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## **Consumer Liaison Group Meeting**

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Herb Healy, Senior Director, Regulatory Affairs

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*Aug 5, 2010*

# Perspectives on Demand Response Participation in Energy Market

- What's at stake? MWs and MWhrs
- Integration of DR into energy market - challenges and guiding principles
  - Comments on comparable treatment
- How are we doing?
  - Energy market issues and FERC NOPR in context of comparable treatment
  - Issues matrix
  - Where to from here

## What's at stake: MW participation in ISO-NE

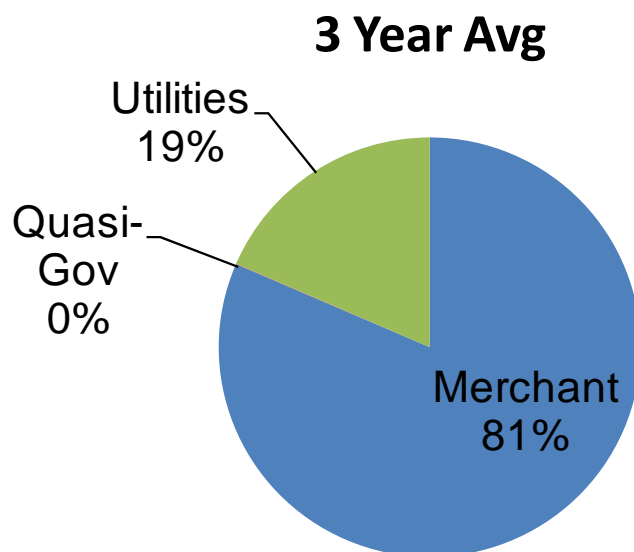
Forward Capacity Market, begun June 1, 2010 – Demand Response Resources

Participant Type	Delivery Year Cleared MWs		
	2010 / 2011	2011 / 2012	2012 / 2013
Merchant <sup>1</sup>	1488	1582	1525
Quasi-Gov	0	0	2
Utilities <sup>2</sup>	365	371	309
Total	1853	1953	1836

Source: ISO-NE

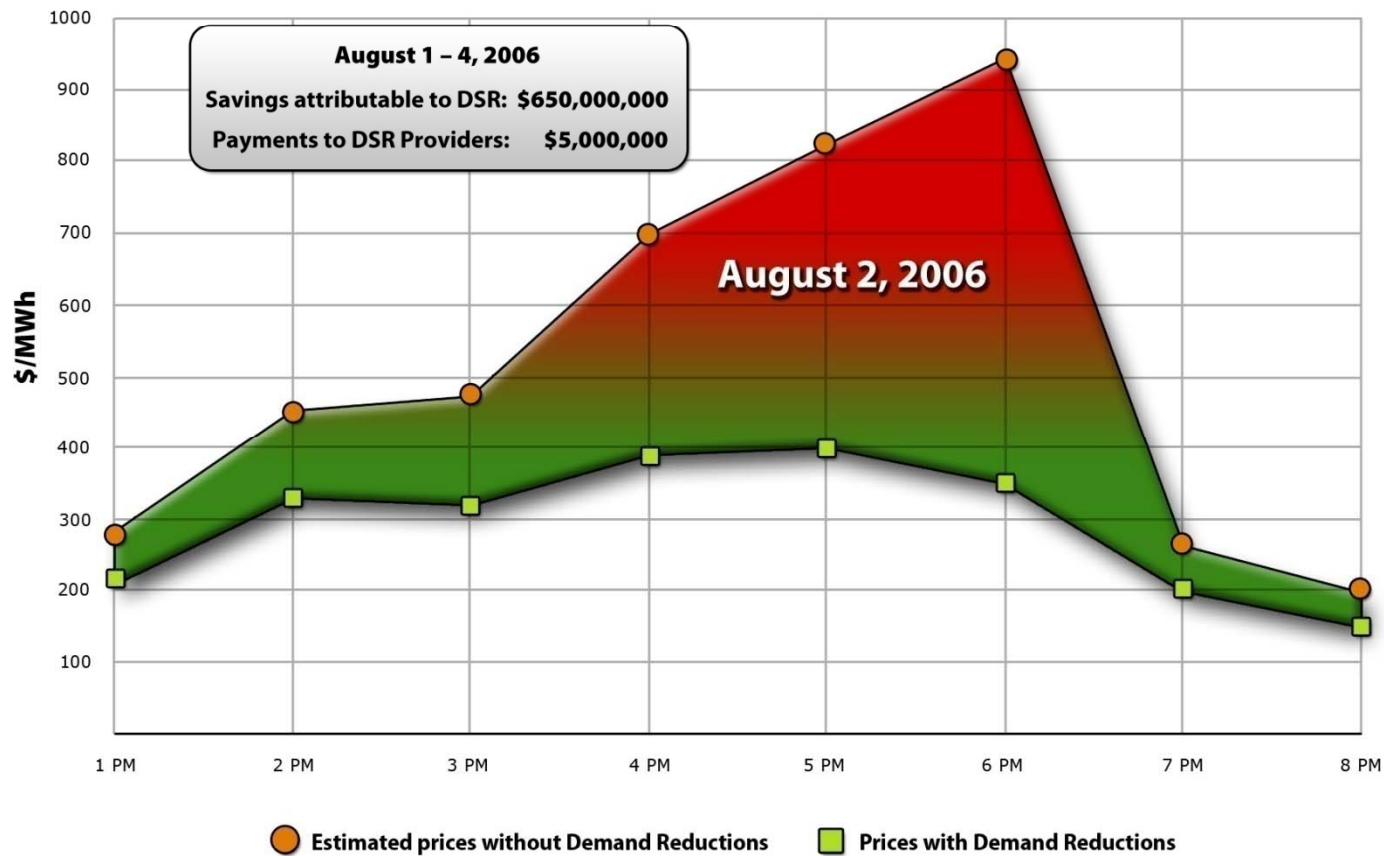
Notes: (1) Includes 3rd Party CSPs + LSE's

