

**Opening Remarks NARUC-FERC
Demand Response Collaborative
November 12, 2006
By
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As I was preparing for this meeting today, I reviewed FERC's *Assessment of Demand Response & Advanced Metering Staff Report* dated August 2006. In that Report, Commission Staff discussed its comprehensive national survey of electric demand response and advanced metering. Based on the results of that survey, FERC Staff found that the use of demand response is not widespread. Only about 5% of customers are on some form of time-based rates or incentive-based program. The FERC survey also requested information on the potential peak reduction that existing demand response programs represent. Nationally, the total potential demand response resource contribution from existing programs is estimated to be about 37,500 MW. This tells me that there is a huge untapped resource.

Another problem is that demand response is not treated in transmission planning uniformly across regions; and, demand response is not even directly assessed during transmission planning in most regions. The Midwest ISO (MISO) of which Minnesota is a part does consider demand response in its transmission planning, but there are no specific demand response projects yet, to my knowledge.

Demand response deserves serious attention. As a start we need to consider approaches, including how to eliminate regulatory barriers to improved participation in demand response. We need to work cooperatively in finding demand response solutions. I am optimistic that although there are significant differences in each state's and region's approaches to demand response, we will find a way to find compatible regulatory approaches to tap this untapped reservoir. I look forward to an interesting meeting today and in the future.

Minnesota Specific Remarks

Minnesota has a variety of load control mechanisms such as Interruptible Rates, Saver Switch, Time of Day Rates, Seasonal Rates, Large Commercial and Industrial Saver Switch Tariff, and the like. However, there are disincentives for utilities to fully invest in DSM. Our current recovery and incentive programs in Minnesota do not link directly to avoided cost or the goal of avoiding a future power plant. Utilities should be encouraged to invest in DSM up to the point of cost-effectiveness.

Overall, it might be helpful to focus on considering region-wide demand response and load control. For example, when a heat wave was over Minnesota, demand-response in the East could have helped mitigate prices—since it wasn't hot there at that time. Yet, demand response/load control wasn't called by the local utilities. Similarly, once the heat wave moved east, the East didn't call upon our resources even though load control wasn't needed on our system. It would be useful to consider how load control can be moved to a more regional dispatch, just like generation—of course, such an effort would need to consider the customer impacts and acceptability. It would also be useful to explore how load control can be used to mitigate congestion—that is, to relieve congestion to allow trapped generation to flow to across the MISO market. Minnesota's largest electric utility has done a fairly good job of using load

control on its system. However, other parts of the country need to be encouraged to dispatch resources in a way that achieves regional benefits without negatively impacting native load.