

ELCON REPORT

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Consumer Discontent Seen in Research by ELCON's Anderson

ELCON President John Anderson completed a study of electricity restructuring around the world and found an "underlying thread of consumer disappointment" in every market he surveyed.

Anderson first revealed his findings at a meeting of the International Oxygen Manufacturers in October. Companies that make oxygen are electricity-

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ELCON Releases Policy Briefs On Energy Efficiency, Role of Utilities

Two new "Policy Briefs" from ELCON this past fall address energy efficiency (EE): "Utility Energy Efficiency Programs: Too Cheap to Meter?" and "Financing Energy Efficiency Investments of Large Industrial Customers -- What is the Role of Electric Utilities?"

ELCON's Vice President, Technical Affairs, John Hughes, primary author of the papers, said, "everybody talks about energy efficiency -- some people even refer to it as 'the first fuel.' Everybody

thinks it's new and innovative. But the truth is that manufacturers have been investing in energy efficiency for years. Utility-backed programs won't increase those investments and could well have a negative impact."

The first paper looks at claims from the 1970s that then newly installed nuclear generation plants would produce power too cheap to meter. As the paper suggests, present actions to increase EE are "based on the assumption that energy efficiency

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Standard Pushed by ISOs, RTOs Pre-empts Standards for Demand Response Protocols

With the support of ISOs and RTOs, the North American Energy Standards Board (NAESB) recently adopted a standard for the measurement and verification (M&V) of demand response that, in effect, prevents standardization of demand response M&V features across wholesale power markets.

Approved in February, the standard would enable ISOs and RTOs to impose M&V requirements with almost unlimited

discretion. John Hughes, ELCON's Vice President, Technical Affairs, who participated in the process, noted, "While this standard is a reasonable starting point for the development of technical standards for demand response, it is a gross mischaracterization to call this a standard for measurement and verification."

Several stakeholders involved in developing the standard criticized both the process and language. The National Rural Electric Cooperative Association (NRECA) expressed fear that ISOs and RTOs would "perceive the flexibility offered by this proposal as an opportunity to unilaterally require demand response (DR) participants to comply with restrictive M&V methodologies" not contained in the standard. NRECA asked ISO and RTO system operators not to "unilaterally proceed" with detailed programs in ways that may be overly and unnecessarily

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Infrastructure a Priority, FERC's Spitzer Tells ELCON Workshop

FERC Commissioner Marc Spitzer, speaking at ELCON's Fall Workshop in Washington, touched on a range of issues and complimented ELCON and staff for "valuable input" at FERC and elsewhere.

Spitzer said his priority as a Commissioner is to improve the electricity infrastructure. One improvement that will be necessary is enhanced transmission for the expected increase in renewable energy. He added that he saw

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Next Workshop, "Energy Policy in an Obama Administration," scheduled Apr. 28 in Washington. Details inside.

Change is Good...Usually

Barack Obama is now the nation's 44th President, and it is pretty safe to say that few incoming Presidents have ever faced such challenging times; certainly none in my lifetime.

The new President has promised to be a leader of change. Change can be good or change can be bad. From the perspective of ELCON and ELCON members, the most important thing he can change is a manufacturing sector that has dropped to perhaps its lowest levels of production in more than 25 years.

We all read daily about manufacturers, including many that are ELCON members, recording unprecedented losses. We hear of -- and in some regions literally see -- industrial facilities closing down, which of course translates into significant job losses. That change has not been good. And, according to many learned analysts, despite the "stimulus" package, there is no rosy scenario for "change" in the short term.

That brings me to what I think will be one of President Obama's biggest challenges: not just to bring the economy back, but to do that and, at the same time, to address the overarching issue of global climate change and reducing greenhouse gases.

There are already plenty of policy makers who see last year's election results and mandate for change as justification for acting -- quickly -- on a whole host of issues, including climate change and reducing greenhouse gas emissions.

From my perspective as the energy manager for a major multinational corporation, and as a father and good citizen, climate change is an important issue. I want to preserve our environment. But the issue is a lot more complicated than that.

