





SECTION 8: DR BUSINESS CASE DEVELOPMENT

As stated several times throughout this Project Guidebook, Task XIII's primary goal is to foster the development of DR in markets around the world. We strive to achieve this goal because DR is a very powerful resource that can benefit all energy marketplaces.

The project was designed to walk through the business plan development process. Each step was structured to build on the preceding steps. The last step in the process is to pull all of the information together and build a DR Business Case for the local marketplace. This business case is intended to be used to bring all stakeholders together with a common vision and an agreed upon implementation strategy.

It was noted in Chapter 7 that it is difficult to develop a generic business case for all market actors. On the contrary, a business case is developed from the perspective of a given market actor. System Operators will have slightly different business objectives and operational requirements than a DR Aggregator. The DR Aggregator will normally be motivated from profit potential or additional service offering, but the System Operator may simply need to see DR as a resource in its energy trading or management systems.

Therefore, this section is not intended to prescribe a business model for all to use. It is, however, intended to map the project tools to the steps one would follow when developing a business case.

A few Country Experts used the process created from this project to develop internal country road maps or DR guidelines. If permitted, we will make them available for all to review (and perhaps mimic) when they are finished.

DR Business Case Development Methodology

STEPS	DESCRIPTION	TASK XIII SUPPORT TOOLS
<p>Step 1: Understanding your market and the market actors</p>	<p>A proper business plan starts by evaluating the market and identifying a customer need, versus developing a product and hoping someone wants it.</p> <p>As such, it is critically important to understand the environment in which one will operate. This includes understanding the market model used for selling power and energy (e.g. energy only/capacity & energy) and the market actors that participate in the region.</p>	<p>Market Characterization Guide</p> <p>Country Marketplace Overview Surveys <i>(responses to a variety of questions related to market structures and DR experiences for each country)</i></p> <p>Country Comparison – Final Report <i>(summary of market structures and DR activity in each country)</i></p> <p>DR Reference Library <i>(contains a variety of research studies and DR product information)</i></p> <p>Communication Toolkit <i>(suggestions for stakeholder organization and market outreach)</i></p>
<p>Step 2: Understanding the DR resource base</p>	<p>By definition, DR is a resource made available from consumer actions. Therefore, it is important to understand what the available DR capacity might be in a given market.</p> <p>This estimate will be used when the market actor develops market potential estimates and perspective financial models.</p>	<p>Final DR Market Potential Report <i>(describes the research methodology and recommended market potential estimation processes – incorporated as Chapter 4 in the Guidebook)</i></p> <p>Appendices to Final Market Potential Report <i>(includes sample consumer surveys and a detailed market potential study)</i></p> <p>Online DR Market Potential Calculator <i>(quick and easy way to</i></p>

		<i>estimate available DR capacity aka 1st level estimate)</i>
Step 3: Understanding the value of DR	<p>Value is a very personal thing. When a consumer measures the value of DR they will undoubtedly compare the benefit they receive from participating from the hard and opportunity costs for doing so.</p> <p>Since is a fairly straightforward exercise, we focused on developing a way to value DR from a market perspective. This analysis is recommended for regulators, distributors, generators, and DR aggregators.</p>	<p>DR Valuation Market Analysis Volume 1 <i>(detailed research report describing a methodology for valuing DR using market modeling methods)</i></p> <p>DR Valuation Market Analysis Volume 2 <i>(a layman version of the previous report – also incorporated as Chapter 5 in the Guidebook).</i></p> <p>Sample DR studies from Norway and Denmark are on the project portal</p>
Step 4: Product development	<p>After one understands the market environment, potential customer base, and estimated value of their efforts, they need to craft a product offering that will be attractive to the consumer.</p> <p>But the product does not stand alone. It is also important to understand how the product will be supported after it is sold. Some firms use a high technology approach and some use a low technology approach.</p>	<p>Chapter 7 Business Issues <i>(a discussion on types of DR products and how they are used)</i></p> <p>DR Product database <i>(a collection of DR products from the countries)</i></p> <p>DR Reference Library <i>(contains a variety of research studies and DR product information)</i></p> <p>DR Technology Database <i>(a collection of technologies being used to optimize DR participation)</i></p>
Step 5: Risk assessment	<p>Understanding the business and economic risks is an often overlooked, but critically important element of a business case. Significant business development investments could be lost without proper</p>	<p>Chapter 7 Business Issues <i>(includes a discussion on business models and market barriers).</i></p>

	<p>analysis in the beginning.</p> <p>Risk is not necessarily a bad thing. Most businesses earn money because they take risks everyday. But, those risks need to be understood and mitigation strategies analyzed.</p> <p>There are multiple risks that should be considered. Business risks are generally mitigated by developing a sound business model. But, regulatory risk should also be considered. It is important to understand the how current and future regulations and/or market barriers impact the business model.</p>	
Step 6: Testing	<p>Pilot (aka trial) projects are relatively inexpensive ways to test the business model or DR product. Clear objectives and milestones are essential in order to avoid poor trial design and/or continuing to pursue something that does not work.</p>	<p>DR Reference Library (contains a variety of research studies and DR product information)</p>

It's obvious to see from the table that developing a business plan is a pretty straightforward process. The steps are basically the same regardless of the product or industry. The challenge, however, is having the right framework, information and tools to help craft the analysis. Task XIII has attempted to provide the framework by way of this Guidebook. Additionally, the information, reports, research studies and databases were collected to provide foundational information to make educated decisions.

One last thing, don't be afraid to ask for advice when developing your DR strategy. There are many new experts around the world that will be happy to help.

Good luck!

