

**Kevin Barron**  
 Utility Regulator  
 Queens House  
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 BT1 6ED

11th June 2015

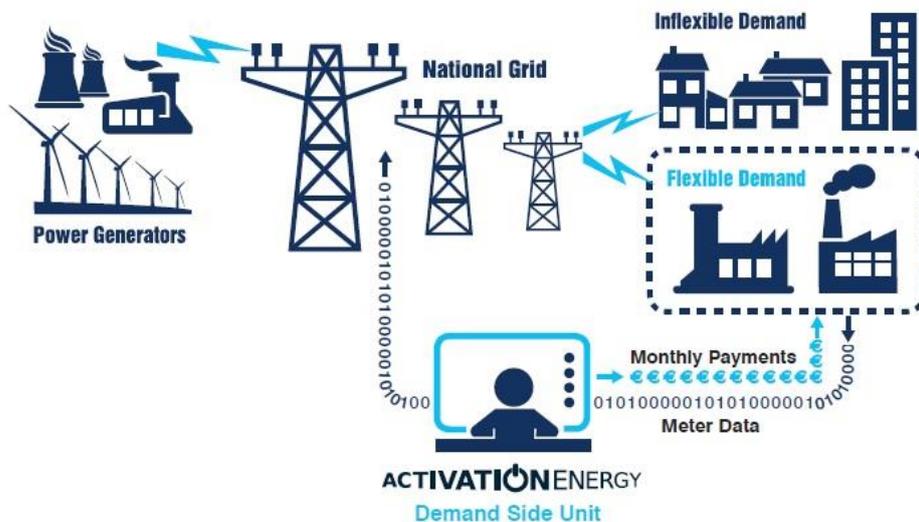
Dear Sir,

**Re: Capacity Requirement and Annual Capacity Payment Sum for Calendar Year 2016**

EnerNOC is pleased to have the opportunity to respond to this consultation. EnerNOC plays a leading role in the development of Demand Response and the Smart Grid in Ireland and is a world leading Energy Intelligence Software provider with businesses across 4 continents.

Demand response refers to changes in electric usage by end-use customers from their normal consumption patterns in response to changes in the price of electricity over time, or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardised.

Demand response makes energy markets more cost-effective for consumers and reduces stress on the electric grid. With the proper planning, demand response resources can meet a variety of needs on the grid, including providing capacity, energy, and ancillary services. Demand response also allows customers to reduce their electricity bills through peak load management, and other facility management tools.



**Annual Capacity Payment Sum for Calendar Year 2016**

EnerNOC notes that the capacity sum for 2016 is proposed to reduce significantly from previous years. This creates a challenge for the growth of Demand Side Participation. Low Capacity payments are not an attractive offer to energy users who are being asked to invest in flexible equipment, controls and monitoring equipment to provide reliable demand response to the electricity system.

We therefore ask that this opportunity be taken to correct some other inequalities in the market which we believe would reduce the effect of this reduction. These changes could be easily implemented in advance of 2016 and allow DSUs to offset the reduction in Capacity Payment income

In considering the value of Capacity provided by demand response, the SEM attached a Loss Adjustment Factor of 1 to DSUs. We believe this figure underestimates the true value provided by Demand Response to the system. In the event of demand response removing load from the system, this will reduce the Transmission and Distribution losses. This is particularly true for times of system stress when DSUs are most likely to be called upon.

Commenting on a proposal by the UKDRA (similar to the Demand Response Aggregators of Ireland in GB) to apply an increase loss adjustment factor (referred to as Line Loss Factor LLF in GB) to Demand Response Resources (referred to as CMUs) in the Capacity Market, OFGEM stated the following: “proposed amendments should be made to clarify how Line Loss Factors are to be incorporated in the relevant areas of the Rules for Distribution CMUs...DECC published draft Rule amendments on 27 March and one of these amendments seeks to ensure that Line Loss Factors are applied consistently...Based on DECC’s amendments we propose to add further provisions to ensure that Line Loss Factors apply consistently and are accounted for in the changes we are making to those parts of the Rules which will make use of the amended definitions” . It is our understanding that a LLF of 1.05 will be applied to CMUs in GB from later this year.

Similarly ISO New England (ISO-NE) in the United States, applies what it calls a “gross up” to demand side resources, recognising the reduced losses on the system due to this distributed capacity.

We ask that the regulators look favourably on a similar amendment to the Trading and Settlement Code before the end of this year in an effort to maintain comparable treatment of all capacity providers.

Another issue relates to the provision of Ancillary Services. The Grid Code requires DSUs to be capable of responding in full to Dispatch Instructions within 1 hour of the instruction being issued. In general however, a large proportion of sites making up a DSU will likely be able to dispatch faster. This may be from a matter of seconds to 30 minutes. DSUs are not currently eligible to be granted ancillary services however despite providing services similar to ancillary services currently. We believe that this is a change which could be made immediately and would serve to control the reduction in attractiveness whihc this reduction in the capacity pot will cause.

Yours sincerely



Patrick Liddy