




**National Rural Electric
Cooperative Association**

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**Comments of the National Rural Electric Cooperative Association
On the Proposed NAESB “Business Practices for a Framework for Measurement
and Verification of Wholesale Electricity Demand Response”
January 12, 2009**

The purpose of the proposed NAESB Business Practices for a Framework for Measurement and Verification of Wholesale Electricity Demand Response (“Framework”) is to help promote compatibility for measurement and verification of wholesale demand response products in different RTO markets. The National Rural Electric Cooperative Association (NRECA) participated in the process to develop the initial draft of the Framework and in the December 3, 2008 subcommittee discussion where the Framework was reviewed and amended. NRECA believes the changes agreed to at that meeting improve the original product, and therefore is supportive of this Framework as currently written. In particular, NRECA supported amendments changing the initial proposal from a “standards proposal” to a “framework”, and clarifying that the “Framework” is limited to ISO/RTO markets. However, NRECA also has reservations remaining about implementation of the framework, which is addressed below.

NRECA voted for the Framework at the December 3 meeting because we concluded that it provides our member cooperatives with sufficient flexibility to participate in ISO/RTO DR programs. Also, the Framework does not espouse one DR program over another, or urge adoption of any particular program which might present participation problems for cooperatives. Rather, it offers an extremely broad matrix of options for how wholesale DR market program savings can be measured and quantified. Therefore, NRECA concludes that the Framework as currently written offers a flexible structure that can work for smaller entities, such as electric cooperatives. However, that same flexibility provided in the Framework also leaves many details to be specified at some point later in time as market programs are implemented. As has been seen in numerous other cases, “the devil is always in the details.”

NRECA is concerned the ISO/RTOs, *i.e.*, “System Operators” as designated in the Framework, may perceive the flexibility offered by this proposal as an opportunity to unilaterally require Demand Response (“DR”) market participants to comply with restrictive M&V methodologies that are not contained with the Framework. The System Operators should not unilaterally proceed to implement detailed programs in ways that may be overly and unnecessarily burdensome on participating cooperatives, or that would prove overly prescriptive with respect to

the types of DR programs that cooperatives could implement. The oft-repeated phrase “unless otherwise specified by the System Operator” should not be read as a blank check for System Operators to impose, through applicable tariff language, new M&V requirements on market participants without employing their normal stakeholder processes to fully vet any new proposed requirements or changes to existing requirements.

System Operators that use the Framework as the basis to implement any new programs or requirements should use their well-established stakeholder processes to pursue such actions. System Operators must continue to work closely with their stakeholders to fully assess the potential impacts of any proposed new requirements on all market participants, particularly cooperatives and other smaller market participants, or on the broad range of potential DR programs that cooperatives tend to offer their member-consumers.

NRECA notes that in our October 22, 2008 initial comments to the Framework, we requested that the Framework provide examples of proposed performance evaluation methodologies to help avoid confusion that may arise during implementation. In the ISO/RTO Work Group December 2, 2008 “Response to Comments/Modifications submitted to the WEQ DSM-EE Subcommittee,” (Item nos. 45 and 48), the ISO/RTO Work Group indicated agreement with the request and that such examples would be provided in a subsequent working document. While those examples have not been provided, NRECA will continue to recommend that such examples should be developed in a follow-up effort as a companion piece to the Framework.

NRECA also recommended in its October 22, 2008 comments that other examples would be helpful in providing clarity during DR program implementation. These comments were not supported by the ISO/RTO Work Group but were noted as item nos. 46, 47 and 49 of the December 2, 2008 Work Group summary. Those comments request specific examples that clearly identify what is and what is not covered in the areas of demand reductions and efficiency improvements relative to the wholesale market performance; discussion of the ISO/RTO market categories and the functioning of the products in those categories; and additional background information on the development of the recommended performance evaluation methodologies. Examples along these lines should also be included as part of the follow-up effort in support of implementation of the Framework.

The Framework appropriately treats each DR product category and evaluation mechanisms objectively. NRECA appreciates the time and efforts of the ISO/RTO Work Group and all NAESB subcommittee participants in developing a viable and objective framework, and thus supports this proposal. Any remaining concerns we have are in regard to implementation of the Framework and not with the Framework itself. Therefore, NRECA recommends that the NAESB submittal to the Federal Energy Regulatory Commission and any subsequent FERC actions retain that impartiality that is a central part of the Framework and not favor one product, M&V mechanism or industry structure over another.

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