



EDISON ELECTRIC  
INSTITUTE

# *DR Justification*

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November 21, 2005

# Caveats

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- Time-differentiated rates are not available in all wholesale markets
- Wholesale price “caps” limit DR benefits
- Enabling infrastructure is expensive (more than meters)
- Requires extensive customer education / marketing

# Sources of Potential Benefit

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- Reducing wholesale price volatility
- Improved reliability / supply adequacy
- Optimized T&D

# Reducing Wholesale Price Volatility

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- Consumers *can* realize lower average rates
  - By shifting consumption to lower cost periods
- Suppliers *can* realize lower investment risk
  - By forecasting more stable revenues
- Utilities *can* realize lower operating risk and new income
  - By realizing more stable revenues
  - By earning a margin on DR products and services

# Improved Reliability / Supply Adequacy

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- If central station capacity does not keep up, DR can help fill the gap
- DR can increase the system's resistance to catastrophic disruptions

# Optimized T&D

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- Large amounts of DR can relieve T&D constraints
- DR can defer new G, T, and/or D commitments

# The Key is *Efficient* Development

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- Reduction in cost must exceed cost to deploy DR
- Avoid mandates
- Avoid “extra-market” incentives
  - Pay no more than market less retail tariff
- Tie utility incentives to benefit / cost