**From:** Suzi McClellan [smcclellan@goodcompanyassociates.com]  
**Sent:** Tuesday, November 29, 2011 11:32 AM  
**To:** Seely, Chad  
**Cc:** Laurie Wiegand - Jackson; Shelly-Ann Maye; Jaimee Gilmartin  
**Subject:** North America Power Partners Comments on ERCOT Draft ERS Rule

Chad,

North America Power Partners (NAPP) appreciates the opportunity to submit comments to ERCOT’s draft changes to the PUC’s EILS rule.  Based on our recent meetings with ERCOT staff and PUC Commissioners, we understand the importance of implementing rule changes to the EILS program before the summer 2012 delivery period that will expand the development of these EILS resources and increase the availability of the resources.  However, NAPP has a number of concerns about ERCOT’s proposed draft rule changes.

One concern is the vagueness or lack of specificity of the proposed rules.  While NAPP appreciates the need to give ERCOT some flexibility in how it administers the program, NAPP believes that the lack of specificity of the proposed rules create a significant level of uncertainty and risk that will deter, rather than encourage resource participation.  The lack of definition of the program is problematic in preparing resources for participation in the market.  Market participants will find it difficult to market and educate end use customers about a program that lacks definition, and gives ERCOT broad discretion to define the program as it wishes.   The solution, in terms of giving ERCOT the flexibility it needs, lies in operating within the framework of the existing rules and working with stakeholders to improve the program as needed.  We believe that there needs to be a basic framework of the program established by rule, while granting discretion to the ERCOT process to work out the details that may need to be modified from time to time.

NAPP is also concerned about the timing of this rulemaking process, and whether it gives market participants sufficient time to prepare resources for participation in the market.    In addition to the lack of definition of the program under the proposed rules, this rulemaking gives market participants and stakeholders very little time to adjust to the requirements of the program, and to educate end use customers about the program.   NAPP would propose that if these changes are to be implemented by June 2012 that the rules, and the final program details, be finally adopted in time to educate and market the program to prospective customers, and to prepare resources for participation in the auctions.

NAPP also must address ERCOT’s addition of dispatchable distributed generation resources to the program.  The EILS program is designed to provide a vehicle for demand response to participate as a resource to the electric grid operator.  Demand response by definition is achieved by the shifting or shedding of load – through either load reduction or the shift of load to behind the meter generation.  NAPP does not endorse the expansion of the EILS demand response program to include traditional grid-connected supply resources and is confident that with some modifications to the program design that the goal of expanding the development of significant EILS resources will be achieved apart from adding supply side resources.  We appreciate the fact that ERCOT is taking steps to make the program more attractive and more feasible for load participation, but we would favor giving the new program time to work over simultaneously opening the program to generation.

NAPP has provided an alternate proposal in the form of a revised (redlined) rule for consideration which provides the option for greater resource availability and is based on our experiences in markets across the US.    You will notice that the attached redline is the current rule with redlines that include NAPP proposed changes as well as ERCOT proposed changes that we support.    A comparison of DR resources in a 10 minute notice program to a 2 hour notice program in PJM shows the significant difference in availability of resources with greater levels of notification.  The former had 200 MW of Tier 2 resources in August 2011 while the later had over 10,000 MW of registered resources.  Therefore, NAPP is proposing a plan to address the need for more EILS resources by increasing the notification period for EILS resources. (See <http://www.pjm.com/~/media/markets-ops/dsr/2011-dsr-activity-report-20111110.ashx>)

NAPP is a new market entrant that has already committed resources to its expansion into the ERCOT market. We have been in the business of developing DR resources since 2006.  We hope that ERCOT staff reconsiders its proposal and instead chooses to work within the current framework of the EILS program, with amendments to expand participation levels and to address the program shortcomings that were experienced last year.

Please feel free to contact me to discuss any of the comments or proposed changes that are attached to this email.

Thank you,

Suzi McClellan

On Behalf of North America Power Partners

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