

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Demand Response Compensation in Organized)
Wholesale Energy Markets) Docket No. RM10-17-000

COMMENTS OF WAL-MART STORES, INC.

Thank you for the opportunity to provide comments addressing the cost allocation of demand response. Walmart is an international retailer that has the privilege of serving customers in over 4,200 U.S. and 4,300 international locations. Experience with curtailment services has enabled Walmart to be a leading advocate for energy policy on demand response. When consumers utilize the proper equipment, they **CAN** make a substantial difference, spreading benefits to **ALL** ratepayers through participation in the wholesale DR markets. Walmart is a DR participant in over 1,000 locations across the country, including the organized wholesale markets of ISO-NE, PJM, NYISO, ERCOT, in addition to a 2008 direct pilot with CAISO. We have energy monitoring equipment at every location in the US and advanced metering equipment at over 1,300 locations.

I. INTRODUCTION

We are extremely pleased FERC concluded that demand response should be considered as comparable to generation.

While recognizing the many benefits that DR delivers to markets, it is also important that **participants** receive fair and comparable compensation for these services and benefits provided to the marketplace as a whole. Participating DR resource consumers **do** make sacrifices to supply the DR service of curtailment. Consumers make payments for aggregator services, sacrifice the comfort, convenience or family members

in our homes, and associates working within our businesses, customers shopping in our businesses, make adjustments to our manufacturing schedules, adjust employee shifts, and invest in DR equipment to make these results happen.

In addition to the obvious benefits of reducing Locational Marginal Prices, this is a non-exclusive list of benefits to ratepayers and the overall market:

- 1) GHG-free curtailment, which could also reduce possible ratepayer penalty payments from carbon constrained LSEs and generators;
- 2) Decreases the need for some ratepayer funded peaker plants;
- 3) Less transmission congestion;
- 4) Better consumer management of energy consumed, lowering the power purchased for any time period.

From Walmart's perspective, a DR resource owner can benefit environmentally and economically, **but not without sacrifice**, from investment in our own cost recovery tool which improves environmental and energy efficiency goals, helping both ourselves and our customers save money in the long-run.

As noted in PJM's recent report, DR participants significantly reduced peak prices in the markets. But value cannot be fully quantified just by looking at its effect over a five-minute or one-hour time span. The value of DR also must be recognized over the **long** term, and as even **more** DR occurs, to fully appreciate its many potential benefits.

II. COST ALLOCATION ISSUES

The Commission has asked the question of how the costs DR resource participation should be allocated.

While respectful of the ISO/RTO efforts and the vast number of transactions in these markets, because DR should be treated as "comparable" to generation resources pursuant to Order 719, an entirely new process should **not** have to be invented from scratch. In our opinion, it should be the Commission's policy that payments to account for DR resources should be charged in the same way that payments for generation resources are allocated to customers. As benefits are enjoyed by the market in a more global, **or at a minimum**, zonal sense, and consistent with the Commission's long-standing and widely-respected cost causation practice, the Commission should adopt the basic concept that the costs should be allocated where the benefits are received, just like generation. For example, it has been said that a billing unit effect of dispatching DR as the source of a settlement difficulty presents a "missing money" problem. However, we look forward to learning more about what this "missing money" consists of and if in fact, it should be an issue. If it is, a settlement mechanics issue can be addressed through proper accounting that is not fundamentally different than other deviations properly settled by the ISOs/RTOs.

Finally, our proposed approach ensures that other market participants, such as generation resources and individual LSEs, are indifferent from a bidding and settlement perspective as to whether load is served by generation or DR, or even whether DR is present or absent in their customer base.

III. CONCLUSION

In summary, Walmart welcomes the Commission's action toward greater participation and more comparable treatment of DR resources in the Commission's regulated wholesale energy markets. Walmart respectfully requests that the Commission adopt a cost allocation approach that recognizes the **many** and **widespread** benefits of DR, and allocates the DR service costs in a manner comparable to that used for generation resources, and in a way that ensures that all the costs should be allocated where the benefits are received.

Walmart appreciates the opportunity to participate in this proceeding and the ability to supply curtailment services in these wholesale markets. This contributes to a cleaner environment and benefits many customers in many ways, which also helps us to help them, save money and live better. Thank you.

Respectfully submitted

/s/ Angela S. Beehler

By _____

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On Behalf of Wal-Mart Stores, Inc.

September 13, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served, via first-class mail, electronic transmission, or hand-delivery the foregoing upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 13th day of September, 2010.

/s/ Angela S. Beehler

Angela S. Beehler