

BEFORE THE DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION

In the Matter of the Investigation into the Potomac  
Electric Power Company's Residential Air )                      Formal Case No. 1086  
Conditioner Direct Load Control Program )

In the Matter of the Investigation into the Potomac )  
Electric Power Company's District of Columbia )                      Formal Case No. 1109  
Dynamic Pricing Program Proposal )

REPLY COMMENT OF THE STAFF OF THE FEDERAL TRADE COMMISSION <sup>1</sup>

January 13, 2014

I. Introduction

The staff of the Federal Trade Commission (FTC) welcomes this opportunity to submit a reply comment on the public notice (Notice) the District of Columbia Public Service Commission (DC PSC) regarding a proposed program of dynamic (variable) pricing of electricity for residential customers in the form of Peak Energy Savings Credit.<sup>2</sup> Several significant technical developments – including advanced technology meters, often called “smart meters” – have made it timely to consider what contributions electricity pricing incentives at the retail level can make to the achievement of substantial power system efficiencies and improvements in the reliability of the electric system. Achievement of these efficiencies create benefits for all electricity customers. It is particularly appropriate to provide incentives (in the form of bill savings) to customers who trim their electricity consumption from the grid.

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<sup>1</sup> This comment expresses the views of the FTC's Office of the General Counsel, Office of Policy Planning, and Bureau of Economics. The comment does not necessarily represent the views of the FTC or of any individual Commissioner. The Commission, however, has voted to authorize the filing of this comment.

<sup>2</sup> 60:51 D.C. Register 016380-85 (Nov. 29, 2013) available at [http://www.dcpsc.org/pdf\\_files/hottopics/PublicNotice\\_FC1086\\_and\\_FC1109.pdf](http://www.dcpsc.org/pdf_files/hottopics/PublicNotice_FC1086_and_FC1109.pdf) and <http://www.dcregs.dc.gov/Gateway/NoticeHome.aspx?noticeid=4654271>





has issued two staff reports on electric power industry restructuring issues at the wholesale and retail levels.<sup>8</sup> In addition, the FTC staff (along with staff from FERC, the Department of Justice,

### III. Electricity Industry Innovations Warrant Consideration of Retail Dynamic Pricing To Benefit Customers through Lower Costs, Increased Innovation, and Expanded Variety of Services

One of the most significant technological developments in the electricity industry over the past 25 years has been the deployment of smart meters that measure and report power use in small time intervals and also communicate price and power system status information to customers.<sup>10</sup> Dynamic pricing— offered either by utilities or by retail electricity marketers can present many benefits to power customers, including enabling them to better match their preferences for bill savings and increasing power system reliability. For example, under dynamic pricing, customers can choose to lower their electricity bill.

Alternatively, customers can manually adjust their air conditioners or other heavy power uses when meters (or other communication sources) alert them that prices are going up or that they can earn credits for reducing power consumption.

Customer responses to retail price signals that accurately reflect wholesale market conditions reduce system costs, support reliability, and provide environmental benefits. For example, a DR program that entails reduction of power use during periods of high sale prices can reduce overall system costs by utilizing lower-cost generation units and reducing the need for high-cost peaking generators to meet demand spikes. It can support reliability by cutting power consumption when the system is at greatest risk of blackouts, recovering from a service interruption. It can provide environmental benefits by facilitating integration of renewable energy sources and avoiding the use of older, higher-cost generators with higher pollutant emissions during peak demand periods. This DR process is a critical justification for grid modernization. Collectively, the term “smart grid” encompasses systems that support DR and the sophisticated monitoring of conditions on many components of the power grid.

Some recent developments appear to unders.65 0(he)4( )]23( )-s s.004 Tc 0.o -0.0a.004 Tc 0.o









which Pepco's retail power customers receive price signals that even more closely resemble actual wholesale prices in real time. As indicated by the appended Brattle graph, real time pricing provides the most accurate price signals and applies them in all periods. Intermediate steps between the Pepco proposal and real

