities Fortnightly, July 1, 2003 and

⁴ - *Ibid*