Let's take renewable energy. I don't know anyone who would not support producing more electricity from renewable sources like solar or wind. But have you ever seen a wind farm? For obvious rea-

By *Jim Hoyt*,
Chairman,
ELCON

sons most wind turbines are located in remote areas, far from the population and industrial sites that need their power. In order to get the wind power to market, we desperately need more transmission lines.

Building new transmission lines doesn't enjoy the breadth of support that increasing renewable energy does. In fact, building a new transmission line doesn't enjoy much support at all because it invariably has to be located in somebody's back yard (or worse). Renewable energy and new transmission must go hand in hand. In the past, policy makers mandated that a certain percentage of electricity come from renewables, but then neglected to complete the package with the equally necessary mandate for new transmission.

Policy makers have put forth other proposals to reduce greenhouse gases. Some want to capture and store carbon at our coal generation plants. Others want to ban coal entirely. And still others advocate increasing the use of emission-free nuclear power, regardless of how expensive it is to build a new nuclear facility.

All of these ideas have merit, but they must be thought through. And one factor that should be considered in that thought process is the impact on the price of electricity. In today's tight economy, American homeowners are not clamoring for higher electricity bills. And American manufacturers -- who have already experienced massive reductions in workforce -- cannot possibly accept higher electricity prices and still maintain any degree of competitiveness in today's international economy.

So far I have been long on raising questions and short on providing solutions. And in a sense that is my point. The issue of climate change is as complicated as any issue the new President will face. If there were any easy solution, we would have already found it. We have to weigh the very real consequences of what might happen to our environment against the equally real consequences of what might

ELCON Working on Demand Response

ELCON is working on demand response issues with FERC as it begins to implement requirements under the Energy Independence and Security Act (EISA) of 2007.

FERC's key staffer David Kathan met with ELCON's Technical Committee in September and laid out the timetable for action required by EISA. FERC must 1) conduct a national assessment of demand response by June 17, 2009, 2) develop a national action plan within a year (by June 17, 2010), and 3) with the Department of Energy submit an implementation proposal for the plan to Congress by December 10, 2010.

Kathan said the assessment will involve estimating demand response potential state-by-state in 5- and 10-year time horizons. FERC will identify opportunities for funding and other incentives, taking account of barriers and ways to overcome them. It will ask a broad range of stakeholders to identify requirements for technical assistance to the states and for a national communications program.

A technical conference is planned in the fall of 2009 to hear favorable and unfavorable views of the proposal, which will be published in June 2010. Kathan said he anticipates working with ELCON throughout the process. **E**

happen to our economy and our American way of life.

I am not going to propose a solution. As Chairman of ELCON I know that we are prepared to be of assistance and to offer our analysis of how various proposals will affect manufacturing.

In conclusion, however, I am only going to offer a few words of advice. Go slow. Take your time. Examine all issues thoroughly, and come up with solutions that are both achievable and accomplish all of the objectives, not just some of them. This would be the kind of change that America is looking for.

Jim Hoyt is Director, Purchasing Americas & Global Energy, Tate and Lyle

Climate Change Legislation On the Agenda – But Where?

The new leadership of the House Energy and Commerce Committee is optimistic about passing climate change legislation this year, but even with new personnel many obstacles remain.

In December, Rep. Henry Waxman (D-CA) challenged long-time Committee Chairman John Dingell (D-MI) for the chairman's job and won. Rep. Waxman is generally seen to be more environmentally oriented than Rep. Dingell, who was often seen as more responsive to industrial voices.

In one of his first moves as chair, Rep. Waxman restructured the subcommittees, putting all energy and environmental issues in a new Subcommittee on Energy and the Environment. He then persuaded Rep. Ed Markey (D-MA), the second most senior member of the committee, to exercise his rights and claim subcommittee

chairmanship. Rep. Rick Boucher (D-VA), who had chaired the Subcommittee on Energy and Air Quality for the past few Congresses, was forced to take over the telecommunications subcommittee, which Rep. Markey had chaired. Like Chairman Waxman, Rep. Markey is considered both an activist and an environmentalist.

