

**Feedback from EnerNOC UK Limited on the 27th September 2010 Outline Change Proposals Document
(OCP-02) Published by National Grid**

EnerNOC is pleased to submit this response to National Grid's Outline Change Proposals, and appreciates National Grid's continued effort to engage industry to maximise the efficacy of Short Term Operating Reserves, facilitating its mission to operate the electric grid reliably and cost-effectively. Should National Grid have any questions regarding this response, please contact:

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Question 1 – *Do you consider that the response time permitted for Reserve Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?*

We support extending the response time permitted for Reserve Providers to respond to an OCP from 10 Business Days to 20 Business days. In most cases, this should allow Reserve Providers ample opportunity to evaluate the impact of and respond to potential changes to the STOR service.

Question 2 – *Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Reserve Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?*

Yes, we believe that a period of 20 Business Days following receipt of responses to an OCP from Reserve Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP.

Question 3 - *Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?*

Yes, we believe that a period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices.

Question 4 - *Do you consider that a period of 60 Business Days is appropriate when considering the timescales within which National Grid should notify a Reserve Provider that a contract will be terminated following circumstances of multiple Events of Default which could lead to that termination?*

Yes, we believe that a period of 60 Business Days is appropriate for National Grid to notify Reserve Providers of termination. This allows a Reserve Provider at least several weeks to respond to such a notice, which is especially important given the severity of such a situation.

Question 5 - *Would you consider a Remedial Plan to be a welcome introduction to the Standard Contract Terms?*

Yes, we would welcome the introduction of a Remedial Plan to the Standard Contract Terms

Question 6 - *Do you have any comments with regards to the proposed process presented in Figure 3, particularly on the timescales?*

We believe that the process presented in Figure 3 is a very reasonable way to propose, review, and implement a Remedial Plan.

Question 7 - *Would you consider the introduction of Cure Plan to be a welcome introduction to the STOR contractual framework?*

We are supportive of the introduction of a Cure Plan to the STOR contractual framework.

Question 8 - *Do you have any comments on the proposed process presented above, particularly with regard to the timescales?*

We believe that the process outlined by National Grid is a reasonable way to develop, evaluate, and implement a Cure Plan.

Question 9 - *Do you consider that long-term Reserve Providers should have the opportunity to 'opt out' of the provision of STOR during the extended period(s) of Availability Windows?*

Yes, we are very supportive of allowing Reserve Providers the ability to opt out of the provision of STOR during extended period(s) of Availability Windows. This is particularly important for providers of demand-side response; when recruiting end-use customers to deliver on our obligation to National Grid, we seek to match the operating profile (and therefore energy reduction capability) of those end-use customers with the current Availability Windows set forth by National Grid. While some businesses operate 24x7, others may only be available for during the currently-defined STOR availability windows (or even for a single one of the windows). Requiring that Reserve Providers be available for extended period(s) could make some previously-eligible end-use customers ineligible to provide STOR. As a result, we believe that such a change will ultimately allow National Grid to preserve maximum participation from demand-side management even where National Grid sees a need to modify STOR availability windows.

Question 10 - *Do you consider a period of 15 Business Days following publication of a relevant ITT Pack appropriate for Reserve Providers to notify National Grid of their intention to 'opt out' of expanded Availability Windows?*

We suggest extending this 15-Business Day review period to 25 Business days. Providers of demand-side management may have hundreds of different end-use customers in their portfolios, and will therefore require sufficient time to evaluate each customer's ability to respond during an expanded Availability Window prior to opting in or out of expanded Availability Windows. Further, if it is not National Grid's intention, we suggest that Reserve Providers be able to make this determination on a unit-by-unit basis, since providers of demand-side response will likely have a mix of end-use customers who can and cannot respond during the expanded Availability Windows.

Question 11 - *Do you consider that it would be appropriate for National Grid to amend the SCTs such that a BM Provider is required to submit an Offer Price identical to the Contract Bid-Offer Price, with an Event of Default to be incurred for failure?*

We are supportive of this requirement.

Question 12 - *Do you consider it appropriate that National Grid should be giving consideration to developing the non-BM despatch systems to facilitate a STOR market whereby all Reserve Provider can reduce their utilisation prices within day?*

We are very supportive of developing a mechanism for non-BM resources to lower utilisation prices within a day. This will allow non-BM Reserve Providers to compete for the provision of STOR on an intra-day basis, while also enabling National Grid to procure reliable STOR resources most cost-effectively.

Question 13 - *Do you have any comments with regards to National Grid's proposals to introduce a tri-partite Direct Agreement in the interests of facilitating the necessary funding for new STOR plant and apparatus?*

We have no comments regarding the proposed tri-partite Direct Agreement.

Question 14 – *Would you welcome the publication of a draft set of 'standard' Aggregator terms on the National Grid website?*

We believe that the publication of a draft set of 'standard' Aggregator terms on the National Grid website would increase overall transparency of the provision of aggregation services, and is therefore appropriate.

Question 15 – *Do you consider that Aggregator terms should be developed as part of Workstream 1A of the wider reserve review?*

We support the development of Aggregator terms through Workstream 1A of the wider reserve review. Although demand-side response can provide STOR services that are as effective as – and more reliable than – supply-side resources, there are many aspects of commercial and industrial-focused demand response that deserve unique consideration. As such, we encourage a dialogue that is more specific to the characteristics of the provision of STOR via the aggregation of end-use customers.

Question 16 – *Would you welcome further detail of the Assessment Principles applied to the week-ahead assessment of flexible STOR tenders?*

We welcome further detail regarding the Assessment Principles applied to flexible STOR tenders. Enhanced transparency for the week-to-week assessment process will better enable us to develop a tender structure that matches the characteristics of our resource with National Grid's priorities in the day-to-day management of the electric grid.

