

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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PETITION OF THE MASSACHUSETTS  
DIVISION OF ENERGY RESOURCES  
FOR AN INVESTIGATION INTO  
ESTABLISHING AN ELECTRIC  
EFFICIENCY PERFORMANCE  
STANDARD AS A COMPONENT OF  
THE SUPPLY OF BASIC SERVICE  
ELECTRICITY

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D.T.E. No. 06-113

**COMMENTS OF ENERNOC, INC.**

Pursuant to the Department of Telecommunications and Energy's ("DTE" or "Department") December 29, 2006 Notice of Filing and Request for Comments ("Notice") regarding the Petition of the Massachusetts Division of Energy Resources ("DOER") requesting the DTE to conduct an investigation into establishing an energy efficiency performance standard ("EPS") for basic/default ("basic") service, EnerNOC, Inc. ("EnerNOC") submits the following Comments.

**INTRODUCTION**

EnerNOC supports the DOER in its efforts to increase energy efficiency and concurs that setting an EPS can be an effective mechanism to further this goal. Thus, EnerNOC encourages the Department to undertake an investigation into the benefits of creating an EPS to serve customers who receive basic service electricity supply in Massachusetts as outlined in the Department's Notice.

EnerNOC submits, however, that the Department should seize this opportunity to broaden the scope of this proceeding beyond that proposed by DOER and consider additional proposals which encourage Massachusetts to more fully utilize demand response to contribute to

the reliable, efficient operation of the Commonwealth's electric system. Specifically, EnerNOC believes the Department should broaden the scope of its investigation to include consideration of a demand response portfolio standard with a goal of achieving, by a date certain, 5 percent of the aggregate basic service ratepayers' peak load enrolled in the ISO-New England ("ISO-NE") demand response programs. Such a standard would be both a cost effective way of meeting peak load and would provide a proven and productive avenue for end users to become more involved in their energy consumption patterns and thereby create more significant energy efficiency gains.

### **THE DOER'S PROPOSAL**

On December 21, 2006, DOER filed a Petition with the DTE seeking an investigation into the establishment of an EPS as a component of the supply of basic service electricity. DOER sets a goal to achieve a reduction of 1.5% in sales of basic service by the sixth year of operation. Under the DOER proposal, distribution companies would meet their target through annual procurement of efficiency resources provided by efficiency vendors through investments in the homes and businesses of basic service customers. Recovery of the EPS cost would be accomplished through the charge for basic service, collected in monthly increments over periods of five years for each efficiency resource procured.

With respect to eligible resources, the DOER proposal provides that to be eligible for qualification towards a distribution company's EPS performance target, eligible projects must include energy efficiency measures at customer facilities within Massachusetts. Combined heat and power and distributed generation projects would also qualify on a "partial basis." DOER Petition at 18. However, the DOER proposal explicitly excludes demand response from participation in the EPS performance target. Specifically, DOER states:

Demand response projects (e.g. short-term load shifting and/or load curtailment) should not be eligible to participate in an EPS. Their

contributions to overall energy savings would be negligible and could not be fairly compared with the costs per kWh of efficiency resources.

DOER Petition at 18-19.

DOER requests that the Department, as a first step in any investigation, direct the formation of a stakeholder collaborative to explore various design options and their potential impacts and to report back to the Department expeditiously on the findings that emerge from that process.

### **ENERNOC'S COMMENTS**

***A. Boston based EnerNOC, the Leading Provider of Demand Response Services in New England, Brings Valuable Experience and a Unique Perspective to any Department Investigation into a Massachusetts EPS***

EnerNOC, winner of the World Economic Forum Technology Pioneer Award 2007 and Platts Energy Pioneer Award 2006, is a leading provider of demand response services in the United States, providing much needed capacity to constrained electrical grids throughout the country. EnerNOC provides its services to regional transmission organizations, independent system operators, and utilities by enabling commercial, industrial, and institutional customers to participate in demand response programs. Enabling these customers with EnerNOC's award-winning technology and 24 x 7 network operations center has helped prevent blackouts and ensure grid reliability across the country.

In New England, EnerNOC has contracted with hundreds of end users who collectively deliver over 350 MW of critical capacity to the New England area through ISO-NE's real-time demand response program. During last summer's heat wave, EnerNOC utilized its demand response network to supply over 220 MW of rapid response capacity in New England helping to avoid widespread power outages.

