BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Edison Company, the Cleveland Electric	)	Case No. 12-2190-EL-POR
Illuminating Company, and the Toledo	)	Case No. 12-2191-EL-POR
Edison Company for Approval of Their	)	Case No. 12-2192-EL-POR
Energy Efficiency and Peak Demand	)	
Reduction Program Portfolio Plans for	)	
2013 through 2015.	)	

ENERNOC INC.'s OBJECTION TO THE 2013-2015 ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAM PORTFOLIO PLANS FILED BY THE FIRSTENERGY COMPANIES

I. INTRODUCTION

EnerNOC, Inc. ("EnerNOC") submits an objection in accordance with the timeline and parameters stated in the August 16, 2012 Entry in the above-captioned dockets.[1] EnerNOC has one objection/recommendation at this time: EnerNOC notes that the Cleveland Electric Illuminating Company, the Ohio Edison Company, and the Toledo Edison Company (collectively, "FirstEnergy Companies" or "Companies") do not propose any steps to encourage additional participation of demand response resources into the wholesale demand response market. Yet, the impetus for the "interim" plans was, in part, to develop more of demand response resources for inclusion into future PJM Interconnection, LLC ("PJM") Reliability Pricing Model ("RPM") Base Residual Auctions ("BRAs")[2]. As discussed below, EnerNOC

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[1] See Entry at ¶4.c.(August 16, 2012).
[2] See In the Matter of the Commission's Review of the Participation of the Cleveland Electric Illuminating Company, the Ohio Edison Company, and the Toledo Edison Company in the May 2012 PJM Reliability Pricing

encourages the establishment of incentives for customer participation in PJM demand response programs -- including through curtailment service providers ("CSP") -- that reduce capacity costs throughout the footprint for all customers.

On July 31, 2012, the FirstEnergy Companies filed updated energy efficiency and peak demand reduction portfolio plans for approval with the Public Utilities Commission of Ohio ("Commission"). The filings were made in accordance with Revised Code Section 4928.66 and the applicable Commission rules and the Commission's February 29, 2012 Entry.[3]

On February 29, 2012, the Commission ordered the FirstEnergy Companies to submit a report by March 28, 2012 that detailed, in relevant part, potential energy efficiency and peak demand reduction offers into the May 2012 PJM RPM BRA[4] and by July 31, 2012 for the FirstEnergy Companies to file interim energy efficiency and peak demand reduction program portfolio plans that encourage all cost-effective steps that would offset the impact of generation retirements to the ratepayers in the FirstEnergy Companies territory.[5]

The Commission's February 24, 2012 Entry in PUCO case NO. 12-814-EL-UNC identifies the potential for significant increases in capacity prices in the PJM American Transmission System Inc. ("ATSI") zone, located in Northern Ohio, "if appropriate steps are not taken to reduce generation requirements, improve energy efficiency, **and expand demand response resources**."[6]

The Commission raised concerns in the PUCO Case NO. 12-814-EL-UNC docket about FirstEnergy Corporation's January 26, 2012 announcement that is planned to retire approximately 2,220 Megawatts ("MWs") of its generation subsidiaries located in northern Ohio

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Model Auction, Case No. 12-814-EL-UNC, Entry at ¶8 (February 24, 2012). ("The Commission's Review of Resources in ATSI").

3 See Application at ¶1. (July 31, 2012).

4 See The Commission's Review of Resources in ATSI, Entry at ¶8 (February 24, 2012).

5 See The Commission's Review of Resources in ATSI, Entry at ¶10. (February 24, 2012).

6 The Commission's Review of Resources in ATSI, Entry at ¶3. (February 24, 2012) (emphasis added)

by September 1, 2012.[7] The reduction in generation within the ATSI zone coupled with limited import capabilities into ATSI created transmission constraints that raised capacity prices significantly higher for the 2015/2016 RPM BRA that was conducted this past May.[8]

II. OBJECTION

1. The FirstEnergy Companies Should Provide Incentives to Attract Third-Party Cost-effective Demand Response Resources.

The FirstEnergy Companies' applications propose a status quo approach for demand response resource. However, as addressed above, earlier this year the Commission requested that the FirstEnergy Companies develop additional cost-effective peak demand reduction resources – including demand response resources – as part of the interim energy efficiency and peak demand reduction applications.[9] Demand response resources have been established to be a cost-effective resource in the PJM ATSI market that benefits all consumers. The Companies do not provide for any further development of this valuable resource in their territory and thus, the plans should be modified to encourage the development of more of these resources.

