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Demand Response – Increasing incentives - by George Crawford

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Demand Response is a program offered by electric providers to their customer base to compensate them for reducing their levels of electric consumption during periods of high demand to avoid blackouts. Existing compensation levels for Demand Response programs are expected to

significantly increase in 2016, which makes these programs an even more valuable source of potential revenue. The Demand Response program involves utility customers entering into Demand Response agreements which require predetermined curtailment steps upon notification. Notifications are usually sent out 21 hours to as little as two hours before the curtailment implementation is required. The curtailment steps are individual to each building and are determined at the time the utility customer enters the program. Curtailment notices are sent out only during periods of anticipated high demand to avoid the threat of a blackout. It is interesting to note that while there are four required curtailment tests each year – three in the summer and one in the winter – there have been no actual curtailment notices issued to most buildings in the program in the past two years.

Any building that joins a Demand Response program is providing a benefit to their community, because their participation will help lower the risk of a future blackout. But along with the community benefit comes significant ongoing annual compensation, which is based on the amount electrical reduction that can be achieved following a curtailment notification. For buildings with in-house generating capacity, including hospitals and nursing homes, the compensation can be an important source of revenue. As a for instance, a 270 bed nursing home that is able switch to an in-house generator which would pick up approximately 50% of its load, the annual compensation from the program would be in the \$60,000 to \$75,000 range. A large 700,000 s/f office building (no generator) that could reduce its consumption by 25%, would expect to receive compensation in the \$125,000 to \$175,000 range. Buildings without generators generally achieve their reduction requirements by powering down non essential lighting and motors, some elevators and adjustment to set points controlling air conditioning systems.

The pending increase in levels of Demand Response compensation is a clear signal that buildings exploring entry into the program are going to be more than welcome. There couldn't be a better time for you to contact your provider or go to www.nuenergen.com to explore the potential for your building's entry into the program.

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