Because of EnerNOC's hands-on experience with demand response, EnerNOC brings valuable insight and expertise to Department initiatives seeking to encourage further demand response in Massachusetts.

***B. The Department Should Open an Investigation which Includes Consideration of a Demand Response Portfolio Standard***

As a successful demand resource provider in New England, EnerNOC supports DOER's efforts to establish standards to increase energy efficiency and encourages the Department to open an investigation into the establishment of an EPS.

However, EnerNOC submits that the Department should broaden the scope of this proceeding beyond that proposed by DOER to include consideration of additional ways Massachusetts can utilize demand response to improve the efficiency and reliability of the Commonwealth's electric system. Specifically, EnerNOC suggests that the Department consider the establishment of a demand response portfolio standard with a goal of achieving, by a date certain, 5 percent of the aggregate basic service ratepayers' peak load enrolled in ISO-NE demand response programs.

Expanding the scope of this proceeding and exploring such a demand response option (and others), is consistent with the policies and recommendations set forth by Congress in the Energy Policy Act of 2005 ("EPACT"). In EPACT, Congress declares that it is the policy of the United States that demand response "shall be encouraged, the deployment of such technology and devices . . . shall be facilitated, and unnecessary barriers to demand response participation in energy, capacity and ancillary service markets shall be eliminated." EPACT Section 1252(f). In promoting this policy, EPACT contains numerous provisions related to demand response and its enabling technologies and specifically carves out an important role for state regulators to investigate ways to encourage demand response. *See e.g.*, EPACT Section 1252.

Similarly, the United States Department of Energy (“DOE”) has recommended to Congress that state regulators investigate ways to improve incentive-based demand response. *See DOE February 2006 Report to Congress Regarding the Benefits of Demand Response in Electricity Markets and Recommendations for Achieving Them* (“DOE Report”). The DOE Report notes that well-structured pricing and incentive-based demand response can produce significant savings in close to real time, often at lower costs than supply-side resources. *See DOE Report at introduction page x.* Thus, the DOE recommends improving incentive-based demand response by, among other ideas, having state regulatory authorities investigate whether it would be cost-effective for default service providers to implement demand response.

At the regional level, ISO-NE has recognized the importance of incentive-based demand response and has encouraged the consideration of demand response in conjunction with energy efficiency measures. According to ISO-NE “a customer who wants control over both the price they pay and the amount they consume needs to consider combining energy efficiency and demand response.” ISO-NE, *Frequently Asked Questions, Integrated Energy Management*. Indeed, ISO-NE notes that the same control system a customer uses to regularly reduce energy consumption and manage peak demand charges may also be programmed to deliver demand response services and additional savings when ISO-NE activates its demand response programs.

Consistent with the above, the Department should use this opportunity to consider additional ways to encourage demand response in the Commonwealth. Specifically, any investigation opened by the Department regarding an EPS for energy efficiency should include consideration of demand response options. In such an investigation, EnerNOC will present in

further detail its view that the best option is for the Commonwealth to implement a demand response portfolio standard.<sup>1</sup>

***C. Any Collaborative Process Should Include Demand Response Providers***

In its Petition, DOER requests that after opening an investigation the Department direct the formation of a stakeholder collaborative to explore various design options and their potential impacts. Such collaborative is to report back to the Department expeditiously on the findings that emerge from that process. EnerNOC supports the establishment of a stakeholder collaborative as part of the Department's investigative process. However, to ensure that all views and ideas are considered, the Department should include demand response providers, such as EnerNOC, in any collaborative process.

EnerNOC, Inc.

By Its Attorneys,

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John A. DeTore (BBO #121840)  
Rebecca L. Tepper (BBO #567934)  
Rubin and Rudman LLP  
50 Rowes Wharf  
Boston, MA 02110  
(617) 330 7000

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<sup>1</sup> If the Department opens an investigation, EnerNOC will also challenge DOER's assertion that demand response projects that shift or curtail load, should be ineligible to qualify for a distribution company's EPS performance target. *See* DOER Petition at 18-19. At this stage, before an investigation is even launched or any evidence collected, it is undoubtedly premature to exclude demand response providers from the list of eligible entities.