(2) Includes municipals



# What's at stake: Market elasticity

## PJM – Impact of Demand Response on Prices

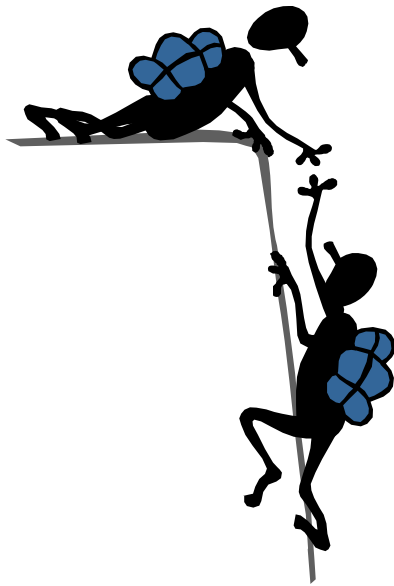


Source:  
FERC: AD-07-11,  
"DR in Wholesale  
Markets",  
Testimony of A Ott  
Apr 23,, 2007

## Challenges of Integrating DR in energy market

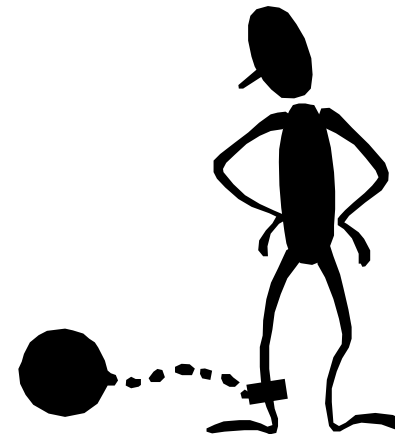
- FCM was about integrating DR into a brand new market construct
  - still made mistakes
- Energy market is about integrating DR into an existing market construct
  - Runs risk of trying to fit square peg in round hole
- Guidance by principle of comparable treatment (FERC Order 719, not defined)

Help



or

Hindrance



# Comparable Treatment

Principles for comparable treatment in wholesale markets:

Macro-level – levels playing field for DR

- Comparable accessibility
  - Market inclusivity
  - Market sustainability
- Comparable revenues

Micro-level – levels playing field for all

- Comparable rights & obligations

**Comparable  
Opportunity**

*Comparable treatment does NOT mean identical; must consider unique characteristics of DR in context of meeting energy market requirements*

## Energy Market Development Status – EnerNOC Perspective

Comparability Element \ Energy Market Provision	Status vs Comparability
<b>Market Accessibility - Inclusivity</b>	
Supply-side resource open to FCM assets	√
Product/ measurement unit	√
Participation reqmts -- min size, aggragation	√
Customer eligibility	TBD
<b>Market Accessibility - Sustainability</b>	
Supply-side integrated into energy market	√
Implementation - current opportunity	No comparability
<b>Market Revenue</b>	
Compensation	TBD
Clearing/ participation limits - benefits test or threshold	TBD
Cost Allocation	TBD
<b>Market Rights &amp; Obligations</b>	
Bidding parameters	TBD
DA bidding requirements, event notification	TBD
RT- bidding reqments/ dispatching, self-scheduling	TBD
Performance obligations - RT deviations	TBD
FCM DR resources -- PER	TBD
Measurement and verification - baseline methodology	TBD
Metering & communciations	TBD
Settlement	TBD
Financial asurance	TBD

### Color key

FERC NOPR/  
Supplemental  
NOPR

Expected  
stakeholder  
challenges

## Targeted Comments

- FERC addressing key issue of compensation in NOPR
  - Full LMP in all hours
  - EnerNOC supports NOPR
- In Supplemental NOPR, FERC seeking comments re “all hour” participation constraints, and cost allocation
  - If “belts and suspenders” constraint, then dynamic mechanism predicated on DR providing system benefit in hours of participation
  - Cost allocation via “adjusted” LMP (surcharge) to load procured in that hour
- Key issues outside NOPR – rights and obligations
  - RT energy market construct
    - A limited RT market is OK IF based on the realities of the resource characteristics (attributes as well as constraints), rather than an administrative restriction
  - PER
    - When DR resources receive energy payments in FCM dispatches, can consider PER
    - But, PER needs to be revisited for all resources – can’t pay back what you can’t earn

## Where to from here?

- Energy market opportunity in ISO-NE is in limbo, awaiting the outcome of the FERC decision
- Status is unfortunate: there are several conceptual issues that the stakeholders could address while awaiting the compensation decision; e.g.:
  - How will DR participate in the RT energy market?
  - What is the construct for that participation?
- Still additional work after fleshing out market construct
  - Drafting and vetting the accompanying rules
  - Approval by FERC
  - Implementation



**Herb Healy**  
Senior Director Regulatory Affairs  
hhealy@enernoc.com  
617- 532-8140

