

Approved by the OMS Board of Directors - Dec. 6, 2007

OMS Response to Hot Topic – Energy Efficiency

OMS member commissions have decades of commitment to the goal of energy efficiency and experience in working with utilities and customers to implement energy efficiency programs. States have passed legislation and have implemented programs that support energy efficiency such as, direct load control and interruptible load programs, time-of-use-rates, energy loan programs, energy efficiency trust funds, and customer contribution funds.

Through this experience, the regulatory community has evolved a terminology that may help to refine the analysis and may help clarify the appropriate roles of various agencies in advancing energy efficiency policy objectives.

- Energy efficiency describes activities that reduce the energy needed to satisfy energy demands of specific end users. These activities typically target retail customers and result in specific reductions in energy and/or demand. They do not vary with price or peak.
- Load management is used to describe programs that typically target peak usage. Through load management programs, usage is sometimes shifted from peak to non-peak times.
- Demand response describes price-responsive actions of customers, or demand response resources. These responses will be strongest at peak times.

Regulators of retail electricity usually think of energy efficiency in terms of customer efficiency, although efficiencies can be found in distribution systems and in transmission systems. In most instances, distribution and transmission providers are attuned to efficiency improvements in their systems and do not need to be spurred by regulatory inducements.

The OMS believes it is appropriate for the Midwest ISO to promote and encourage transmission system efficiency. The Midwest ISO's energy

market operations are designed to produce efficiency savings through congestion management and improved dispatch. The savings could be demonstrated in efficiency terms as well as dollar terms. In the areas of resource adequacy operating reserves, and infrastructure planning, efficiency should be reflected in reduced load forecasts.

The Midwest ISO might play a useful informational role with respect to distribution and customer efficiency, but we do not think changes in the Midwest ISO tariff should be considered to give the Midwest ISO a formal role in these areas. These activities should not be seen as new program areas for the Midwest ISO, but rather be as incidental assistance. Retail efficiency efforts are funded through state and utility programs as well as by customer investment.

As recently as November 15, 2007, the Midwestern Governors Association adopted an Energy Security and Climate Stewardship Platform for the Midwest, which includes energy efficiency among its key strategies. The governors set an objective of 2% of load satisfied through energy efficiency by 2015 and an additional 2% each year thereafter. The full discussion of the energy efficiency goal and objectives are attached. The entire platform can be found online at http://www.midwesterngovernors.org/resolutions/MGA%20Platform1_Layout%201Right.pdf.

The Governors' Platform provides a framework for regulatory agencies in the Midwest ISO footprint to intensify their work in energy efficiency. We welcome the participation of the Midwest ISO and other sectors in this work.

With respect to demand response issues, we refer to the principles adopted by the OMS Board on November 8, 2007. These principles are attached. The principles were developed through the Midwest Demand Resources Initiative.

The Midwest ISO can best advance the participation of demand resources in wholesale markets by continuing to create ways for entities controlling demand resources to participate in MISO-administered markets and by working with regulators of retail electricity usage to align state programs with those MISO market opportunities.

The OMS welcomes input from other sectors on their expectations of OMS meetings and the objectives they would like to see OMS work on.

