Testimony of Kenneth D. Schisler, Vice President of Regulatory Affairs, EnerNOC, Inc., before the House Committee on Energy and Commerce, Subcommittee on Energy, Mr. Upton, Chairman, July 18, 2017, "Powering America: Examining the State of the Electric Industry through Market Participant Perspectives.

Summary of Testimony: Demand Response in electricity markets is a 21st Century American innovation that has improved the U.S. electricity system and is being exported all over the world. Demand Response involves coordinated management of consumer demand in a portfolio by market agents known as "Aggregators" who are market participants in electricity markets, usually bidding as a supply side resource competing against generation. Demand Response contributes to energy independence and energy security because it is a domestic resource and provides an additional valuable tool for system operators to manage the grid. Demand Response participation lowers the cost of energy in the market and allows participant to receive direct compensation for making their load management capability a grid resource. Demand Response increases reliability and market efficiency, and makes American businesses more competitive. Demand Response requires no taxpayer or ratepayer subsidies or tax breaks to be successful. Demand Response requires only that it have open and non-discriminatory access to compete in power markets and that power markets are truly competitive without pricing distortions.

Thank you Mr. Chairman and Committee Members for the opportunity to testify today.

My employer EnerNOC is an incredible American innovation success story. We were among a small group of U.S. startups right after the turn of the century that pioneered digital applications electricity markets and these innovations are now in commercial operation and are a vital part of the American economy.

While we do several things at EnerNOC, I'm here today to discuss our primary business, known as Demand Response. Demand Response is a homegrown American technology innovation that found success here first, and has quickly spread throughout the developed and developing world.

The purpose of Demand Response is to engage customers to manage consumption of electricity at critical periods when the electricity grid is under stress, to serve as a grid balancing resource, or to respond to signals during times of high prices. Demand Response empowers energy users to become more flexible with their consumption, and to monetize that flexibility providing grid services.

Companies like EnerNOC are known as "Aggregators." We aggregate the Demand Response capability of thousands of customers and manage them as a portfolio in order to participate in electricity markets. Demand Response resources are dispatchable in a similar manner to traditional generation resources that receive and respond to dispatch signals from utilities and grid operators. In fact, Demand Response is most often treated in markets as a supply-side resource, which sounds a bit like a *non sequitur*.

We operate in several FERC jurisdictional markets in the U.S. as well as some programs under the jurisdiction of the state utility regulators. Demand Response enjoys broad bipartisan support from policy makers and regulators. The Energy Policy Acts of 2005 and 2007 spurred adoption of policies that have helped leverage the latent capability of customers to improve the power grid through Demand Response.

Demand Response is a win-win that is unequivocally good for the U.S. economy.

- We contribute to energy resource diversity and security of supply in the U.S. power system. It gives system operators an additional useful tool to reliably operate our nation's electric grid. Demand Response has been credited as helping to prevent several

major grid emergencies in recent years. These include the Polar Vortex in the Eastern U.S. in 2014, and many others at various times of the year.

- Customers who participate in Demand Response receive compensation for participation. We pay customers out of the market revenues we earn by bidding their Demand Response into the wholesale markets. These customer payments reduce total energy spend and make American businesses more competitive in the U.S. and global economy.
- Demand Response is a domestic energy resource supporting energy independence. Our "fuel source," if you will, is our customer's flexibility to manage demand.
- Demand Response receives no subsidies or special tax treatment under the federal tax code. It does not negatively impact the federal budget and does not require ratepayer subsidies because it is cost-effective on its own.
- Demand Response improves the efficiency of the grid and brings down energy costs for all consumers. In fact, in the PJM region of the Eastern U.S., Demand Response participation reduced wholesale market costs by nearly $10 Billion dollars in the current delivery year alone, according to a report prepared by the PJM market monitor.

These benefits will increase as resources such as energy storage are increasingly adopted as part of a demand response strategy.

From a federal policy standpoint, the only prerequisite for Demand Response to thrive is to have non-discriminatory open access in wholesale electricity markets and that those markets remain competitive without pricing distortions. We have come along way on open access and

removing market barriers to Demand Response in the last decade, but we still have more progress we can make. As far as healthy competitive markets, we are pleased the FERC recently sought comments on how to maintain competitive markets while respecting the rights of states to create their own energy policy. It is vital that we get this right.

In conclusion, Demand Response is a homegrown U.S. technology. Companies like EnerNOC have revolutionized and created tremendous value in U.S. energy markets and now we are exporting this technology all over the world. Our only ask here today is that you continue to recognize Demand Response and its importance to our national energy strategy.