

Rep. Markey: And our final witness is John Norris. He has years of experience in energy policy and regulatory affairs as a lawyer, a top official at the Department of Agriculture and Chairman of the Iowa Utilities Board. We thank you for joining us Mr. Norris. Whenever you're ready, please begin.

Commissioner Norris: Thank you Chairman Markey. Good afternoon, and thank you members of the Committee for inviting me here today. I've only been on the Commission for a couple months now so I appreciate this chance to get my feet wet with the Subcommittee here.

Also, I haven't consulted my colleagues yet, but I like the metaphor of Northern Iowa for FERC's role going forward. Being an Iowan, I can assure for both us and Northern Iowa, our best days are yet to come.

Rep. Markey: [anecdote about 10:45 to 11:43 about Northern Iowa basketball and campaigning in Dubuque during the primaries]

Commissioner Norris: Thank you. We do take great pride in our Panther basketball. Let me just give an overview of my written comments which largely pertained to demand side resources and demand response. If there's one most important takeaway from those comments, it's that our best energy outlook for the future includes an efficient mix of both demand side resources and supply side resources. By providing a level playing field and the opportunity for demand side resources to participate on a comparable basis to traditional supply side resources, we can make a positive difference for our markets and our consumers by allowing innovation, ingenuity and competition and choice to foster competition.

Let me briefly review what has evolved so far. The Commission has allowed demand response resources to be used to comply with certain reliability standards and has required that such resources be considered as a solution in utility transmission planning processes. In the organized markets, the Commission has gone further in requiring the RTOs and ISOs to accept bids from demand response resources in their ancillary services markets and enable aggregators to bid demand response on behalf of retail customers.

And we're beginning to see results. The most recent Commission survey results for demand response had a total potential peak load reduction across the nation of 35 gigawatts which is up 26% from the 2006 Commission survey results and represents approximately 5% of the total forecasted U.S. peak demand for the summer of 2008. But there still remains a tremendous untapped reservoir. Last summer's National Assessment of Demand Response Potential projected through 2019 that the potential for peak electricity demands across the country is up to 188 gigawatts or up to 20% of our national peak demand.

So where will the changes occur? Well, existing reliability and market rules and structures were developed around the needs and operating characteristics of traditional generation resources. There is not always consensus as to how and whether specific rules and structures should be modified to create a level playing field for demand response resources, but my expectation is that, as we gain experience, the Commission will continue to modify and shape demand response policies.

Just last week, the Commission issued a Notice of Proposed Rulemaking (NOPR) to address compensation of demand response resources. The NOPR proposes and seeks comment on requiring RTOs and ISOs in which demand response resources participate as a resource to pay demand response providers the market price for energy for reducing consumption below their expected levels. In June of this year, the Commission will issue the National Action Plan for Demand Response which will identify communication strategies, technical assistance to states, and tools necessary to achieve the potential identified in that assessment.

FERC also remains engaged with the states in the demand response collaborative. We're mindful that states have a large role in shaping the policies that affect demand response participation in electricity markets, and we continue to work closely with our state colleagues on the FERC-NARUC demand response collaborative to ensure that our efforts are coordinated and achieve the greatest impact.

There are remaining barriers, such as the measurement and verification of demand response, as yet to be finalized or agreed upon. The rules and software that the system operators use in organized markets to schedule and dispatch resources were developed around the needs and operating characteristics of traditional generation resources and may pose a barrier to demand response and other resources. And the market rules and business practices are as yet unclear as to how they are to apply to demand response. The Commission is analyzing these and other issues and, as appropriate, may conduct one or more rulemakings to help further eliminate barriers to demand response.

Thanks again for the opportunity to be here. I look forward to meeting the challenges of diversifying our electricity market in the future and I think the Commission is well-positioned to lead the country in that effort.