

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

)
Proceeding on Motion of the)
Commission Regarding an Energy)
Efficiency Portfolio Standard)
_____)

Case 07-M-0548

July 25, 2007

**RESPONSE OF DIRECT ENERGY SERVICES, LLC TO
ADMINISTRATIVE LAW JUDGE STEIN'S
QUESTIONS TO THE PARTIES**

In response to the questions posed by Administrative Law Judge Stein on June 22, 2007, Direct Energy Services, LLC ("Direct Energy"), states as follows.

Introductory Statement

Direct Energy is one of North America's leading integrated energy companies and a member of the Centrica group of companies. With operations in fourteen states and Canada, Direct Energy delivers more than \$8 billion of energy and related services to over five million residential and commercial customers across North America. Worldwide, the Centrica group of companies provides energy and other services through more than 32 million customer relationships, resulting in more than \$30 billion in revenue. Direct Energy is a licensed supplier of electricity and natural gas in New York, and began serving customers in New York in April 2006.

As an integrated energy solutions provider, energy efficiency and conservation measures are a critical part of Direct Energy's portfolio of services. We are a leading provider of home services in the United States and Canada, with a particular focus on heating, ventilation and air conditioning products and services that increase efficiency and save money for our customers. As such, Direct Energy has a keen interest in this proceeding, and is eager to provide energy efficiency and conservation products and services to New York customers as the company continues to expand and grow its business in the state.

Direct Energy participated in the July 20, 2007 Overview Forum, represented by Mr. David Dollihite, Direct Energy's Vice-President of U.S. Home Services. Mr. Dollihite described the challenge facing regulators and energy providers in achieving greater penetration of energy efficiency and conservation measures, and the need to overcome the threshold of inconvenience that prevents many customers from buying products and services that would save money and lower consumption. He also described some of the innovative products and services, some still in the development stage, that Direct Energy is offering to its customers across North America. An electronic copy of his presentation is attached. Direct Energy will continue to provide input in this proceeding as it progresses.

Responses to Questions

Direct Energy has no response at this time to questions 1 through 5, and 7.

6. What entities would be most appropriate and effective in delivering:
- (a) market transformation type programs
 - (b) peak shaving/demand response type programs
 - (c) end-user rebate type programs
 - (d) energy audit type programs
 - (e) weatherization type programs
 - (f) programs for participants lacking capital
 - (g) programs targeted to new construction
 - (h) programs targeted to existing building stock, appliances and fixtures

In our experience in a number of North American markets, Direct Energy has found that energy efficiency, conservation, and demand response products and service are best provided by integrated retail companies operating in a fully-competitive retail and wholesale environment. The reason for this is simple, as explained by Mr. Dollihite in his presentation. Competitive retailers have an economic interest in promoting energy efficiency and load management every hour of every day. This economic interest provides a natural incentive that cannot be matched by a purely programmatic approach that relies on artificially-created incentives for firms to act in a manner that would not otherwise be in their own interest. If a state is contemplating using ratepayer or taxpayer funds to promote energy efficiency and other “behind-the-meter” measures to control demand and exert downward pressure on prices, either through direct spending or other measures such as a portfolio standard, Direct Energy believes strongly that the state would be well-served by capitalizing on the natural incentives that already exist on the part of competitive retailers, who will leverage their own advertising and market education efforts to get the most public benefit from every dollar spent.

8. Is your entity or organization interested in being a provider of energy efficiency programs? If so, what types?

Yes. Direct Energy is interested in a being a provider of all types of energy efficiency programs that can be integrated into a competitive retailers suite of products and services.

9. Is your entity or organization opposed to being a provider of energy efficiency programs? If so, what types?

No.

Respectfully submitted,

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