BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Investigation of Ohio's Retail Electric Service Market.	))))	Case No. 12-3151-EL-COI

COMMENTS OF ENERNOC, INC.

On December 12, 2012, the Public Utilities Commission of Ohio ("Commission") requested that interested stakeholders file written comments in the above-captioned matter. EnerNOC, Inc. ("EnerNOC") appreciates the opportunity to provide input for the Commission to consider.

The December 12, 2012 Commission entry states that the Commission initiated the investigation to review "the health/strength/vitality of Ohio's retail electric service market and actions that the Commission may take to enhance the health/strength/vitality of that market; and in so doing, mitigate, among other things, the potential impact of capacity constraints on Ohio ratepayers."[1] Our comments are limited to the "market design" subject matter, and more specifically, the question that addresses demand response resources and third-party providers, section j (on page 4 of the December 12, 2012 Entry).

Third party providers, also known as curtailment service providers ("CSPs"), have adequate market access to many -- but not to all -- customers. CSPs are at a significant competitive disadvantage when it comes to providing services to some of the largest customers in the State. This is because some utilities are permitted to offer large customers interruptible service programs with compensation packages that are presently valued at 800% to 1000% times the wholesale market rate for comparable services by CSPs. The utilities do not use their own funds to subsidize these compensation packages; rather they are funded by other ratepayers.

EnerNOC supports the concept of economic development and economic retention for the State's commercial, industrial, and institutional customers, and believes that utilities should be permitted to provide a competitive demand response/interruptible service program. However, we propose that there are alternative ways for the Commission to support the State's commercial, industrial, and institutional customers that are not heavily subsidized and anti-competitive

[1] Entry at 1. (December 12, 2012).

I. BACKGROUND

EnerNOC is a leading provider of demand response ("DR") programs and third-party energy efficiency ("EE") programs on behalf of public agencies, electric and gas utilities, and ISOs/RTOs throughout the US. As the world's largest DR provider with nearly 6,000 customers across more than 13,500 sites with over 8,500 MW's of demand response capacity in the US, Canada, Great Britain, Australia and New Zealand. We provide energy management services to commercial, institutional and industrial electric and natural gas customers. EnerNOC is one of several CSPs that operate in PJM and provide services and benefits to customers in Ohio.

PJM Interconnection, the regional transmission operator serving Ohio, conducts three-year forward capacity auctions, referred to as a Base Residual Auction ("BRA") to ensure that there are adequate supply resources to meet the projected peak load plus an adequate buffer to ensure reliability. For example, the BRA that will take place in May of 2013 will impact capacity prices for the 2016/2017 planning year. Demand Response ("DR") participates in these capacity auctions, and the addition of these DR resources significantly lowers capacity costs.

Utilities, 3rd party CSPs, and individual customers acting as their own CSP all have the ability to offer DR into the PJM capacity auctions. In the PJM market today, far more capacity, or peak reduction capability is offered into the PJM market by third party CSPs than by traditional utilities. Third party CSPs have proven quite successful and innovative at finding ways to serve customers that previously could not be served under utility offerings, and leveraging additional DR capability from customers that previously were served under utility programs.

The value of demand response resources in the PJM capacity market cannot be understated. In fact, the PJM Independent Market Monitor calculated that customers in the PJM footprint realized almost $12 billion in reduced costs as a result of DRRs participating in the 2013-2014 BRA.[2] Given Ohio's size in the PJM footprint we estimate that approximately 10%, or $1.2 billion of those savings were realized by Ohio customers. In addition, hundreds of customers in Ohio participate in PJM DR opportunities. Not only do the participants reduce the costs of capacity for all customers, participation in DR provides a stream of income to businesses, institutions, and government entities in Ohio that helps to retain and attract jobs in the state.

II. COMPETITIVE OPPORTUNITIES FOR CSPS

EnerNOC's response is limited to the Commission's query about DR in the Market Design section of the investigation:

> j. Do third party providers of energy efficiency products, renewables, demand response or other alternative energy products have adequate market access? If not, how could this be enhanced?[3]

[2] Analysis of the 2013/2014 RPM Base Residual Auction, The Independent Market Monitor for PJM (Monitoring Analytics) at 51 (July 14, 2010).
[3] Entry at 4 (December 12, 2012).

Ohio Revised Code § 4928.02(D) states that it is the policy of the State to "[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, and implementation of advanced metering infrastructure." The purpose of this law is to develop a fair, competitive retail electric market throughout the State. The best way to encourage innovation and market access for cost-effective supply and demand-side resources is to allow market rates to prevail.

For the most part, Ohio's utilities have embraced a competitive market structure for demand response resources that has allowed Ohioans to benefit from these resources both directly and indirectly. However, there are still subsidized utility tariff offerings that create barriers for CSPs. These subsidized offerings not only impede the development of a competitive market for DRRs which stifles innovation, but they create higher prices for the entire Ohio market.

For example, PJM's 2013/2014 capacity resource clearing price is $843.45/MW-month for all resources in Ohio. CSPs must work with this wholesale compensation level when negotiating contracts with customers. By contrast, a few utilities in the State have been approved to offer some customers compensation levels as high as $8210/MW-month[4] and $10,000/MW-month[5] for a comparable program to their customers for the same time period. These staggering subsidies created significant barriers for CSPs as they attempt to recruit customers for the 2013/2014 PJM Delivery Year.

Allowing the State's utilities to offer grossly above-market compensation packages to their customers not only impairs CSPs' ability to compete for these customers, it also imposes additional burdens on all other customers. The above-market compensation packages are not paid for by the utilities. The utilities are permitted to "pass through" the costs of these programs to all ratepayers. These "pass through" costs regularly add up to tens of millions of dollars for Ohio ratepayers. While we recognize that many of these funds are going to businesses that need

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[4] See In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, PUCO Case No. 11-346-EL-SSO et. al., Ohio Power Company, Exhibit A, Compliance Tariff, Standard Service Offer – Rider IRP-D at Original sheet nos. 427-1 through 427-5 (August 16, 2012).

[5] In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan, PUCO Case No. 12-1230-EL-SSO, Stipulation and Recommendation, Stipulation Attachment B-1, Rider ELR at revised sheet 101, pages 1-5 ($5.00 per kW/month interruptible credit for customer participating in the Rider ELR.) and Rider EDR at sheet 116, page 2 (An additional credit of $5.00 per kW/month will be awarded to customers participating in the ELR.)(April 13, 2012).

the economic incentives to support their operations in Ohio, it is not necessary to funnel those funds in a manner that is anti-competitive and has negative implications for other ratepayers.

III. CONCLUSION

EnerNOC does not object to the fact that a few of the State's industrial and commercial customers are receiving monetary benefits through the utilities that will help these operations maintain a strong presence in the State. Economic development and retention are clearly a vital, and commendable, component of all aspects of the State's efforts going forward. However, the compensation provided to local companies by CSPs also falls into the economic development (and retention) classification. We encourage the Commission to provide these benefits in a manner that does not run counter to the proposed market structure and the policies of the State.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing EnerNOC's Comments was served by electronically, to the persons listed below on this 1st day of March, 2013.

/s/ Gregory J. Poulos
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