



# National Energy Marketers Association

**To: Customer Engagement Workgroup**

**Re: NEM Proposal for the Development of Retail Demand Response Load Profiles to Facilitate Customer Engagement With ESCO Value-Added Services**

**Date: June 6, 2014**

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Currently, ESCOs settle to a standard load profile that is developed using average utility usage data. Under this structure, residential and small commercial consumers see little or no value to reducing demand as it is not reflected in the average usage numbers currently used to settle with the ISO for any given DR-minded consumer. NEM proposes a low cost, near-term solution to facilitate ESCO offerings of value-added services and residential and small commercial customer participation in demand response in the form of **Retail Demand Response Load Profiles**. The load profiles can be created from the existing meter infrastructure and usage data that is collected by the utilities.

Potential Retail DR Load Profiles could be as follows:

1. Voluntary (non-technology-enabled) DR load profile – This would involve communications by the ESCO to consumers (texts, phone calls, and emails) urging them to adjust thermostats the day before an anticipated peak event.
2. Voluntary (technology-enabled) DR load profile – This would involve the ESCO and the consumer utilizing a smart thermostat, or other increasingly available technology, that the consumer would consent to the ESCO controlling to achieve DR savings, subject to consumer override (opt-out).
3. Mandatory (technology-enabled) DR load profile – Under this scenario, the consumer's smart thermostat, (or other technology), could be programmed by the ESCO to achieve a predetermined level of demand response, and the consumer would agree not to override it.

The ESCO would use its risk management skills to select the numbers of customers it could rely on to commit to one or more Retail DR Load Profiles to achieve a desired level of savings on its ISO settlements. The risks of achieving any specific level of demand response would be determined by the individual ESCO. Once smart meters are installed, both the utility and the ESCO will have real time usage information to better manage their DR customers' real time usage. In the interim before these significant expenditures are made, Retail DR Load Profiles could facilitate the roll-out of DR products by ESCOs to residential and small commercial customers.

## **Proposal Benefits:**

- Immediate capture of the distribution system, transmission system and environmental benefits that are the goal of the REV proceeding
- Leverages existing utility billing and metering infrastructure, usage data and current utility load research survey methods
- Engages mass market consumer participation in demand response
- ESCOs bear the costs and risks
- Consumer participation is voluntary
- Does not require TOU pricing for a 1<sup>st</sup> generation of Retail DR Load Profiles
- Reduces current barriers to consumer engagement