
National Capital Area Chapter

United States Association for
Energy Economics
February 2002

www.ncac-usaee.org

news

Demand Response: Creating New Markets in Electricity

Our Next Luncheon at Library of Congress

- WHEN:** Noon, Friday, February 15
- WHERE:** 6th Floor, Madison Building—Montpelier Dining Room
Library of Congress (enter from Independence Avenue)
1st Street & Independence Avenue, SE
Washington, DC
- SPEAKER:** Ruben S. Brown, President
The E Cubed Company, LLC

Over the past several years, electricity shortfalls during summer months in Chicago, New York and California helped to spur innovations in demand response, allowing larger consumers (or aggregators) to respond to market signals or emergency conditions by selling load reduction into the market in much the same way that generation “bids” power into the wholesale grid. Load reduction can be achieved through a variety of strategies, including the use of on-site generation.

Last year Independent System Operators (ISOs) were encouraged by the Federal Energy Regulatory Commission to launch demand response pilot programs to help ensure reliability. Initial analysis indicates that these programs were successful in providing power during critical periods, and reducing peak prices for consumers. Federal regulators are now considering the development of standardized market rules for Demand Response Resources (DRR) for the nation as a whole.

Our February 15 speaker is actively involved in the debate, having extensive experience developing market rules for DRR in the three Northeastern ISOs. Ruben Brown, President of The E Cubed Company LLC of New York City, was also invited recently to present his company’s blueprint for developing DRR markets to the Federal Energy Regulatory Commission.

Join us on Friday, February 15th at 12:00 pm for networking, with the lunch-line forming promptly at 12:30 and the presentation beginning at 1 pm so we are done by 2 pm.

COST: \$15.00 for members and \$20.00 for non-members—guests are always welcome. Make checks payable to NCAC-USAE.

RSVP: By noon, Wednesday, February 13, by phone to Pam Tomski on 202-861-2841. Cancellations after noon Thursday will be billed.

January Meeting Highlights

SPEAKER: Nancy Wong, Senior Executive, Critical Infrastructure Assurance Office (CIAO), Department of Commerce

National Critical Infrastructure Protection: A Context and Framework for the Electric Industry -- "The Rhetoric and The Reality"

Wong began by noting that the purpose of the CIAO, created in 1998, is to build bridges between private and public sectors to engage in a dialog in understanding and addressing critical infrastructure assurance. The President's Commission on Critical Infrastructure Protection noted in its 1997 report that there was only one military superpower left in the world after the Cold War ended. Consequently, any threats from nation-states or other political entities were likely to come through some other means, such as economic ones. In fact, in a tape from last December, bin Laden had called for attacks on the "pillars of the U.S. economy," which includes many of its critical infrastructures. Although critical infrastructure assurance includes both physical and cyber dimensions, the CIAO has focused on the latter in the last couple of years, since many people are not fully aware of how dependent we are as a country on information technology and are not always cognizant that it can be disrupted.

Wong's presentation included CIAO Director John Tritak's definition that, "Critical infrastructure assurance is concerned with the readiness, reliability and continuity of vital services so that they are less vulnerable to disruptions, and any impairment is short in duration and limited in scale, and services are readily restored after disruption occurs." In other words, the focus is not just on the protection of physical assets, since disruptions and outages of physical assets are, to some degree, a part of the normal course of events. It is the continuity of service that matters.

More than any other country, the U.S. relies on information technology. This is both a strength and a vulnerability. Company networks have become the front lines in this new world of information and terrorism. Cyber-security can be a complex issue because of the wide variance of use of information technology that has developed in a competitive marketplace. In addition, information technology is highly integrated into competitive business practices. It becomes extremely challenging to secure systems and sustain that security when both technology and business practices are changing rapidly. Setting rigid standards at a point in time is impractical within such an environment, she said. Consequently, it will become necessary to inculcate information security as a governance and management practice, making it a business management issue rather than just a technology issue.

Wong observed that in the Information Age, with the convergence of global political, economic and social changes, there will be more and more policy trade-offs emerging that may not have been apparent in the past. For example, electricity deregulation intends to provide benefits from a market perspective. At the same time, it also increases the number of access points, which can be vulnerable if they are not secured. Making a model publicly available to help new competitors evaluate sites for generation plants can also give easier access to information about system vulnerabilities to those who would do harm to the country. There are no easy answers, but these trade-offs do deserve a public dialogue and informed choices, with an understanding of what potential consequences need to be managed no matter what the choice.

