Talking points of Mr. Tom Kerr, Branch Chief
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U.S. Environmental Protection Agency

Docket No. AD06-2-000
Assessment of Demand Response Resources
January 25, 2006

Good morning, and thank you for inviting me to make some brief remarks on behalf of the U.S. Environmental Protection Agency.

EPA supports demand-side resources as a strategy for providing significant cost-effective emissions reductions by controlling load growth served by fossil fuel-fired power generators, as well as associated transmission and distribution losses.

According to EPA's latest inventory, the electricity generation sector is the largest contributor to U.S. greenhouse gas emissions, contributing a third of U.S. carbon dioxide emissions.

In addition to environmental benefits, demand-side resources provide reliability, security, and fuel diversity benefits.

For over 15 years, EPA and the U.S. Department of Energy have actively supported demand-side resources through the Energy Star program. Working with commercial, residential, and industrial energy users, Energy Star has helped control electricity load growth, providing four percent of U.S. energy consumption through energy efficiency.

While these are strong results, there remains a tremendous untapped potential in the U.S. for additional cost-effective demand-side resources, including energy efficiency. This is because while energy efficiency investments are generally very reliable, today's markets do not treat demand-side resources similar to supply.

Markets need the right policies to allow for full utilization of cost-effective demand-side resources. Policies that are important include ones that value demand-side resources equally with other resources in the resource planning

process. Investors—including utilities—also need clear market signals so that demand-side resource investments do not cause them to lose revenue.

To address these barriers, EPA, together with the Department of Energy, and leading electric and gas utilities and state utility policymakers, launched the Energy Efficiency Action Plan last month. The Action Plan effort is designed to bring national focus to key policies and solutions that allow demand-side resources to compete equally with traditional resources.

The demand response efforts envisioned by the Commission's proposed Demand Response survey and this technical conference are complementary to EPA's ongoing energy efficiency work.

If designed properly, EPA believes that time-based rate programs can provide incentives for targeted energy efficiency investments to provide resources that effectively shave the system peak.

However, additional study and analysis needs to be done to assess the effectiveness of these programs. That is where the Commission's proposed survey comes in. The draft survey requests "potential" peak reductions in megawatts from existing demand response programs.

To better assess program effectiveness, EPA believes that the Commission should request actual data for both peak reduction, in terms of megawatts, and changes in total annual electricity consumption, in terms of megawatt-hours. Similarly, it would be helpful if the time-based rate programs section of the survey included requests for actual and potential megawatt and megawatt-hour data.

This data would be useful in shedding some light on the actual impacts that demand response programs have on electricity consumption. It would also help policymakers and utilities assess the performance of existing programs that have attempted to combine energy efficiency and demand response. Finally, it would help utility and state decision makers that are looking to understand the environmental impacts of their demand response efforts.

Thank you for the opportunity to make these remarks, and we look forward to working with the Commission on this and other efforts that spur greater investment in demand-side resources.