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PUBLIC UTILITY COMMISSION OF TEXAS

FILING CLERK

REQUEST FOR COMMENTS – PUC RULEMAKING REGARDING DEMAND RESPONSE
IN THE ELECTRIC RELIABILITY COUNCIL OF TEXAS (ERCOT) MARKET

COMMENTS OF WAL-MART STORES, INC. AND SAM'S EAST, INC.

Wal-Mart Stores, Inc. and Sam's East Inc., (collectively "Walmart") hereby provides its comments in response to the Request for Comments in Project No. 41061 regarding Demand Response ("DR") in the Electric Reliability Council of Texas ("ERCOT") Market. Walmart appreciates this opportunity to provide input into the process as the Commission reviews the ERCOT DR market.

I. INTRODUCTION

Walmart is an active participant in Independent System Operator and utility DR programs across many different markets from coast to coast. There are multiple benefits resulting from these DR programs; examples include better system reliability, increased wholesale market efficiency and overall reduced power prices. There are also many considerations to weigh when deciding to participate in a DR program such as penalties, fair compensation, event notifications, and DR event duration, to name a few. One of the key items that has been discussed at many forums is that demand reduction should get comparable economic benefits as

enjoyed by generation. Demand reduction should get paid a capacity/availability payment along with the location marginal price (LMP) for the demand reduced.

Walmart feels that the following items would make participating in ERCOT's DR program more appealing for commercial end users:

1. Shorter duration participation blocks or ability to select hours of participation
2. Baseline calculation that excludes voluntary reductions
3. Voluntary opt out with notification
4. Compensation that reflects value of participant's commitments
5. Day ahead event notification (Minimum of 2 Hours Ahead) with a specified end time
6. Reduce or eliminate penalties for non-performance
7. Allow "pooling" of DR resources

II. WALMART'S COMMENTS

Section One: Increasing DR in ERCOT

What additional products and programs could ERCOT develop to facilitate DR? How should the programs be designed?

Walmart primarily responds to demand response events by reducing cooling demand, and in limited cases, interior lighting levels. Like many commercial customers, these two components represent a large portion of our energy profile. Whereas temperature and lighting

are relatively easy to control, other large energy consumption devices may prove to be much more challenging.

Some of the key areas of concern for ERCOT's current demand response program are listed below:

- **Baseline Calculation** – ERCOT uses 3 primary models to calculate the baseline usage to determine the effectiveness of a participant's DR efforts. ERCOT's methodology utilizes a short term view, so in times when an end user may elect to voluntarily and proactively reduce load, it will have a negative impact on the baseline calculation by reducing the baseline consumption and making it more difficult to perform when a DR event is implemented by ERCOT because this is not a true reflection of normal consumption patterns. Some examples are below:

- **Multiple voluntary events** – Walmart dynamically manages its energy profile and is an active participant in wholesale markets. There may be times when the real time pricing exceeds a dollar threshold at which Walmart would be willing to curtail load; these times may not coincide with an "emergency" or DR event on the grid, but exist because of supply conditions and congestion on the grid. Walmart's concern is twofold. First, that the baseline calculation may be negatively impacted by voluntary curtailments resulting in an inaccurate record of normal consumption, and second that Walmart may have difficulty being able to respond within a short time of the initial curtailment since the recovery may not be in an adequate time period to get an effective demand reduction of cooling loads.

- **Onsite Generation/Renewables and Efficiency Programs impacts to calculation** – As Walmart and other DR Participants continue to add renewable generation and energy saving devices, it is essential that the new load profile be accurately reflected in the baseline without penalty. There may be instances where wind or solar production is substantively different over a baseline calculation period; those outputs should be taken into consideration or the baseline calculation might be vastly disparate.
- **Notice of Voluntary Customer Price Responsive Demand Action** -- The ability to give notice to ERCOT when a customer initiates proactive voluntary price responsive demand reductions to have those time periods taken out of their baseline calculation would be beneficial to customer participation.
- **Demand Response Incentives** – A program design that treats all market participants and compensates them equitably is of key concern. There should be flexibility in the programs to allow end users to bid into a program based on their capabilities. Commercial end users are very different than industrial customers. The incentives should reflect the full value of participation commitment to the business.
- **Voluntary Opt Out / Price sensitive offering** – Penalties are of key concern when choosing to participate in a DR program and how a DR participant is treated for non-performance during a DR event. There may be multiple reasons why a company cannot curtail; such as a

previous curtailment that day without sufficient operational recovery time, and business conditions where the participant would be harmed if load was interrupted. A program design to address these needs should consider a voluntary opt-out with a day ahead notice provided by a certain time of day; for example by 9:00 AM. If there is a capacity payment for this DR to be available, ERCOT should at least allow that DR resource to be offered in at a specific price level, so that if prices do not move to a certain level, the DR resource would not be dispatched. The optionality concept of a voluntary curtailment is vital with the level of price caps in effect. Walmart, as well as other customers, are also able to manage costs by voluntarily curtailing loads in response to high prices. One concern is that Walmart may proactively and voluntarily curtail load in a period of high prices when ERCOT may at the same time or shortly thereafter deem the situation to be an emergency at that hour and call a DR event. The recovery time for Walmart to be able to fully respond to another DR event in the near term makes it challenging, if not improbable, to meet the ERCOT performance requirements.

- **Event Notification, Duration and Climate** – Most DR programs have a four hour or in some cases longer demand reduction time frame. In addition, most programs typically provide day ahead notices that an event may be needed. Event notifications of less than an hour are not appealing for many customers as it takes time to stage the load reduction initiatives. A region's weather has a significant impact on the ability to effectively reduce load across extended hours based on temperature set point reductions. A reduced demand reduction period with sufficient notice will provide for more robust participation from end use customers greatly increasing the number of participants.

- **4 hour vs. 1 hour** – If the period is reduced from a four hour window to a one hour window the amount and quality of demand response offering will likely be more significant. If temperature set points are used in a demand response offerings it is challenging to maintain a building envelope over a four hour time frame in Texas. Use of a one hour window will also offer store managers and other commercial businesses some assurance that their facilities will return to normal operating characteristics in a much shorter time frame thus allowing them to run their business with fewer customer complaints or concerns. Although no quantifiable evidence can be presented, it is logical that more commercial customers might consider participating if the reduction is one hour vs. four hours due to the increased ability to respond for just one hour and the substantively decreased impacts to the businesses operations.

- **Program Time Block** – ERCOT’s current program hours are grouped together in blocks; for example 09:00 to 13:00; 14:00 to 16:00, and 17:00 to 20:00. The concern is that both ERCOT’s System and Walmart’s operational peak hours overlap two of the time periods and it would be very difficult to perform a demand response event across both sets of time frames that equate up to 8 hours. Energy prices tend to peak across the transitions times (HE 16 and 17) inviting a potential voluntary curtailment opportunity

that might not be available if one is signed up for those hourly block sets. The ability for a customer to bid into a market to select specific hours would be helpful.

- **Resource Pooling** - ERCOT should allow DR participants to “pool” resources for participation, rather than require demand reductions from specific asset sites. This will allow DR participants to achieve more reliable reductions, and more operational flexibility to minimize impacts on their businesses.

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WHEREFORE, Walmart respectfully submits these comments to the Commission for consideration and dialogue. Walmart would be pleased to further supplement the record in this proceeding as requested by this Commission.

DATED this 15th day of February, 2013.

Respectfully submitted,

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