Chairman Waxman showed a strong hand when his Committee considered and approved (by a 34-17 vote) the energy portions of the stimulus package, formally called the American Recovery and Reinvestment Act (HR 1). On a straight party-line vote, the Committee defeated an amendment by Rep. Joe Barton (R-TX) to delete language on Revenue Decoupling (ELCON supported Barton's amendment.).

Chairmen Waxman and Markey have talked about energy legislation to be considered later in the year, including an ener-

gy efficiency bill in the spring. Rep. Waxman has also expressed hope that the Committee will approve climate change legislation before Memorial Day. His timeframe far exceeds that of the House leadership -- Speaker Nancy Pelosi (D-CA), for example, has stated she hopes to consider and pass climate change legislation by December. Chairman Waxman has already begun his campaign on the issue, holding a hearing and calling corporate CEOs active in the U.S. Climate Action Partnership (USCAP) who supported early action on a cap-and-trade bill to reduce greenhouse gas (GHG) emissions.

It remains to be seen how Chairman Waxman's ambitious agenda will mesh with the Obama Administration's policy objectives. Carol Browner will serve as the President's special energy and environment adviser and, given her record as head of EPA in the Clinton Administration, she is unlikely to play a passive role.

In the Senate, primary jurisdiction on greenhouse gas legislation lies in the Committee on Environment and Public Works chaired by Sen. Barbara Boxer (D-CA). Last Spring Sen. Boxer's Committee approved the Lieberman-Warner bill on GHG, which was somewhat less stringent than a bill the Chairman herself had introduced earlier. When Lieberman-Warner came under fire for potentially negative impact on jobs and the economy, Chairman Boxer offered a revamped bill (known as the "Manager's Amendment" or the "Boxer Substitute"). It was pulled after several days of debate clearly showed it lacked 60 votes necessary for cloture. Since then, 16 Democratic Senators have joined forces to press the Senate to consider the impact of GHG legislation on jobs and the economy, and to focus on technology and conservation.

Many now believe that climate change legislation will not be considered any time soon. The inevitable increase in energy costs to manufacturers from legislation has led several Members to favor a slower approach. It now appears that the energy committees in both houses are drafting separate energy-efficiency packages focusing on renewable energy, demand response, conservation and the like, and these bills will come to floor before any legislation on climate change. E

GAO Report Seen as Incomplete

The Government Accountability Office's report on regional electricity transmission organizations -- known as RTOs and ISOs -- "simply ignored the elephant in the middle of the living room," ELCON President John Anderson said in response to the release of the report in September.

The study quotes industry experts and stakeholders, but Anderson said "the GAO analysts either ignored or did not realize that instead of experts and stakeholders, there are producers and consumers, with producers extolling the virtues of RTOs and ISOs and a wide range of consumers -- the ones paying the bills -- finding few if any net benefits in the organized markets."

An important point is omitted from the report, Anderson commented. "While GAO sees a need for empirical analysis of the markets by FERC, it fails to point out that the ISOs and RTOs are creatures of FERC, and thus FERC may not be able to perform the unbiased analysis that is needed." Anderson said he believes that if ISOs and RTOs were providing significant

consumer benefits, "we would not be seeing the constant cries of protest from consumers of all sizes."

FERC is charged under the Federal Power Act with protecting consumers and ensuring that suppliers charge just and reasonable rates. Last December, more than 40 state, regional, and national consumer groups asked FERC to investigate whether RTO and ISO market operations were in fact consistent with the law. "FERC basically ignored that request," he said.

Anderson noted that RTOs, ISOs and FERC "have disregarded consumer complaints about the organization and operation of the RTOs for several years, although the problems in these markets are evident to both large and small consumers of electricity." The problems are not self-correcting and have already cost consumers billions of dollars in increased electricity bills, he added.

