

March 9, 2016

BY HAND DELIVERY

Ms. Lora W. Johnson
Clerk of Council
Council of the City of New Orleans
City Hall, Room IE09
1300 Perdido Street
New Orleans, LA 70112

Re: In Re: Resolution Regarding Proposed Rulemaking to Establish Integrated Resource Planning Components and Reporting Requirements for Entergy New Orleans, Inc.
Council Docket No. UD-08-02

Dear Ms. Johnson:

Enclosed please find an original and four (4) copies of an *Response of the Advisors to the Motion by Building Science Innovators, LLC*, which we are requesting be filed on behalf of the Council's Utility Advisors. Please file the attached *Opposition* and this letter in the record of this proceeding in accordance with your normal procedure.

Sincerely,



Jerry A. Beatmann, Jr.
Counsel

JAB/dpm
Enclosures

cc: Official Service List

rather than to national trends and data, should be entered into the record, and all parties be afforded the due process of being able to comment on the proposals in the record.

BSI's Request to Make a Presentation

The first request in BSI's motion is that "[t]he Utility Committee and its advisors will allow BSI to present a short presentation (no more than 15 minutes each) outlining the potential benefits of CLEP and IDCC for the February or March meeting."³ The Advisors note that the agenda for the UCTT Committee meetings is set by the Chairman of the Committee, with input from other Committee members and therefore, the Advisors defer to the Chairman and Committee's judgment as to whether such a presentation would be of interest and useful to the Committee, and whether there is sufficient time for it on any specific agenda in light of other pressing matters to be addressed at any particular meeting. The Advisors recommend that the Chairman and Committee consider the issues of due process and fairness to other parties to the proceeding when considering such requests. The Advisors note that BSI is an Intervenor in the docket and already has the same opportunities to express its interests and position to the Council that are available to all Intervenors. The Advisors do not believe there is a justification for granting BSI any privilege not equally available to all Intervenors.

BSI's Request that Entergy New Orleans, Inc. ("ENO") be Required to Purchase Certain Ancillary Services from its Customers

BSI's second request is that ENO be required to purchase Frequency Regulation and Spinning Reserve services from its customers at prices commensurate with their value.⁴ Frequency Regulation and Spinning Reserve services are traditionally wholesale transmission

³ BSI Motion at 4.

⁴ *Id.*

services regulated by the Federal Energy Regulatory Commission (“FERC”), and the value of such services in the Midcontinent Independent Transmission System Operator, Inc. (“MISO”) market has been established by FERC through the MISO tariff. Parties wishing to sell Frequency Regulation and Spinning Reserve services into the wholesale market are governed by the FERC-approved MISO tariff regarding rates, terms and conditions for such services. Although promising in theory, proactive management of distributed energy resources on the distribution grid is still largely conceptual, and a best practices model has not yet been developed.

The Advisors are of the opinion that there is not enough granularity in available data to demonstrate a material difference in the value of Frequency Regulation and Spinning Reserve services provided by retail customers in New Orleans than those provided at wholesale, and that if such services were to be provided by retail customers, then the same standards, rates, terms, and conditions should be applied to such services at both wholesale and retail. To the extent that it can be demonstrated that Frequency Regulation and Spinning Reserve services can be made available by retail customers in a manner that meets the standards FERC has set for the provision of such services at wholesale, the Advisors believe that ENO could consider proposing a pilot program to acquire such services from its retail customers at the same prices it would pay to acquire such services at wholesale. Any such pilot program would need to assure that the Frequency Regulation and Spinning Reserve Services acquired meet all current legal and technological standards for the provision of such services. To date, no demonstration has been made in the record to the Council that such services can be provided at retail in a cost-effective manner specific to New Orleans in a manner comparable to how such services are provided at wholesale in the MISO market, and therefore the Advisors do not recommend allowing the provision of such resources at retail at this time.

Request for Pilot Programs for CLEP and IDCC

BSI's third request is that its "Consumer Lowered Electricity Price" ("CLEP") and "Inverted Demand Compliant Construction" ("IDCC") proposals be considered as pilot programs in the 2015 Integrated Resource Plan ("IRP") to test these technologies and pricing regimes, including smart meters with data collection at five-minute granularity.⁵ The Advisors recommend that parties wishing to propose such pilot programs should submit a proposal in their comments on the Final 2015 IRP Plan filed by ENO on February 1, 2016. Any such proposal should include the design of the program for Council review and approval. Such a pilot program design should -- at a minimum -- include the following in order to be considered by the Council: (1) number of customers to be included in order to generate adequate data for evaluation, which customer classes should participate, whether participation is voluntary or mandatory; (2) what data is to be collected and how it will be collected; (3) the duration of the proposed pilot program; (4) draft tariff provisions to implement such a pilot program; and (5) the anticipated costs and rate impact of such pilot programs. The Advisors recommend that in order to be considered timely for inclusion in the 2015 IRP, any such proposal should be filed in the Intervenor comments no later than the deadline that will be established by the Council for such comments.

