



Initial Comverge Comments for Virginia SCC

Case PUE-2007-00049

Demand Side Resources WorkGroup

Encourage third party provider participation.

Comverge applauds the effort of Dominion Virginia Power to solicit competitive offers (RFP for Unit Capacity and/or Demand Side Management issued November 17, 2006) to provide Demand Response. While DR was not chosen as part of this process, we think it is important to keep that sort of process available to the utilities under SCC jurisdiction. By procuring DR capacity at fixed prices in contrast to procuring individual program components (equipment, software, program management, measurement and verification systems, installation services, marketing/recruitment, and call center services or subsets thereof), the utility can better shield its customers from program risks. If designed properly, competitive procurement and contracting transfer most risks to the third party provider.

For example, Comverge provides dispatchable load shed and receives fixed-price capacity payments under its pay-for-performance contracts with ISO New England, Rocky Mountain Power, and San Diego Gas and Electric Company. We “won” these contracts under competitive RFP processes in which demand side resources competed directly with traditional supply side resources. Under a performance-based contract the third party provider does not get paid unless it delivers specific quantities (MW) of load shed.

Place burden of pilots on pilot proponent.

It has become commonplace for utilities to pilot Demand Response concepts and the results are generally available. Pilot programs have become a delay tactic; however, as a wide array of Demand Response resources have been fully proven. In this light, Comverge urges the SCC to place the burden of proof on the proponent of a Demand Response pilot and to carefully examine the hypotheses to be tested as well as the proposed testing methods. This will avoid wasteful duplication of efforts already undertaken. A viable method of accomplishing this would be to require the proponent to submit a list of comparable programs or pilots to the technique proposed for pilot. Then require an explanation as to why these results are not applicable.

Demand Response can be implemented prior to or independent of AMI

Demand Response programs do not require advanced metering at all participants' sites to enable rigorous measurement and verification of load shed. Normally, a carefully chosen sample of a

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few hundred sites for advanced metering (including two-way communication) will suffice to produce statistically significant inferences about actual load reduction. Especially for the residential and small commercial sector, implementation of DR should not have to wait for the resolution of relatively complex AMI issues upon which general agreement is years away (if ever).

However, interval meters will be required for price responsive variations of Demand Response. Usually, the DR system can be designed to adapt to time-varying rates after the primary load control devices are installed.

Consider the entire array of DR costs and benefits.

The benefits of Demand Response have historically been underestimated. Everyone can agree that DR will defer conventional generation capacity. DR will also directly defer transmission and distribution infrastructure investment, particularly in load pockets or where NIMBY issues arise. Some are reluctant to support these benefits for fear that commissions will withhold or challenge cost recovery for pending or in-process large transmission and distribution projects. But with proper forward-looking justification of resource projects, utilities should not be subjected to after-the-fact review.

Moreover, the SCC should consider use of the Total Resource Cost test, including quantification of regional energy price effects and environmental mitigation.