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FERC AND DOE SUBMIT DEMAND RESPONSE PLAN IMPLEMENTATION PROPOSAL TO CONGRESS

The staff of FERC and DOE recently sent to Congress an *Implementation Proposal for The National Action Plan on Demand Response*. The objective of the proposal, which builds on the June 2010 *National Action Plan*, is to achieve the nation's demand response potential. Both documents were required by section 529 of the Energy Independence and Security Act of 2007 (EISA).

Demand response ("DR") is a reduction in the consumption of electric energy by customers from their expected consumption in response to an increase in the price of electric energy or to incentive payments designed to induce lower consumption of electric energy. DR is an increasingly important resource in electricity markets. Providing DR services to electricity customers presents commercial opportunities, and using DR services presents opportunities to electricity customers to save money and even earn revenue from their demand reductions. Accordingly, government actions to foster the development of DR should be of interest to those with an interest in, or considering an interest in, DR providers as well as those with an interest in firms with sizable electricity bills.

The implementation proposal identifies a number of activities to be undertaken by various combinations of FERC staff, DOE, and private or non-federal government organizations and coalitions to implement the *National Action Plan*. The proposal finds that developments and funding provided since the action plan was released have accomplished some of the plan's objectives. Accordingly, implementation proposals are not set out for those objectives. The implementation proposal relies as much as possible on existing public programs while encouraging new private involvement to implement the identified activities. Activities are grouped in the same three major categories as in the action plan: technical assistance to the states, national communications program, and tools and materials.

TECHNICAL ASSISTANCE TO THE STATES

The implementation plan calls for a one-day national forum in 2011 to be sponsored by FERC and DOE. The forum's purpose is for state public utility commissions, state energy offices and consumer counsel, gubernatorial offices, state legislators, utilities, DR providers, and other stakeholders to share ideas.

In addition, the plan finds that there should be a series of technical papers on DR that are targeted to state officials. Developing these papers could be overseen by a coalition or by any private or non-government organization. DOE has already committed to fund studies regarding customer response to dynamic pricing and energy use feedback, as well as the role of DR in transmission planning. Additional topics needing research are suggested in the proposal.

DOE and FERC will continue to fund and provide some additional technical assistance to states and conduct informational sessions.

NATIONAL COMMUNICATIONS PROGRAM

A research-based message framework (a “communications umbrella”) for communication tools, support, and advice will be developed for use by DR implementers and large commercial and industrial customers to:

- Share information and studies on how local entities have communicated about DR implementations (messages, focus group feedback, and advertisements).
- Reframe DR concepts with customer-friendly terminology to explain the idea of changing energy use in response to price and non-price signals.
- Develop communications materials based on research.

Non-federal organizations will be responsible for funding and executing most aspects of the communications program.

A Demand Response and Smart Grid Communication Action Guide was released by the National Action Plan Coalition to serve as the “communications umbrella.” The guide, intended to help the DR and smart grid community communicate to consumers the value proposition of their technologies, describes communications practices that have been field-tested by utilities, including specific messages that will resonate with different customer segments. The Coalition includes non-profit organizations in the utility, smart grid, regulatory, and environmental areas.

TOOLS AND MATERIALS

The implementation proposal calls for developing certain tools and material for use by customers, states and DR providers. The tools to be developed fall into two categories: a web-based clearinghouse of DR material and enhanced DR analytical tools and methods.

Web-Based Clearinghouse of DR Materials

This clearinghouse will facilitate the delivery of up-to-date information and analyses on DR regarding materials on the following topics:

- Case studies of state laws, regulations, and tariffs regarding DR.
- Database of pilots, programs, and markets.
- Quantitative and qualitative summaries of DR programs
- Information on results of DR programs as well as criteria and metrics for assessing those results.
- Online message board for state officials to exchange information and request assistance on DR issues.
- Information on standards and protocol development.

Given the overlap between DR and smart grid, DOE will consider integrating this clearinghouse with its Smart Grid Information Clearinghouse that is being developed by the Virginia Polytechnic Institute. Otherwise, private or non-federal government organizations, or coalitions, will be responsible for developing most aspects of the clearinghouse.

Analytical Tools and Methods

The implementation proposal identifies a number of tools and methods to expand DR programs, advance DR to support wholesale transmission operations, and help customers optimize their savings from DR programs. Tools and methods to address the following aspects of DR are identified:

- Estimating the impact of DR on resource requirements, wholesale prices, and emissions before implementing programs. DOE will assess smart grid technology impacts on grid performance based on data reported from Recovery Act grant projects.
- Cost effectiveness of DR programs.
- Customer evaluation of DR offerings.
- Cost recovery of utility installed new DR technologies.
- Incorporating DR in system dispatch algorithms and resource planning. DOE and FERC staff will work with grid operators and DR providers to help create these tools.
- Price information standards are being developed by the National Institute of Standards and Technology and the North American Energy Standards Board.

Except as otherwise noted, the development of these tools and methods is left to private or non-federal government organizations or coalitions.

The *Implementation Proposal for The National Action Plan on Demand Response* is available [here](#).

The National Action Plan Coalition's *Demand Response and Smart Grid Communication Action Guide* is available [here](#).

The June 2010 *National Action Plan on Demand Response* is available [here](#).

If you have any questions concerning the material discussed in this client alert, please contact the following members of our energy practice group:

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