



# FEDERAL ENERGY REGULATORY COMMISSION

June 18, 2009

Chairman Jon Wellinghoff

## Statement of Chairman Jon Wellinghoff on Demand Response Report

"This Assessment fulfills the first of three requirements in the Energy Independence and Security Act of 2007 that give the Commission certain responsibilities with regard to demand response. We will be submitting this Staff Report to Congress on June 19. I am very grateful to the Staff for designing and overseeing the rigorous analysis. They are also to be commended for their effective project management allowing the Commission to continue its established tradition of delivering reports to Congress on time.

When I first came to the Commission, I stated my belief that demand resources could reduce the costs of electric service and provide several other benefits to consumers. In the past almost three years, I have worked with my colleagues to provide the opportunity for demand resources to participate in wholesale markets, assist in efficient transmission service and maintain the reliability of the electric system. Now, through this Assessment, we have a national picture of the potential for demand response by residential, commercial and industrial customers and where these resources are located.

The Assessment provides, for the first time, a state-by-state analysis of demand response potential using a consistent analytical approach. This study takes a real-world approach to gathering and analyzing information. The Assessment considers the effect of increasing participation in a variety of demand response programs, studying the relative effects of dynamic pricing, direct load control, interruptible rate tariffs, and other demand response programs within each state under a range of scenarios. It estimates the demand response potential for residential, commercial and industrial customers in each state using actual climate and appliance saturation data. It makes assumptions about customer participation in several types of demand response and dynamic pricing programs based on real-world experience. It also analyzes the effect of using technologies, such as programmable communicating thermostats, to assist consumers to reduce demand cost-effectively.

Estimates of demand reduction under these scenarios range from 38 to 188 GW, or up to 20 percent of national peak demand. To put these estimates in perspective, peak demand reduction of these magnitudes has the potential to reduce the need to operate several hundred power plants during peak times, thus significantly lowering costs to consumers and reducing greenhouse gas emissions produced by these peaking plants. This demand reduction also has the potential to help us maintain the balance of the electric grid so that we may develop and reliably integrate thousands of new megawatts of variable renewable resources such as wind and solar into our electric system which further reduces our greenhouse gas emissions. The potential for demand response to provide these consumer and environmental benefits will be further examined in regional and reliability planning processes.

It is important to emphasize that the analysis reflected in the Assessment is an estimation of potential, not projections of what is likely to occur. The estimates of potential therefore are not targets, goals or requirements. By quantifying the potential opportunities for demand response in each state, the estimates are intended to serve as a reference for understanding the various pathways for pursuing increased levels of demand response.





## STATEMENT

The Assessment highlights the differences among regions of the country, providing information for each state to consider in its evaluation of further electric load shaping and demand reductions through demand response. As more and better information becomes available, the inputs to the model (including data and assumptions) can be updated and states can use it to make their own assessments about viable programs and potential. The model used to perform the analysis will be publicly available on the Commission's website ([ferc.gov](http://ferc.gov)), so that any party interested could test the assumptions used, examine various policy goals and update it as better data regarding demand response becomes available. The model is designed to be user friendly and flexible.

As the staff reported, barriers remain to achieving the demand response potential estimated in this report. We will be addressing those barriers in the second stage of fulfilling the charge given to us by Congress. Following this Assessment, FERC is required to develop a National Action Plan on Demand Response that, will: (1) identify requirements for technical assistance to the states to allow them to maximize the demand response, (2) develop or identify tools, information and other support materials for use by states, consumers, demand response providers and utilities, and (3) develop a national demand response communications program. FERC is then required, together with the Secretary of the Department of Energy, to submit to Congress a proposal to implement the Action Plan.

In conclusion, this Assessment marks the first step in a years-long process; and we have a baseline and tool that should be useful over the course of this period and into the future. This first step has made clear, however, that the potential benefits to consumers and the environment from wide scale demand response deployment is enormous. Our challenge is to develop an action plan to realize that potential.

Thank you."