Demand Response in MISO

BSI's fourth request is that the Council direct its CURO office, and legal and technical teams to investigate opportunities for Demand Response expansion within MISO under FERC Order No. 745.⁶ The Advisors note that FERC Order No. 745 has been in effect since its

⁵ *Id.*

⁶ *Id.* *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, III FERC Stats. & Regs., Regs. Preambles ¶ 31,322, *order on reh'g and clarification*, Order No. 745-A, 137 FERC ¶ 61,215 (2011), *reh'g denied*, Order No. 745-B, 138 FERC ¶ 61,148 (2012), *vacated and remanded*, *Electric Power Supply Ass'n v.*

issuance in 2011 while various appeals of the rule were pursued by certain parties. Therefore, MISO's tariff and market rules already provide for demand response in its wholesale electricity markets in accordance with Order No. 745 and the recent Supreme Court ruling upholding Order No. 745 is expected to have little impact on those provisions. The Council and its Advisors are knowledgeable of MISO's Demand Response programs, and will continue to work with ENO to identify where there are opportunities to bring value and benefit to New Orleans ratepayers.

In its Motion, BSI also requests that the Council direct its legal teams to petition MISO to issue a statement accepting locational marginal price ("LMP") for battery as a peak load supply resource as is allowed in PJM Interconnection, L.L.C. The Advisors note that MISO cannot change its rules simply by issuing a statement. There is a lengthy stakeholder process to develop a proposal to change any MISO rule, which proposal must then be filed at FERC, with supporting evidence, for review and approval. MISO's market rules do currently recognize energy storage technology. Specifically, batteries and flywheels that can supply less than an hour of power are recognized under MISO's tariff as short-term energy storage resources. Similarly pumped storage that can provide energy for several hours is recognized as a long-term energy storage resource capable of offering regulating and spinning reserves under MISO's tariff. However, medium-term energy storage, such as battery and thermal storage that can provide hours of energy cannot currently serve as capacity, energy, or contingency reserves under MISO's current market rules. MISO is currently undertaking a review of its market rules to determine how to accommodate various types of energy storage resources, and it has begun discussions with stakeholders regarding how medium-term energy storage resources can be

FERC, 753 F.3d 216 (D.C. Cir. 2014), *reversed and remanded*, *Electric Power Supply Ass'n v. FERC*, 136 S. Ct. 760 (2016).

accommodated in its tariff. That process is expected to address issues such as the appropriate classification of energy storage, pricing/compensation, and the use of energy storage resources as energy, capacity, or demand response. The Advisors are actively monitoring and participating in the stakeholder process regarding the review of these rules and will report back to the Council regarding any developments.

Technical Conference

BSI's fifth request is that the Council direct ENO to host a technical conference with local contractors, experts, ENO and CleaResult to review Energy Smart and identify opportunities since the program stands to grow significantly over the next several years.⁷ The Advisors note that there has already been substantial opportunity for stakeholder input in this proceeding. Resolution R-14-224 required ENO to hold four technical conferences with stakeholders as it developed its IRP. Those technical conferences were open to the public and were held on (June 23, 2014 - DSM Potential Study Inputs), (October 2014 - DSM Potential Study Results), (February 2015 - IRP Modeling Results), and (June 2015 - Draft IRP Report). In addition, at the request of the parties, an additional two technical conferences were held to discuss various aspects of the IRP on (September 2014 - Renewables) and (May 2015 - presentation of final results of portfolio evaluation). Thus, stakeholders have currently had six opportunities to express their views to ENO and the Advisors regarding the IRP process. Furthermore, the Advisors are recommending to the Council a procedural schedule for the IRP docket which will incorporate a further technical conference and a public hearing to allow the public's views to be heard. Taken together, seven stakeholder meetings and a public hearing

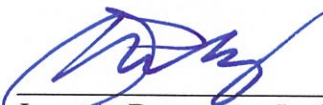
⁷ BSI Motion at 4.

allow for ample public participation in the IRP process. In addition to the opportunities for public participation, Intervenor was provided the opportunity to file written comments on the draft IRP plan circulated by ENO and will also have an opportunity to file written comments regarding the final proposed IRP. The Advisors believe that the IRP process has contained significant opportunity for stakeholder input into the IRP process, and that an additional technical conference will not be necessary.

Conclusion

As described herein, BSI's concerns are either already being addressed, or the record lacks sufficient evidentiary support for the Council to support granting BSI's requests at this time. As a result and for the foregoing reasons, the Council's Advisors respectfully request that the Council deny the BSI Motion.

Respectfully submitted,



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CERTIFICATE OF SERVICE

Docket No. UD-08-02

I hereby certify that I have this 9th day of March, 2016, served the required number of copies of the foregoing report upon all other known parties of this proceeding, as listed below, by electronic mail.

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