**From:** Suzi McClellan [smcclellan@goodcompanyassociates.com]  
**Sent:** Tuesday, November 29, 2011 11:58 AM  
**To:** Seely, Chad  
**Subject:** Earth Networks Comments on ERCOT's Proposed Draft ERS Rule

Earth Networks appreciates the opportunity to comment on the ERCOT Proposed changes to the PUC’s EILS rule.  While we understand the intention of the amendments being proposed is to enhance the current EILS program and to enable additional resources to participate in the program, our concern with the changes centers around the lack of program design definition in the proposed rule.  As a new market entrant, having certainty around program design is essential to our ability to recruit customers and we support including key defining criteria in the new rule.  The proposed rule, for example, removes the current four month contract periods , among other criteria, and leaves ERCOT with discretion in establishing the parameters of the program.  While we believe that ERCOT needs discretion to work out the details and make necessary changes from time to time, the basic structure of the program should remain somewhat defined.  Below are some specific recommendations which we hope you will include in your recommendation to the PUC.

1.        Contract Period-  The rule should contain the basic structure for the contract periods, regardless of whether the current four-month construct is maintained.  To have fluctuating periods will hamper the ability to plan for the future and recruit/retain  customers for future periods.  We support the option to renew a resource’s obligation within a contract period, and believe that option works well with a defined contract period.

2.       Deployment Duration-  The proposed EILS rule is ambiguous as to how long a resource can be deployed.  The proposed language states that “each resource must continue providing ERS consistent with its obligations in each ERS time period until the expiration of the instruction or until released by ERCOT, whichever comes first.”  If a resource is only obligated during a certain set of hours, we believe that the resource’s obligation should not go beyond that time period.  The language included is unclear in that it requires performance consistent with the obligation, yet beyond the obligation.  This is particularly problematic for residential load which Earth Networks plans to aggregate for the EILS program.  Residential customers, in particular, will not be able to show extended periods of demand reduction without a defined duration, as residential peak is by its nature limited in duration.  At the same time if the residential peak has subsided naturally, it would remain significantly below its peak demand, although it could not demonstrate a load reduction.  Furthermore, recruitment of residential load will be difficult with the potential for unlimited outage periods.

3.       Minimum Capacity Requirement- The minimum capacity requirement of 1 MW has been removed from the rule.  While we support this change, we would like to have a standard for the minimum capacity that may be required.  Because our target load is residential, the minimum requirement for an aggregation is important information for recruitment purposes.

4.       Response Time- Particularly for residential customers, a longer response time will make a significant difference in the level of participation.  Our understanding is that there is an interest in having longer response times and in encouraging participation of residential load.  We suggest 30 minute and/or 1 hour response times in order to make the program more feasible for residential customers.

5.       Pricing-  While ERCOT would like additional flexibility on pricing, it is extremely difficult to plan for participation in next summer’s program window without some idea of what the pricing regime is likely to be.  Removing the capacity payment language and removing the prohibition on energy payments seems to leave the question entirely open.  We would very much like to see a true market environment in which load bids to fill the demand, and is paid based on the marginal price.

Please feel free to contact me with any questions regarding our comments.

Thank you,

Suzi McClellan

On Behalf of Earth Networks

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