"The GAO Report seems to accept the claims of the organized market operators that everything is just fine," Anderson said. "As a consumer representative, I know that simply is not the case." E

ELCON Fall Workshop

Questions Remain About Carbon Capture, Emissions Reduction, Workshop Told

Conventional wisdom holds that greenhouse gas (GHG) emissions should be reduced in order to avert problems associated with climate change. But, according to Robert Shackleton, Congressional Budget Office (CBO), there are two major uncertainties dogging this notion: One, "we are in for warming -- we just don't know how much," and two, no one really knows how to curb GHG emissions.

Shackleton told ELCON's Workshop that if a program is adopted to limit emissions through a cap-and-trade, there will not be an established price for carbon. If, on the other hand, Congress passes a carbon tax, raising the price of carbon emissions, it will not be possible to determine the quantity of carbon reduced.

Economists prefer a tax because of the price certainty, but most policy makers in the United States and abroad support a cap-and-trade approach, he said.

Many proposals designed to reduce emissions of carbon and other GHGs are based on making significant improvements in carbon capture and sequestration (CCS). Sarah Forbes, a senior associate with the World Resources Institute, urged caution.

There are "lots of good reasons to be skeptical about making progress on CCS," she said. She noted that some who predict significant reductions assume American electricity generators will move away from coal, which is the fuel base for approximately half of all power generated. She said this assumption was "not likely."

In fact, we can only fully realize CCS's potential by continuing to use coal, she said. "The U.S. is the Saudi Arabia of CCS," with lots of underground formations suitable for carbon storage.

Forbes argued that enough technical knowledge exists to begin CCS demonstrations in the U.S., but she said she doubted the necessary financial commitment could be mustered to be successful in

Clockwise from right: Hon. Marc Spitzer, Bob Shackleton, Sarah Forbes



the short term. There are also cost uncertainties in building baseload facilities for pulverized coal or integrated gas com-

bined cycle, she said. Costs are up but are not apparent "until we start building."

Judson Jaffe of the Analysis Group also expressed doubts about achieving specific emissions reductions through CCS, noting different studies use different assumptions, making comparisons "very difficult."

Jaffe said that ideally energy efficiency opportunities should provide major contributions to desired emissions, but for a number of reasons businesses and individuals do not respond enough. They include inadequate information; the question of who benefits (will landlords make efficiency improvements that benefit tenants?); price distortions, where the price remains too low; and, simply "irrational decision making."

He concluded that only if people respond can a carbon tax or a cap-and-trade program reduce GHG emissions.

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Cost of Climate Controls Hard to Determine

Because the whole process is so "difficult to monetize," even experts have difficulty trying to determine the economic impact of various proposals to reduce greenhouse gas (GHG) emissions, according to Robert Shackleton, an analyst specializing in climate change issues for the Congressional Budget Office (CBO).

Shackleton told ELCON's Workshop that CBO is required by law to provide revenue estimates before Congress considers legislation. Any cost estimate for legislation to reduce emissions is based on the purported price of carbon for a certain period of time, but assumptions differ, he said. MIT's estimated price for carbon in 2015 is 65 percent higher than CBO's, he reported.

The majority of policy makers favor a cap-and-trade approach to reducing emissions, Shackleton noted. The CBO

analysis shows that ultimately consumers bear the cost of any such program, regardless of who owns the emission allowances. He added that low income households will bear "disproportionate costs" under cap-and-trade unless the costs are mitigated through lump sum payments or some other mechanism.

Judson Jaffe, vice president of the Analysis Group, generally agreed. Estimates of the negative impact that would result from enactment of the Lieberman-Warner bill debated in the Senate this past spring ranged from .3 to 3.8 percent of GDP, he said.

Some of the differences in impact estimates can be attributed to some parties using an "incomplete assessment of costs," he said. Each proposal should be analyzed on a "case-by-case basis, because the devil is in the details," he advised. E

ELCON Fall Workshop

State Leaders See Shift to Legislative Action

Leaders from several state industrial groups agreed that decision making on energy issues at the state level is shifting from regulatory bodies to legislative bodies, a trend most feel is not beneficial to industrial energy users.



