



FEDERAL ENERGY REGULATORY COMMISSION

June 18, 2009

Commissioner Suedeen G. Kelly

Talking Points of Commissioner Suedeen G. Kelly on Demand Response Report

- As today's Assessment concludes, the amount of demand response that would take place if existing and currently planned demand response programs stay constant over the next 10 years would result in a reduction in peak demand of 38 gigawatts by 2019, representing a 9 % reduction (as compared with a scenario with no DR programs).
- At the other end of the spectrum, the amount of demand response that would take place in a full participation scenario—that is, full AMI deployment, full customer participation, and no regulatory or market barriers—would result in a reduction in peak demand of 188 GW by 2019, representing a 20% reduction in peak demand.
- As the Assessment makes clear, although a number of states and regions are actively finding ways to exploit DR potential, as a nation, we seem to be scratching the surface of what is attainable. Given the recognized benefits of DR, why is this so?
- As carefully detailed in the Assessment, there are a number of barriers that must be overcome in order to achieve our DR potential, ranging from the technical—for example, lack of interoperability and open standards—to regulatory—such as ineffective DR program design—to the seemingly obvious—that is, lack of customer awareness and education. The good news is the Assessment sets forth a number of recommendations for overcoming these barriers, which, if adopted, will in my view make DR a critical component in meeting our energy challenges.
- This Assessment provides the first nationwide, bottom-up study of DR potential using a state-by-state approach. Importantly, the Assessment is a living, breathing document, in that the public and individual states are able to use all of the report's data and assumptions in one transparent spreadsheet model, and can update or modify the data and assumptions to estimate DR potential based on their own priorities.
- What I found particularly enlightening is that the Assessment also captures those factors that account for state-by-state and regional differences in DR potential, such as market penetration of central air conditioning, the mix of customer type, or the use of various program types, such as the availability of dynamic pricing for residential customers. For example, hotter regions with higher proportions of central air conditioning could achieve greater DR impacts per participating customer from direct load control and dynamic pricing programs.
- As another example, the Assessment notes that the cost-effectiveness of enabling technologies such as programmable communicating thermostats also affects regional differences in DR potential—because of the low proportion of central air conditioning in regions such as New England, the benefits of the incremental peak reductions from enabling technologies do not outweigh the cost of the devices.



STATEMENT

- The Assessment notes that technological barriers include lack of advanced metering infrastructure, the high cost of some enabling technologies, and the lack of interoperability and open standards. This past March we issued a Proposed Policy Statement on Smart Grid, which focuses on the development of key standards to achieve interoperability of smart grid devices and systems, and enable, among other things, demand response. I believe today's Assessment will provide valuable guidance to the Department of Energy in determining how it will allocate stimulus funds dedicated for smart grid pilot projects.