

# ESCOs and DR

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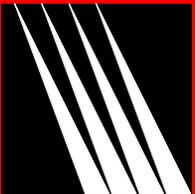
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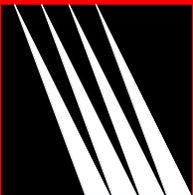
# Presentation

- Who/what are ESCOs?
- Problems with DR
- Suggested fixes



# Who/what are ESCOs?

- \$2 billion/year industry
- EE retrofits, Dist Gen, outsourcing
- Major controls companies
- Energy and utility companies
- National and regional independents



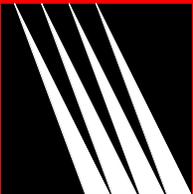
# Who/what are ESCOs?

- Profitability like construction companies
  - No more risk premium
- Limited \$\$ for experiments
- Principal EE vendors to MUSH, commercial, residential sectors
- Thousands of projects annually



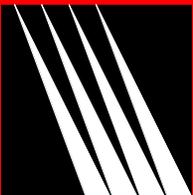
# Problems with DR

- Traders live on uncertainty
  - Value derives from risk management
  - More risk = more value
- ESCOs eliminate uncertainty
  - Technical
  - Financial
  - Contractual



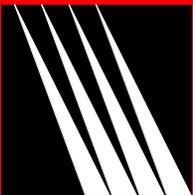
# Problems with DR

- ESCO customers aren't real time
- ESCO customers are risk averse
- DR economics and rules uncertain
  - DR programs = one season
  - ESCO projects = ten years
- Public messages confused
  - Is there a problem or not?



# Proposed Fixes

- Deal with the real world
  - Retail market still mostly regulated
  - Generators like inelastic demand
  - Customers not motivated by technology
- Recognize value of permanent load reduction
  - Fix the problem not the symptom
  - Value documented in CA and PJM
    - 2 to 5x the price of power



# Proposed Fixes

- Connect the dots – long term
  - DR programs
  - SBC and DSM programs
  - Retail rates
  - Dist Gen issues – interconnection, standby
- Speak with one voice
  - FERC, state regulators, state politicians