State leaders (l-r) Jack Wickes, Ed Petrini, Bob Reeder, Diana Vuylsteke, Randy Young, Derrick Williamson, Louis Monacell, James King, Stu Conrad, Bob Strong

Lou Monacell, representing industrial users in Delaware and Virginia, said the "battle is now in the state legislature, not

the Commission," and the challenge "is much more difficult."

Jack Wickes, who heads the Indiana Industrial Energy Coalition (INDIEC), observed that as rates went up, the industrial base "eroded." Given the make-up of the legislature, there is little relief in sight. "INDIEC is the only rational player," he asserted.

In Michigan, according to Bob Strong, leader of the Association of Businesses Advocating Tariff Equity (ABATE), utilities have developed a strategy of bypassing the Commission and finding "friendly legislators" to enact mandates.

Diana Vuylsteke, head of Missouri's industrial user group, said her clients achieved some success by creating a spe-

cial lobbying group that defeated harmful energy efficiency legislation. But she foresaw likely passage of a ballot initiative with a renewable portfolio standard and an electricity rate increase.

The same shift to the legislature was seen in the western states. Bob Reeder, active in Utah and Nevada, reported both states have passed renewable portfolio standards despite lacking in-state alternative energy sources. The tack taken by industrial users has been to "work with the local utilities against the common enemy -- the Western Climate Initiative," he said. But industrial users continue to work against utilities on pricing issues.

Coal has been "king" in West Virginia for years, according to Derrick Williamson, leader of the state industrial group, but Governor Joe Manchin is reportedly going to propose legislation to increase the use of renewable energy. Williamson reported that Pennsylvania industrial consumers, too, will soon be seeing significant increases as rate caps expire in 2010 and 2011.

In New York, when the Public Service Commission imposed "significant" energy efficiency surcharges, only the state industrial group Multiple Intervenors were opposed, according to Intervenors representative James King. E

Former FERC Chair Calls for New Transmission

Former FERC Chairman Jim Hoecker, a long-time, unabashed advocate of new transmission, told ELCON's workshop that he has seen a clear change in public opinion on the issue since last year. Then, he was "feeling pretty lonesome" calling for more construction, but now everyone supports it. Building new transmission is the "flavor of the week," he said.

The electricity industry anticipates spending \$1 trillion over the next 20 years in capital improvements, including new generation and transmission, Hoecker said. "A stronger, smarter grid" must be part of that effort, he insisted.

Today's transmission system "was born in another era," designed to serve primarily local customers without many interconnections, and it is not well suited to serve the needs of today's wholesale



Hon. Jim Hoecker, former FERC Chair

markets, he said.

Contributing to the need for new transmission is an "aging and deteriorating infrastructure," more dispersed sources of generation, complex bulk power markets, and "increased consumption," he told the group.

Driving need for new transmission is the expected increase in renewable energy in the move to reduce greenhouse gases. "New transmission is essential to any effort to mitigate causes and effects of climate change," he asserted. E

Spitzer From Page 1

major changes in electricity use and production in the future, as efforts are made to implement greenhouse gas reductions. He said the auto industry needs to develop a new business model in response to expected demand for plug-in vehicles.

Commissioner Spitzer recognized ELCON's interest in increasing demand response, observing that while it was the "number one issue" in organized markets, it is rarely discussed or implemented in the traditional unstructured regulated markets. He said this was one of the benefits of the restructured markets, which he supports. E

ELCON Fall Workshop

Is There a Future for Nuclear Energy?

Peter Bradford, former member of the Nuclear Regulatory Commission (NRC) and former state regulator, takes issue with people who assume U.S. greenhouse gas (GHG) emissions reductions will come from a major increase in nuclear power.

New nuclear facilities are unlikely to be built because they are too expensive and have too many financial uncertainties, including the lack of private financing, he told ELCON's Fall Workshop in "Subprime Power Plants: Who Will Underwrite the Nuclear Renaissance?"

Predictions of 20 new U.S. nuclear facilities don't add up given that loan guarantees passed by Congress would only support two, he said. He quoted a Constellation Power executive who said, "without loan guarantees, we will not build new nuclear plants."

