

April 30, 2007

PENNSYLVANIA PUBLIC UTILITY COMMISSION

**Report on Conservation, Energy Efficiency, Demand Side Response, and
Advanced Metering Infrastructure**

Demand Side Response Working Group

Docket M-00061984

I. BACKGROUND

EnerNOC, Inc. (“EnerNOC”) is a leading demand response and energy management services provider throughout the United States. EnerNOC currently manages over 575 MW of demand response capacity across over 1,300 sites nationwide. We actively participate in a range of reliability-based demand response programs, economic price response programs, and ancillary services markets.

EnerNOC has been an active participant in the demand response programs of various Independent System Operators (“ISOs”) / Regional Transmission Organizations (“RTOs”), including ISO New England, the PJM Interconnection (“PJM”), and New York ISO. We also have bilateral contracts with utilities to provide demand response services, including Northeast Utilities (Connecticut Light & Power), National Grid, NSTAR, Southern California Edison, Pacific Gas & Electric, San Diego Gas & Electric, and Public Service Company of New Mexico. EnerNOC’s demand response solution is implemented via automated, aggregated, and intelligent management of end-user lighting, HVAC, distributed generation, and other industrial process equipment.

EnerNOC is a Full Member and a Curtailment Services Provider (“CSP”) of PJM. EnerNOC represents demand response resources which participate in PJM’s Synchronized Reserves Market, and Emergency and Economic Load Response Programs. EnerNOC is also an active contributor at PJM’s Demand Side Response Working Group (“DSRWG”) and the Mid-Atlantic Demand Response Initiative (“MADRI”).

II. COMMENTS

EnerNOC applauds the Pennsylvania Public Utility Commission (“PUC”) and the Demand Side Response Working Group (“DSR Working Group”) for investigating, evaluating, and facilitating conservation, energy efficiency, demand side response, and advanced metering infrastructure. In an era when customers nationwide are facing increasing electric rates, effective demand side measures can help to ensure a lower-cost, cleaner, and more reliable electric grid in Pennsylvania, as we demonstrate below.

EnerNOC would like to suggest that the DSR Working Group incorporate the following points in the draft Report on Conservation, Energy Efficiency, Demand Side Response and Advanced Metering Infrastructure (“Report”):

(1) The potential for dispatchable demand response resources in Pennsylvania

In the Report, we encourage the PUC to emphasize the potential and need for dispatchable demand response resources in Pennsylvania. Dispatchable demand response can serve as a reliable way to reduce required reserve margins and thus reduce system costs. EnerNOC’s grid operator and utility customers have deployed demand response programs as an alternative to building additional peaking generation. In addition, dispatchable demand response can help avoid or defer the costs associated with transmission and distribution investments. In fact, dispatchable demand response capacity is particularly well-suited to target areas load pockets: it is reliable, quick-to-market, and more cost-effective than other, more capital-intensive solutions.

EnerNOC’s extensive market experience proves that between five and 10 percent of peak demand can be reduced for a small percentage of hours per year, so long as the proper incentives are in place for customers. In 2006, Pennsylvania had a peak demand of approximately 23 GW. Therefore, we believe that the State can expect to tap into between 1150 and 2300 MW of demand response resources to meet its capacity needs.

In Connecticut, for example, over 505 MW of demand response are enrolled in ISO New England’s 30-Minute Real-Time Demand Response Program¹ representing 6.8 percent of Connecticut’s 7,479 MW peak.² Figure 1, below, shows demand response growth in Connecticut from 2004 to April 2007. We expect a similar trend is possible for Pennsylvania and we hope to work with the PUC and other stakeholders towards engaging end-user customers in demand response programs.