Peak demand reduction -- or demand response -- resources have been recognized by national and state regulatory authorities for the positive contribution these resources make. The Federal Energy Regulatory Commission has stated:

> [d]emand response can provide competitive pressure to reduce wholesale power prices; increases awareness of energy usage; provides for more efficient operation of markets; mitigates market power; enhances reliability; and in combination with certain new technologies, can support the use of renewable energy resources, distributed generation, and advanced metering." (*Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100

[7] See The Commission's Review of Resources in ATSI, Entry at ¶1. (February 24, 2012).
[8] See The Commission's Review of Resources in ATSI, Entry at ¶¶2 & 3. (February 24, 2012)
[9] See The Commission's Review of Resources in ATSI, Entry at ¶8. (February 24, 2012)

(Oct. 28, 16 2008), FERC Stats. & Regs. ¶ 31,281, at P 16 (2008), *order on reh'g,* Order No. 719-A, 128 17 FERC ¶ 61,059 (2009).

Thanks in no small part to the opportunities provided by this Commission and supported by the FirstEnergy Companies CSPs have been extremely successful at developing demand response resources in the region.

Demand response resources in Northern Ohio have already proven to be an effective measure to reduce capacity costs in the ATSI footprint. For example, in the 2014/2015 auction (held May 2011) curtailment service providers in Ohio helped reduce consumer costs by over $200 million. In addition, the amount of demand response resources that participated and cleared in PJM's RPM BRA for 2015/2016 nearly doubled from the levels for the 2014/2015 BRA.[10] The addition of just over 800 Megawatts ("MWs") of demand response resources in the 2015/16 auction will no doubt provide a significant savings for all customers.

Developing more peak demand reduction resources from all qualified market participants will result in lower capacity prices in the ATSI zone while putting money directly into the pockets of Ohio's commercial, industrial, and institutional customers. The Commission has traditionally recognized the benefits that curtailment service providers provide to Ohio retail customers and encouraged more participation. Providing incentives for the development of demand response resources will demonstrate a desire by the Commission to procure more of this cost-effective resource in the footprints and provide additional support for development of these resources.

[10] See 2015/2016 PJM RPM Base Residual Action Results, Table 3 (There were an additional 808 MWs of demand response resources cleared the 2015/16 BRA auction from the prior year -- 955 MWs for the 2014/15 RPM BRA and 1763 MW for the 2015/16 RPM BRA)

2. The FirstEnergy Companies' EE/PDR Applications do not Include Incentives to Support Further Growth of Demand Response Resources in the First Energy Companies Footprints.

The FirstEnergy Companies propose a demand reduction program that is continuation of the existing program.[11] The proposal relies upon "the existing C&I Interruptible Load Tariffs approved in the Companies' ESP-2 and continued in the Companies' ESP-3 and contracted demand resources."[12] Only one modification was made to the program, the FirstEnergy Companies seek to count all demand resource participation in the PJM market as part of its peak demand reduction compliance without the need to contract for these resources.[13] Permitting the FirstEnergy Companies to count all demand resource participation in the PJM market as part of its peak demand reduction compliance obligation may provide an efficient way for the Companies to meet its 2013-2015 peak demand reduction goals. However, we fail to see how the proposed approach encourages development of this cost-effective resource.

EnerNOC certainly recognizes the success of the current approach: CSPs have successfully participated in the PJM's demand response programs under the FirstEnergy Companies' existing policies. The market approach has been successful. We simply note that the FirstEnergy Companies have taken no steps to attract more demand response participation in the PJM RPM market and that establishing incentives for incremental peak demand reduction efforts will encourage further wholesale market participant development of this resource and provide stability for the existing resources.

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[11] See Application at 9. (July 31, 2012)
[12] See Id.
[13] See Id.

III. CONCLUSION

EnerNOC continues to support the efforts of the FirstEnergy Companies and their energy efficiency/peak demand reduction plans. However, we believe more cost-effective programs can – and should – be developed now to make compliance with the State's benchmarks obtainable in future years.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Objection was served by e-mail, to the persons listed below on this 17th day of September, 2012.

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