



July 31, 2009

VIA ELECTRONIC FILING

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

RE: Report of ISO New England Inc. and New England Power Pool Regarding Treatment of Price-Responsive Demand in the New England Electricity Markets, Docket No. ER08-830-___

Dear Secretary Bose:

ISO New England Inc. (the “ISO”) and the New England Power Pool (“NEPOOL”), with the support of the New England Conference of Public Utilities Commissioners (“NECPUC”), hereby jointly provide the following update to the Federal Energy Regulatory Commission (the “Commission”) on regional efforts to evaluate the future treatment of price-responsive demand in the New England electricity markets. As part of the earlier report filed on March 27, 2009 by the ISO and NEPOOL, which was also supported by NECPUC (the “March 27 Report”), the parties committed to the filing of this update in order to give the Commission a description of the progress made in the region since the submission of the March 27 Report.

I. INTRODUCTION AND BACKGROUND

The ISO, NEPOOL, and NECPUC have been heavily involved in ongoing stakeholder discussions to evaluate the future treatment of price-responsive demand in the region’s energy markets. The March 27 Report highlighted the region’s progress on these issues and described the stakeholder discussions that had occurred to date. That filing also recommended that a subsequent report be filed with the Commission no later than July 31, 2009 that would describe further progress made in the region, including any areas of consensus, and would request further guidance and direction from the Commission as appropriate. At the time of that filing, the ISO and NEPOOL noted several high-level and important policy issues relating to price-responsive demand on which the region had not yet reached, and might have difficulty reaching, consensus. In order to help resolve some of those issues, the region committed to continue working through the stakeholder process, particularly with the active involvement of NECPUC, in an attempt to develop any consensus positions.

Since the March 27 Report, the ISO, NEPOOL, and NECPUC have been actively moving forward on these issues through a series of meetings. The stakeholder discussions have largely focused on the development of potential design approaches to achieve price-responsive demand in the energy market, whether through a “supply-side approach,” which would allow price-responsive demand to enter load reduction offers into the energy market in a manner similar to supply offers of traditional generation resources, or through a “demand-side approach,” which would give consumers the opportunity to change consumption levels in response to different energy prices in a manner similar to the demand bids of load serving entities, or through some combination of the approaches. The NEPOOL Markets Committee has held six meetings since March to identify, discuss, and evaluate these various approaches with active participation from the ISO, market participants and state regulators. In order to help facilitate discussions, the ISO, NEPOOL, and NECPUC developed an evaluation matrix of potential approaches (the “PRD Matrix”), which is attached to this filing as Appendix A and is more fully described in Section II herein.

At this time, the ISO and NEPOOL, with the support of NECPUC, intend to build on the progress that has been made in the region thus far to continue to evaluate and develop a proposal for the future treatment of price-responsive demand. The ISO has outlined a schedule to accomplish this goal that would culminate with a decision on a market design by the end of this year and the filing of market rules consistent with that design by June of 2010, as more fully described in Section III of this submittal. NEPOOL has not taken a formal position on this schedule and, accordingly, has not joined in that portion of this filing. NEPOOL is planning to discuss the planned schedule at future stakeholder meetings and will provide a status update to the Commission regarding those discussions if an update is considered desirable or appropriate under the circumstances.

The stakeholder discussions to date have largely focused on understanding the issues involved and gaining a greater knowledge of the various design options that are available. Although the region remains aware that there may be important policy questions that are as-yet unresolved and on which the Commission may be asked, in the future, to opine, the ISO, NEPOOL, and NECPUC have committed to continuing their work on these issues through the stakeholder process. It is our expectation that any eventual consensus on the appropriate market design for the future treatment of price-responsive demand will answer some, if not all, of those questions.

II. SUMMARY OF PROPOSALS

As mentioned above, the ISO, stakeholders, and the region’s state regulators have developed and discussed over the last three months several approaches to achieving price-responsive demand in New England, all of which are represented in the PRD Matrix. The rows of the PRD Matrix describe features of a price-responsive demand approach (*e.g.*, product definition, rates, terms, and conditions, rights and obligations, etc.), and the columns describe a particular approach advanced by the ISO, a particular stakeholder, or the region’s state

regulators. The PRD Matrix, attached to this filing as Appendix A, shows that six approaches were advanced during the March-July 2009 timeframe. All of those proposals are briefly highlighted below.

The ISO proposed to implement both a “demand-side” and a “supply-side” approach to achieve greater price-responsive demand in New England. Under the demand-side approach, the ISO would develop and make available a voluntary wholesale energy product at an all-in, hourly real-time price to individuals or aggregations of customers within the same Dispatch Zone with loads greater than or equal to 1.0 MW. The all-in, hourly real-time price would be inclusive of all wholesale power cost components such as energy, capacity, reserves and regulation, Net Commitment Period Compensation (“NCPC”), Auction Revenue Rights, and ISO and NEPOOL expenses.

