

FERC Demand Response Technical Session – May 21, 2008

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National Grid's Demand Response Efforts

- ◆ **National Grid acts as a default demand response provider for customers in our service territory**
- ◆ **In conjunction with ISO programs, the Company runs targeted demand response programs for local distribution issues**
- ◆ **Keen interest in having customers participate to lessen their costs for energy and assist in keeping the lights on**

Opportunities to Improve Demand Response Participation

- ◆ **Need to standardize programs to the extent possible**
 - ◆ E.g. standardized large and small interconnection rules
- ◆ **Program and market designs between the ISOs**
 - ◆ Program rules and requirements differ, making it difficult for entities who control facilities across ISO borders
 - ◆ Performance hours, measurement and verification, baseline calculations, program triggers, and metering requirements vary widely
- ◆ **The effort to standardize monitoring and verification (M&V) issues through the NAESB EE/DR effort provides an excellent foundation for this effort, but need to work on commercial terms as well**
 - ◆ Develop similar contracts for the same end-result needed
 - ◆ Allow aggregation of assets for programs
 - ◆ Reduce complexity of programs; current program manuals are from 20 to 65 pages long

Challenges Facing DR Participation in Forward Capacity Markets

- ◆ **Performance hours (e.g., shortage events) uncertainty is an issue for some loads**
 - ◆ Number of expected performance hours for real-time demand response assets is unknown
 - ◆ Potential for long (up to 8 hour) events
 - ◆ As loads begin to better understand the needs of the markets this uncertainty should become less of an issue
- ◆ **Changing business conditions**
 - ◆ Loads are not in the energy business
 - ◆ Loads ability to shift or curtail can change quickly
 - ◆ Long term commitments and long lead times are difficult for some end use commercial and industrial loads to handle
- ◆ **Must provide ways to assist providers in the aggregation of resources to allow them to spread the performance obligations out to meet customer and market need**