DRAM

DEMAND RESPONSE *and* ADVANCED METERING

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Arizona Corporation Commission
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August 19, 2004

Honorable Marc Spitzer
Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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Dear Chairman Spitzer:

I am writing on behalf of the Demand Response and Advanced Metering Coalition (DRAM), a national group focused on education and outreach on demand response and its enabling technologies. DRAM members include utilities, technology companies and public interest groups.

DRAM wishes to commend you on your recent support for demand response as expressed in your Op Ed in the Arizona Republic on Sunday July 11, 2004. In that piece, you appropriately point out the importance of looking to the demand side of the electricity equation as well as the supply side for answers on how to develop and implement a balanced, reliable energy plan. In talking about the demand side, you not only focused on the importance of reducing overall demand but also shifting demand away from peak periods. This is as it should be in the view of energy experts across the country, *i.e.* that energy efficiency and demand response comprise the twin pillars of a demand side management (DSM) policy and program portfolio.

Unfortunately, this view of efficiency and demand response being options that should each be in a DSM policy is not the view that some are taking in the Commission workshops that you cite in your Op Ed. These workshops are focused on design and development of a new DSM policy for Arizona, yet Commission input during these meetings reflect what would appear to be an existing Commission disposition to exclude demand response and instead only address energy efficiency.

DRAM respectfully submits that it would be inappropriate to exclude demand response. Indeed, Arizona should be working to actively and aggressively include demand response – not at the exclusion of efficiency, but in addition to it. The fact is that energy efficiency is viewed elsewhere in the Country as long-range demand response. In addition, evidence continues to show that demand response not only reduces usage on peak, but also results in an overall "efficiency effect" as not all of the usage is replaced in the off-peak periods.

The term Demand Side Management, or DSM, was coined many years ago to describe the concept of a toolbox for policy makers and electricity providers to use in integrating the demand side into electricity planning and operations. At that time, the two main tools in that box were seen to be energy efficiency and load management. Today, new technologies and other factors have allowed load management to evolve into demand response - something that not only gives more control over demand to the provider but also to the customer. In any event, demand response has always been considered to be part of DSM, even if under a previous name, and it is important that it continue to be considered this way in Arizona.

Thank you for your time and consideration. Please contact me if you have any questions.

Sincerely,

Dan Delurey

Dan Delurey

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