A fairly standard business approach to assuring infrastructure services includes a spectrum of actions: deterrence, prevention, mitigation, crisis management and response, recovery, and restoration. Successful companies invest more or less in all of these, depending on their own situations, their customer base, the

communities they serve, and tolerance for risk. There are also institutions that may lack the awareness or may have a high tolerance for risk that do not have comprehensive programs such as this. In the end, Wong said, management always has to “manage” something: if not managing the risks, then managing the consequences.

In general, there are changes in industry that are providing new challenges, such as the move from manned to unmanned facilities, from local markets to regional and national markets, from local customer services to consolidated call centers, from heterogeneous and home-grown technology to standardized technology. These, reflecting the greater reliance on IT, are changing risk profiles. What, in the past, may have been incidental disruptions, deserving of the attention of operations managers, can now become substantive management issues, deserving of attention of boards of directors and CEOs.

Wong said the consequential issues for business as a result of the reliance on IT now include business operations survivability, customer confidence and relationships, and public and investor confidence. CIAO’s role of reaching out to industry is intended to build awareness at senior management levels to make more informed decisions. She was optimistic about the prospect for solutions. She saw the relationship with industry in a true partnership, as crucial to accessing the expertise and perspectives of the many companies that can help to actively shape the solutions.

2001 OFFICERS and COUNCIL MEMBERS

NAME	PHONE #	FAX #	EMAIL ADDRESS
David South President	202-785-8833 Energy Resources International, Inc.	202-785-8834	South@energyresources.com
Sarah McKinley Vice President	703-486-1030 The E Cubed Company LLC		Sarahmck@erols.com
Ron Planting Secretary	202-682-8509 American Petroleum Institute	202-962-4730	Planting@api.org
Pam Tomski Treasurer	202-861-2841 Wampler Associates	202-861-2840	Ptomski@erols.com
Sara Banaszak	202-586-2066 Energy Information Administration	202-586-4062	Sara.banaszak@hq.doe.gov
Stephanie Battles	202-586-7237 Energy Information Administration	202-586-0018	Stephanie.battles@eia.doe.gov
Guy Caruso	202-775-3209 Center for Strategic Int’l. Studies	202-775-3199	Gcaruso@csis.org
Leslie Coleman	202-463-9780 National Mining Association	202-833-9636	Lcoleman@nma.org
John Felmy	202-682-8530 American Petroleum Institute	202-682-8408	Felmyj@api.org

John Jimison*	202-955-6067 Berliner, Candon & Jimison	202-822-0109	Johnj@bcjlaw.com
Fred Joutz	202-994-4899 George Washington University	202-994-6147	fjoutz@attglobal.net
Wil Kohl	202-663-5725 Director, IEEP, SAIS	202-663-5769	Wkohl@mail.jhuwash.edu
Shirley Neff	202-224-6689 U.S. Senate Energy Committee	202-224-9026	Shirley_neff@energy.senate.gov
Len Levine	202-965-2788 Consultant		Len.LevineGR@verizon.net
Carol Rendall	301-229-8978 Energy Consultant	301-229-8978	Carolrendall@prodigy.net
Cyndy Wilson	703-698-7049 Catalytics, Inc.	703-698-5404	Catalytics@aol.com

- **Immediate Past President**

NCAC Monthly Lunches—Set your Calendar for the Year!

To help you plan for the coming year, the following dates have been reserved for the NCAC monthly lunch:

March 15
 April 26
 May 17
 June 21
 September 20
 October 18
 November 15

Please Renew for 2002 now! Deadline for Inclusion in Directory!

If you have not already renewed your membership in NCAC, please fill out the form below and either mail it or bring it to the next luncheon. We will need members to renew immediately if they are to be included in the 2002 Directory of NCAC members, which will be available in time for our annual spring policy conference.

**National Capital Area Chapter
United States Association for Energy Economics**

2002 MEMBERSHIP RENEWAL/REGISTRATION FORM

_____ Please check here for membership renewal.

_____ Please check here for new membership registration.

- Membership registration/renewal for the NCAC/USAEE are expected by the end of the preceding calendar year.
- Please return your registration form and check to Pamela Tomski-NCAC/USAEE 2001 Treasurer at Wampler Associates, 1130 17th Street, Suite 312, Washington, DC 20036 or e-mail the information below to ptomski@erols.com.
- Dues for 2002 are \$20.00. Please make checks payable to NCAC/USAEE.

Please Print Very Clearly

NAME _____

TITLE _____

ORGANIZATION _____

MAILING ADDRESS* _____

TELEPHONE NUMBER _____

FAX NUMBER** _____

E-MAIL ADDRESS** _____

*For DOE, please provide complete routing address.

**Provide the best fax number or e-mail address to receive the newsletter.

We prefer to send your monthly newsletter by e-mail. Please check here ___ if you cannot be reached by e-mail. If that is the case, the options are: ___ fax or ___ first class mail.