November 29, 2011

Chad V. Seely

Assistant General Counsel

ERCOT

7620 Metro Center Drive

Austin, Texas 78744

Re: Comments to the Draft Amendments to P.U.C. Subst. R. 25.507

Dear Mr. Seely:

EnerNOC, Inc. (“EnerNOC”) submits these general comments to the Draft Amendments to P.U.C. Subst. R. 25.507 which was circulated last Monday, November 21. In addition, we have added some questions and editorial comments in the Clean Text of the proposed amendments (see attached).

* **Expand the Rule to allow participation by distributed generation.** In theory, EnerNOC supports the participation of distributed generation (DG) as a way to increase the size of the current EILS program. However, we are concerned that participation by DG resources could potentially crowd out loads from this program. Since DG already has other system benefits which incent its development, we encourage ERCOT to explore ways to ensure that the participation of DG resources in ERS does not crowd out other loads which do not have the opportunity to participate in alternate programs.

We believe there are different ways that can be pursued towards this end. We encourage ERCOT to consider setting a cap on the amount of DG participation, either absolute or as a percent of the total amount of load that is enrolled in the program for a pilot period. ERCOT could then evaluate the success of including DG and make course corrections as necessary.

In evaluating the inclusion of DG, ERCOT should not only consider total MW of DG participation and how the DG performed but also consider whether the DG in ERS is “new.” That is, it may be that DG resources are already pushing power to the grid when prices are high. If they simply switch to ERS, it may not improve the situation, as emergency conditions often coincide with a spike in prices.

* **Eliminate the 1,000 MW ceiling without changing the $50 million annual cap.** We support the lifting of the 1,000 MW cap, but it needs to be recognized that keeping the $50 MM annual cap could present a binding constraint that would limit participation in this program in the future. We encourage ERCOT to support increasing the cost cap or at least to determine a process to increase the cost cap at some point.
* **Add an option for ERCOT to renew all ERS resources’ obligations for additional hours if ERCOT exceeds the eight-hour requirement with the concurrence of the resources.** We support eliminating this requirement as it simplifies the procurement process.

However, we have questions about the current proposed amendment which may be internally inconsistent. See the attached edited Clean Text.

* **Eliminate unnecessary technical detail that handicaps ERCOT’s ability to modify the program as necessary.** We support removing the technical detail in the current rule that has constrained ERCOT’s ability to implement improvements to the program. We strongly support not only the modifications in (c)(2), (c)(3), and (c)(4) but also other parts of the rule that would allow ERCOT to conduct a QSE-level review first, in a manner that is aligned with how performance is currently being assessed for load resources serving as Responsive Reserve. We recognize that these changes to the P.U.C. rule require a companion NPRR, and we wish to express our support for an NPRR that builds on the proposed changes.

EnerNOC appreciates the efforts of ERCOT Staff to seek ways to improve the EILS program. Thanks again for your consideration.

Regards,

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