



## **Industrial Energy Consumers of America**

*The Voice of the Industrial Energy Consumers*

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May 4, 2010

### **VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
Office of the Secretary  
888 First Street, N.E.  
Washington, D.C. 20426

**RE: Demand Response Compensation in Organized Wholesale Markets,  
RM10-17-000**

Dear Ms. Bose:

Enclosed please find for electronic filing the Comments of the Industrial Energy Consumers of America (IECA) in the above captioned proceeding.

Thank you for your attention to this matter.

Regards,

Paul N. Cicio  
President  
Industrial Energy Consumers of America  
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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Demand Response Compensation in Organized  
Wholesale Energy Markets**

**Docket No. RM10-17-000**

**COMMENTS OF THE INDUSTRIAL ENERGY CONSUMERS OF AMERICA**

The Industrial Energy Consumers of America hereby submits these comments in response to the March 18, 2010 Notice of Proposed Rulemaking (“NOPR”) issued in the above captioned docket.

**I. DESCRIPTION OF THE INDUSTRIAL ENERGY CONSUMERS OF AMERICA**

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$800 billion in annual sales and with more than 750,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies through research, advocacy, and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets

**II. COMMENTS.**

The undersigned join in supporting the Commission’s Proposed Rule on Demand Response Compensation in organized Wholesale Electricity Markets. The Commission’s proposed rule is a major and positive first step towards assuring that future markets for electricity yield results that are fair and equitable to suppliers and provide safe and reliable service at just and reasonable rates to all consumers, large and small. Key to the success of any competitive market structure in meeting the requirements of the just and reasonable standard are the mitigation of market power, the

assurance of reliability, and the provision of service to customers at lowest reasonable cost. We believe the Commission's proposed rule will assure the continuing improvement of all organized markets on all of these fronts.

The Commission proposes a standard of compensation for Demand Response (DR) resources that recognizes the economic value to all other customers and the overall efficiency of the electric system. The full Locational Marginal Price (LMP) payment level proposed by the Commission will assure that Demand Response resources will be paid on a non-discriminatory basis for the services they provide to all other customers. Those services include lowering clearing prices, increasing reliability, mitigating market power, increasing consumer choice, lowering risk premiums, reducing needs for long term investment in infrastructure, enabling renewable intermittent resources such as wind and solar, and improving the overall efficiency of the electric grid. The proposed rule correctly recognizes that a failure to provide comparable compensation to Demand Response resources would unnecessarily reduce reliability and increase costs for all consumers.

Allowing Demand Response resources to bid and clear in a market on a comparable basis with generation has been shown to provide overall benefits to all consumers.<sup>1</sup> It is clear that DR as part of a properly structured market can provide benefits to non-participating consumers far in excess of its cost. The Commission's proposed rule recognizes this fact and is an important first step in securing these benefits to all consumers. Regardless of the hour or time of year, when demand response lowers the clearing price, that benefit is shared by all load in the market.

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<sup>1</sup> See, e.g., <http://www.pjm.com/~media/about-pjm/newsroom/2006-releases/20060817-demand-response-savings.ashx> (last visited April 14, 2010)(PJM reporting that \$5 million in payments to Demand Response resources yielded approximately \$650 million in savings for other PJM customers).

The parties hereto applaud the Commission for taking this necessary first step towards the improvement of the markets. The lack of a unified policy on Demand Response Compensation in the organized Markets has been a significant barrier to progress on important issues of energy efficiency, customer participation and reliability in all parts of the country, and a unified standard will help remove that barrier. The standard put forth by the NOPR is also welcome as allowing that progress to move in the direction of better, more efficient, more competitive and more just and reasonable market outcomes.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Paul N. Cicio". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

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