Even in its heyday of the 1960s and 1970s, nuclear power came under question, Bradford noted. At the peak of nuclear construction, the NRC issued 230 construction permits, but half were never completed owing to falling demand, cost overruns, and less expensive gas-fired alternatives. No new plant was completed after 1978, and no con-

struction permits were issued after 1974.

Those lessons are "being seriously unlearned," he quipped. Also, the nuclear industry uses different, almost contradictory, rationales to sell its product to different audiences, he said. To the financial community it wants to be seen as mature, stable and low-risk. To Congress it wants to be seen as cutting-edge and in need of financial support. It

argues enhanced public acceptance when looking for private funds, but warns of "vampire interveners" when seeking public funds from Congress.

Bradford said the question should be asked whether "massive subsidies for nuclear power are crucial to fighting climate change." Most important, he said, policy makers looking at climate change should recognize that "it's a carbon crisis." His final words of advice to those policy makers: "Take your time." **E**

April Workshop Explores Next Four Years

ELCON will look at energy policy options for the next four years at its member-only workshop to be held April 28 in Washington, DC.

"Energy Policy in an Obama Administration -- What Does the Future Hold for Manufacturers?" will feature presentations from both Capitol Hill and the Administration. Discussion will touch on politics and policies, as well as "smart grid" and energy efficiency improvements.

The next four years will be challenging for manufacturers, ELCON President John Anderson noted. "We have an

economy that has produced unprecedented job losses, new policy makers in the White House and Congress who may be overly optimistic, and numerous proposals for energy efficiency and energy use that could have a major impact on industries."

ELCON workshops are full-day events with high-level speakers and ample opportunity for discussion. They are open only to ELCON members and other manufacturers who are seriously considering ELCON membership. For further information, contact ELCON at www.elcon.org or at 202-682-1390. **E**

Consumer Discontent

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intensive, with power accounting for about 60 percent of manufacturing costs.

For his presentation, Anderson studied the history of electricity restructuring in the European Union, Australia and the United States. In almost all cases, he said, "large industrial consumers entered into the restructuring process with hopes that it would bring discipline to artificially high prices as well as technological innovation, new products and services, and customer focus." In every country, they have been critical of the results, he said.

Anderson listed "lessons learned" from

restructuring. Foremost, "restructuring emphasizes the different perspectives of suppliers and load." Suppliers "generally like" the results, while consumers do not. Restructuring has not resulted in "real" or "true" competition, and "unbundling alone does not bring real competition."

Restructuring also has brought higher prices in general, but not technological innovation. Furthermore, significant market power "prevails" in almost every nation that has restructured, and the single-price bid-based auction used in the U.S. and globally is "easy to game and difficult to police," he said.

Anderson said his analysis showed long-term contracts are difficult to negoti-

ate because generators are satisfied with the prices from bid-based auctions. Reliability concerns come from inadequate resources since "regulators no longer can order new generation or transmission."

ELCON members still believe in true competition but are increasingly skeptical about whether it can be realized, Anderson said. The dysfunctional market structures are neither sustainable nor self-correcting.

"Artificially high electricity prices simply are not acceptable," he concluded. "In the U.S. our manufacturers are not ready to give up their efforts to restructure markets, but they are willing to look at ALL alternatives -- and that includes a possible return traditional regulation." **E**

Policy Briefs

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can be implemented at very low or negative cost and avoid the need for investments in new generation and/or transmission facilities," an assumption that ELCON vigorously disputes.

Hughes noted the first two recommendations in the paper:

- Utility programs are only one part of national (and future international) policies to promote energy efficiency. If the key objective is to reduce carbon-intensive energy consumption, EE programs must be cost-effective in the context of the broader economy.
- The trend in some states to mandate EE programs as a "first fuel" creates the false impression that there is no need to build new supply-side generation. That is wrong. As long as electric utilities project positive growth in sales and numbers of customers, incremental increases in supply-side resources will be needed regardless of the level of EE programs.

"If people are going to cite the benefits of energy efficiency, it is important that we establish protocols to identify and quantify the net emissions reduction associated with the avoided fuel consumption associated with the EE programs," Hughes said.

