



Federal Energy Regulatory Commission
June 17, 2010
Open Commission Meeting
Staff Presentation
Item A-3

"Mr. Chairman, Commissioners, good morning.

Today Commission staff is publishing the National Action Plan on Demand Response by electricity consumers, which will be posted on the FERC website. As you know, Section 529 of the Energy Independence and Security Act of 2007 (EISA) requires the Commission to develop this Action Plan, with input and participation from a broad range of stakeholders, to meet three objectives:

First, identify requirements for technical assistance to States to allow them to maximize the amount of demand response resources that can be developed and deployed;

Second, design and identify requirements for implementation of a national communications program that includes broad-based customer education and support; and

Third, develop or identify analytical tools, information, model regulatory provisions, model contracts, and other support materials for use by customers, States, utilities, and demand response providers.

"Demand response" refers to the ability of electric consumers to respond to a reliability or price signal by lowering their electric power consumption. Demand response includes consumer actions that can change any part of the load profile of a utility or region, not just the period of peak usage.

It is important to note that demand response is closely related to many smart grid activities. Many of the benefits attributed to investment in the smart grid are, at their core, demand response actions, such as better consumer management of electricity usage in response to prices or signals from grid operators. In turn, investments in some smart grid technologies, such as smart meters, help enable the demand response potential identified in the National Assessment of Demand Response Potential that was released last June. In recognition of this linkage, the actions identified in the National Action Plan are designed to be consistent, and in coordination, with smart grid policies implemented at the federal, state, and local levels.

The National Action Plan has been developed and informed through an open process of consultation with all interested persons. FERC staff solicited input and participation throughout its development from a broad range of industry stakeholders, including industry representatives, demand response providers, state regulators and other state officials, consumer representatives, and other non-governmental groups. We released "A Discussion Draft on Possible Elements for the National Action Plan" in October 2009 for public comment. A nationally webcast technical conference was held in November 2009 to obtain further input and feedback from interested entities. After reviewing the ideas, advice, and comments by a broad range of entities, staff prepared and released for further comment a draft National Action Plan in March 2010. The combined input from over two years of outreach resulted in The National Action Plan released today.

At its core, the National Action Plan calls for two simultaneous, compatible paths of action:
1) enabling development of price-responsive demand response programs, products,

technologies, and incentives and 2) facilitating market penetration of newly developing “smart grid” technologies and programs.

In addition, I want to make a few general points about the approach taken in the National Action Plan that is designed to ensure that the ideas developed there come to fruition. As an initial step, the Plan calls for an innovative approach to the formation of a coalition to coordinate implementation of the strategies and activities described in the Plan. The Coalition could consist of state and local officials, electric utilities, load-serving entities, demand response providers, RTOs and ISOs, consumer advocates, residential, commercial, and industrial customers, the federal government (where appropriate) and other stakeholders. These strategies and activities are then organized around the three objectives identified in EISA.

First, the Plan identifies activities to develop technical assistance to states. These technical assistance activities include national and regional educational forums, making demand response experts available to states, providing the results of demand response research, and establishing a program of on-site assistance.

Second, the Plan outlines the requirements of a national communication program that includes both direct outreach and educational programs at the national level and tailored local communications. Under the national communications program, communications would be developed and supported through multiple channels and media to communicate as appropriate with the many audiences for demand response. A fundamental design element of the national communications program is the Communications Umbrella, which would provide a broad message framework based on research on message effectiveness for use by local DR implementers. A variety of local communications could be designed consistent with this platform to inform customers about demand response programs, products, technologies, and incentives available in their areas.

Finally, the Plan identifies tools and materials that can be used by utilities, customers, States, and demand response providers. The plan for the development, enhancement, or dissemination of tools and materials involves a web-based clearinghouse and tools and methods for assessing the impacts, costs, benefits, and operation of demand response programs.

An example of the type of tools and methods that could be created through the efforts of the National Action Plan is the Demand Response Impact and Value Estimation (DRIVE) model being developed by the Brattle Group at the request of FERC staff. The DRIVE model estimates the impact of a portfolio of demand response and smart grid programs on a utility's operations. An initial version of the DRIVE model will be posted soon on the FERC website for download. Those with an interest in assessing demand response benefits may use this model to perform their own analyses using the data and assumptions they choose.

With today's publication of the National Action Plan, staff turns its focus to the remaining statutory requirement under section 529 of EISA: the preparation of an implementation proposal together with the U.S. Department of Energy. FERC and DOE staffs already have begun to collaborate on these matters, and we look forward to delivery of an implementation proposal to Congress by December 2010.

The National Action Plan is intended to be a plan for many to implement: utilities, demand response providers, and states, as well as federal agencies, where appropriate. Although its actions are designed to apply across the country, the National Action Plan recognizes the important role that state and local regulators play in developing the Nation's demand

response potential. The coordinated efforts of federal, state, and local lawmakers and regulators -- along with many private sector participants -- are needed to enable achievement of this potential.

This completes my presentation."