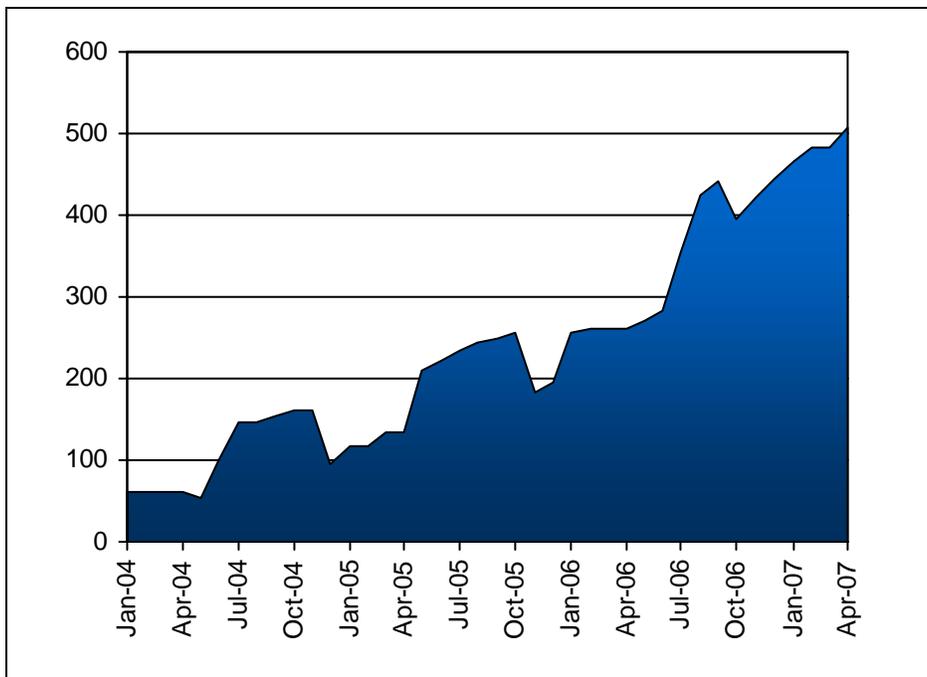


Figure 1: Demand Response Growth in Connecticut, 2004-April 2007

¹ See, Presentation from ISO New England’s Demand Response Working Group, “ISO New England/NEPOOL Demand Response Working Group Meeting,” 7 February 2007, available at http://www.iso-ne.com/committees/comm_wkgrps/mrks_comm/dr_wkgrp/mtrls/2007/feb72007/intro_dr_working_group_meeting_02_07_2007.ppt, p. 7, (downloaded 17 March 2007).

² See, Connecticut Light & Power Press Release, “Connecticut Sets another Electric Usage Record,” 4 August 2006, available at <http://www.cl-p.com/companyinfo/newsreleases.asp> (downloaded 17 March 2007).

(2) The potential for demand response to reduce capacity costs associate with PJM’s Reliability Pricing Model (“RPM”)

PJM’s RPM will come at a high cost to ratepayers. The recently auction cleared at \$197.67/MW-day in eastern Pennsylvania. The RPM will cost Pennsylvania’s ratepayers “over \$1 billion in four years beginning July 1 without any guarantee that new generation will be built.”³ Demand response resources can mitigate peak demand and reduce Pennsylvania’s capacity obligation in the RPM, thus reducing costs to all ratepayers. For example, increasing the amount of demand response resources by 100 MW in PECO’s service territory could save Pennsylvania ratepayers nearly \$20 million annually.

(3) The benefits of third-parties in facilitating demand response participation

EnerNOC would like the PUC to recognize the key role that third parties can play in facilitating demand response participation. EnerNOC believes that CSPs will be of substantial financial benefit to Pennsylvania ratepayers and end-use customers that participate in demand response programs.

While Electric Distribution Companies (“EDCs”) have many functions, it is the primary responsibility of CSPs to engage customers in demand response programs. States like California have recognized that EDCs and CSPs (termed “aggregators” in California) together can enroll more capacity in demand response programs than either party alone.

Most end-users are not focused on wholesale power markets but on their business operations. After all, a widget maker’s primary concern is producing widgets. CSPs like EnerNOC create technology-based demand response solutions that facilitate end-user participation in electricity markets. In addition, CSPs can aggregate multiple end-user customers in demand response programs, thus mitigating the risk of non-performance that a single end-user might face by “going at it alone.”

³ Testimony of Kathleen A. McGinty Secretary, Pennsylvania House Majority Policy Committee Hearing Testimony on Governor Edward G. Rendell’s Energy Independence Strategy, Pennsylvania Department of Environmental Protection, 1 March 2007, available at <http://www.depweb.state.pa.us/dep/cwp/view.asp?a=3&q=519158>, (downloaded 29 April 2007).

We urge Pennsylvania to recognize the importance of CSPs and work to support market structures and mechanisms to keep CSPs actively involved.

(4) The benefits in CSP-EDC coordination to access end-user meter data while fully respecting the privacy of the end user

Along the lines of point (2) above, EnerNOC would like to emphasize the importance of cooperation amongst EDCs and CSPs in exchanging customer meter data. Customer meter data is necessary to enroll end-user customers in PJM's demand response markets. Thus, Pennsylvania will see greater demand response participation if EDCs work closely with CSPs to ensure the timely exchange of customer meter data. EnerNOC concurs with PJM that authorized CSPs should be allowed access to customer meter data within 10 days.

III. CONCLUSION

EnerNOC would like to thank the PUC and the DSR Working Group for the opportunity to comment on these proceedings. The PUC's attention towards facilitating demand side participation will bring substantial benefits to ratepayers in Pennsylvania and PJM, and EnerNOC looks forward to being part of this solution.