Question 17 – *Would you consider the inclusion of an annual utilisation limit based on the number of running hours to be a useful development?*

We are extremely supportive of an annual utilisation limit based on the total number of running hours. As an aggregator of commercial and industrial customers, we face the unique challenge of balancing National Grid's interests (reliable and cost-effective reserves resources that can be utilised at any time) with those of customers (receiving meaningful payments, while not negatively impacting their underlying business through too-frequent utilisation). An annual runtime maximum would enable us to

directly represent the “cost” to our end-use customers of responding for a certain number of hours per year. This is much more preferable than what how we manage this at present: via utilisation prices, weekly utilisation limits, and annual utilisation limits.

We would further suggest that National Grid allow all utilisation limitations to apply across a set of “connected” units. As an aggregator, we continuously monitor the demand reduction capability of our portfolio (e.g., seasonal changes in energy consumption, changes in customers’ underlying business, etc.), and bring new participating facilities online. We use a series of several units to help us manage these changes in demand reduction capability, activating larger or smaller units in different weeks. However, the annual limit on utilisations that we set in the tender process applies to a single unit, not to an aggregator or to a set of units. The utilisation limitations therefore do not achieve their intended outcome. Applying these limitations to “connected” units would address this issue.

Question 18 – *Do you have any comments with regards to the housekeeping amendments proposed?*

We have no comments regarding the proposed housekeeping amendments.

Question 19 – *Do you have any comments regarding the proposed Tender Round dates for 2011 and the Seasons/Years that are proposed to be available for tender in each?*

We have no comments regarding the proposed housekeeping amendments.

Closing Comments

EnerNOC would again like to thank National Grid for the opportunity to review and comment on the Outline Change Proposals. On the whole, we believe these changes will enable industry to compete for the provision of a reliable and cost-effect resource for National Grid, while also increasing the overall transparency of this procurement process. We do believe, however, that there are certain areas which National Grid has not considered changing for April 2011 that should be addressed. Please note that we have ordered the following comments based on their relative importance to EnerNOC and, we presume, to other aggregators:

Applying tender and performance parameters across “connected” units.

As described earlier in this response, we are currently managing our portfolio of end-use customers by activating a series of differently-sized units. We suggest that National Grid allow aggregators to apply various limitations (e.g., utilisation limitations) across a series of “connected” units. Similarly, we believe that National Grid’s measurement of resource performance should be aggregated across these units; for example, we often tender both a larger, “base” unit along with a much smaller “growth” unit. This smaller unit is composed of a relatively small number of customers, which means that performance is

much more volatile than the performance of the larger resource. Currently, even if our total pool of customers meets or exceeds its commitment to National Grid, a slight under-delivery from the “growth” unit may put EnerNOC at risk of penalties and/or termination. We believe that allowing aggregators to connect units would address multiple issues as outlined above, while also not negatively impacting the reliability or effectiveness of the STOR resource.

Availability window that are better matched to actual C&I customer loads.

Current STOR availability windows are not ideally-suited to the potential of demand response from commercial and industrial loads. For example, a “single-shift” manufacturing facility may shut down at 17:00 each day, meaning that it is roughly half-available for the evening availability window. At present, there is no mechanism that allows for such loads to participate for half of the evening window, meaning that National Grid is missing out on a cost-effective resource, and C&I customers are partially compensated for their load reduction potential. EnerNOC have seen other utilities and grid operators handle this via, e.g., hourly availability nominations, aggregator-specific availability windows defined via the tender process, and/or segmenting availability windows into more discrete availability windows.

Treat Saturday a non-working day.

Similar to the above, the vast majority of EnerNOC’s end use customers have different weekday and weekend load profiles. These customers cannot currently be committed resources, as they are not available for any full “working day” availability window. By modifying the definition of working day, aggregators can provide a greater total pool of committed resources to National Grid, while also allowing aggregators to realize the benefits of revenue associated with committed tenders.

Propose to Delete

Summary: More flexible baseload determination, particularly for volatile loads.

Description: The current STOR baseload measurement prevents aggregators from enrolling sites with volatile loads, which we believe can provide value to the grid when aggregated across various demand-side providers. We suggest evaluating a potentially longer lookback window and/or a different baseload determination to allow for such customers to participate.

Summary: New/modified reserves product(s).

Description: Although potentially outside of the scope of this reserve review, EnerNOC believes that different types of customers can provide different forms of demand-side services to National Grid. For example, some customers may be better-suited to providing a service that is activated less frequently but for longer durations. Such products are useful in other electric markets during, e.g., times of reserve shortages.

Summary: For DR resources, assess first-minute performance based on a multi-minute average.

Description: When monitoring customer loads via any type of consumption-based reading (e.g., a KYZ pulse-based metering solution), data can be “lumpy” on a minute-to-minute basis causing performance to similarly vary on a minute-to-minute basis. EnerNOC proposes using a 3-5 minute “average” measurement to determine first-minute performance to account for this “lumpiness”.

Summary: Replace the seasonal “clawback” with more stringent point-in-time penalties.

Description: Clawback provision cause revenue recognition issues that are difficult to publicly-traded companies, as they are unable to recognize programme revenue until there is no chance of payments under the programme being clawed back. As a result, we would propose stricter point-in-time penalties in the case of underperformance (i.e., penalties where the magnitude is known with certainty at the time of the underperformance) instead of penalties that can apply retroactively to a season.

Summary: Require financial assurance from new participants.

Description: In order to prevent unreliable/unqualified demand-side providers from bidding into the market, EnerNOC proposes to require the posting of some type of financial assurance (perhaps on a GBP/MW basis) until a provider can demonstrate successful performance. This is intended to preclude potential reliability issues and/or perception issues for the entire demand-side services industry.