The second paper deals with whether public utilities have a helpful role in state-directed energy efficiency programs. Many state EE programs make utilities (1) tax collectors and bankers, (2) EE facilitators and educators, and (3) EE program administrators and/or impact evaluators.

Hughes noted that industrial users traditionally have heavily and voluntarily invested in energy efficiency to reduce operating costs and improve competitiveness. This happened without mandates or state-directed, utility-run programs. Therefore, policies to mandate large industrial participation in utility energy efficiency programs may be counter-productive, he said. ELCON offered 10 recommendations for states considering utility-run energy efficiency programs. (See sidebar, this page.) E

10 Policy Recommendations For Utility Energy Efficiency Programs

ELCON offered 10 policy recommendations for states considering utility-run energy efficiency programs:

- Give large industrials credit for efficiency improvements already made at their own expense.
- Allow large industrials that can demonstrate self-directed EE programs to opt out of funding utility programs or receive dollar-for-dollar credit for them.
- Give large industrials that invest in EE improvements at their own expense entitlement to energy efficiency certificates.
- Recognize the most cost-effective efficiency improvements are often net increases in electricity consumption to offset greater BTU reductions in fossil fuel use.
- Large industrial customers should not be forced to "borrow" money from a utility to fund energy efficiency improvements at an effective cost of capital that exceeds a

participating customer's own cost of capital.

- Do not require large industrials to have to pay for so-called system benefits from efficiency improvements of other ratepayers unless they receive credits for doing the same at their own expense.
- Energy policies that force large industrials to become 'free riders' of utility EE programs are counter-productive and wasteful.
- Do not give utilities special riders or single-issue cost recovery methods to increase rates absent proof that current base rate-setting procedures have disadvantaged them.
- Large industrials strongly support advanced tariffs and practices that increase their opportunities to provide demand response for price mitigation and improved reliability.
- An overarching principle in promote industrial energy efficiency should be, 'First, do no harm.' E

Standards

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burdensome on participating cooperatives." ELCON commented to NAESB last fall, "Our concern is that approval of the recommendation in its current form will preclude or delay opportunities in the future to standardize M&V protocols on a more comprehensive basis."

In December, a NAESB subcommittee agreed to an amendment adding the word "framework" to the document's title, which, in NAESB's nomenclature, indicated the limited scope of the proposed standard. But on a poorly attended conference call in January, the ISOs and RTOs succeed in rescinding that amendment.

A participant on that call, Dave Meade of Praxair, chair of ELCON's Technical Committee, said, "I thought ISOs and RTOs were supposed to encourage the role of demand response in their energy and capacity markets. By their actions at NAESB, they seem unwilling to listen to stakeholder concerns – especially from

industrial companies like Praxair that are capable of participating in multiple markets for demand response. We need meaningful standards to maximize our capabilities, which can benefit all consumers."

NAESB began work on this issue in 2006 in response to a stakeholder request to develop a standardized method for quantifying the benefits, savings, cost avoidance and reduced energy demand from implementing demand side management (DSM) and energy efficiency programs. NAESB later split the effort so that demand response standards would be developed first, then energy efficiency program standards.

ELCON President John Anderson noted that "ISOs and RTOs have struggled to prove their worth to consumers" since their creation. He added, "It is fair to say that few consumers believe the organizations deliver net benefits, especially compared to regions of the country not burdened by ISOs and RTOs. The ISO and RTO actions in this NAESB process only serve to reinforce those beliefs." E

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Interested in
membership? See
details inside, includ-
ing ELCON's April
Member Workshop on
Energy Policy in the
Obama Administration*

WHAT IS ELCON?

- **DATE ORGANIZED:** January 15, 1976
- **WHO WE ARE:** The Electricity Consumers Resource Council (ELCON) is the national association representing large industrial consumers of electricity. ELCON was organized to promote the development of coordinated and rational federal and state policies that will assure an adequate, reliable and efficient supply of electricity for all users at competitive prices. ELCON's member companies come from virtually every segment of the manufacturing community.
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