Under the ISO’s supply-side approach, the ISO would modify the wholesale energy market to permit market participants to offer load reductions into the energy market. The ISO would integrate these load reduction offers into the market clearing, price setting and resource scheduling algorithm. The ISO proposed that payments for load reductions equal the quantity of reduced load multiplied by the difference between the locational marginal price (“LMP”) and a proxy of the energy portion of the retail rate. This approach would also address the ISO’s Internal Market Monitoring Unit recommendations that Market Participants with Demand Resources participating in the Forward Capacity Market (“FCM”) be permitted to offer demand reductions into the energy markets, be paid for their reductions generally at the LMP minus the applicable retail energy rate, and be subject to the Peak Energy Rent deduction.

The Consumer Demand Response Initiative (“CDRI”) proposed to integrate load reduction offers into the supply-side of the energy market. Under the CDRI approach, a cleared load reduction offer would be paid the market-clearing price. Because actual demand expected to appear in real time would be lower by the amount of demand response that clears in the Day-Ahead Energy Market, the CDRI approach would adjust the price charged to load in the Day-Ahead Energy Market so that sufficient revenues are collected to pay for all cleared supply resources, which include both generation and demand response. The adjusted price (which CDRI has called the “Day-Ahead Price”) would be calculated to collect the necessary revenue based on the amount of load remaining after load reductions due to demand response assets are taken into account. The Day-Ahead Price would be charged based on all cleared day-ahead load (unadjusted for the load reductions of demand response assets) generating a temporary revenue surplus. The surplus would then be refunded based on day-ahead cleared load using a settlement algorithm that holds load-serving entities harmless for any real-time negative deviation due to the presence of a demand response asset within their footprints. This settlement mechanism resolves the potential payment/charge mismatch problem that must be addressed by all supply-side price-responsive demand proposals.

EnerNOC also proposed to integrate load reduction offers into the supply-side of the energy market. EnerNOC proposed that a “proxy trigger price” be designed to assure that the benefit of load reductions, in terms of lower wholesale energy prices, is greater than the

payments made to demand response providers. EnerNOC proposed that demand response providers be paid the LMP for load reductions when LMP levels are equal to or greater than the proxy trigger price. When LMPs are below the proxy trigger price, payments would be limited to the difference between LMP and the generation portion of the retail rate (referred to by EnerNOC as “LMP - G”). EnerNOC proposed that the portion of the payment associated with LMP - G be allocated to the load-serving entity responsible for the Real-Time Load Obligation of the customer providing the load reduction. The “G” portion of the payment would be allocated *pro rata* across all Real-Time Load Obligation. The EnerNOC proposal would permit Market Participants with active Demand Resources participating in the FCM to: (a) offer demand reductions into the energy markets, and; (b) be paid for demand reductions during activations pursuant to the FCM rules at the LMP subject to a price cap equal to the Peak Energy Rent threshold. EnerNOC proposed a phased implementation schedule that would provide energy payments for active Demand Resources when the FCM rules are fully implemented starting on June 1, 2010, and implementation of its supply-side approach on or before June 1, 2012.¹

On June 23, 2009, the NECPUC Price Responsive Demand Working Group (“NECPUC working group”) circulated a draft paper in which it recommended that the ISO implement a two-pronged approach to encourage price responsiveness in wholesale energy markets. Specifically, the NECPUC working group recommended that the ISO replace its existing price-responsive demand programs with two approaches that should be implemented simultaneously including: (1) a bundled wholesale energy product that combines all the energy, capacity, and ancillary services offered at wholesale by the ISO (“total price demand-side approach”), and (2) a supply-side option where demand resources are allowed to compete directly with supply resources and are paid the LMP, but only for a limited set of hours when wholesale energy prices are at their highest (“limited supply-side approach”).

Under the total price demand-side approach, the NECPUC working group recommended that the ISO continue to work with NECPUC and NEPOOL to refine the approach, which would provide state regulators with a useful option if and when they decide to encourage or require dynamic pricing at the retail level as a long-term solution to providing real-time price signals. The NECPUC working group further recommended that the ISO investigate opportunities to recover capacity costs across the highest demand hours of the year through a critical peak pricing approach. The NECPUC working group also recommended that the ISO adopt some form of limited supply-side approach as a transitional mechanism to help create a bridge to a time when price-responsive demand is more fully accomplished through retail dynamic pricing mechanisms. Under the recommended approach, demand resources would be allowed to submit demand reduction offers into the wholesale energy markets above a floor price, which would provide payments for demand reductions at the full LMP for the top 5% to 10% of prices. The NECPUC working group recommended increasing the LMP charged to all load serving entities by the amount needed to pay for the cleared and delivered demand reductions.

¹ The issue of energy market payments for active Demand Resources that are dispatched under the FCM structure starting in June 2010 is being addressed as a separate initiative by the Markets Committee.

III. NEXT STEPS

The ISO, NEPOOL, and NECPUC have made progress through the stakeholder process since March 2009 toward developing an approach to achieving price-responsive demand for New England. As a result, the ISO and NEPOOL, with the support of NECPUC, intend to continue this process with the ultimate goal of filing market rules with the Commission concerning the future treatment of price-responsive demand in the energy markets that would be effective June 1, 2012. In order to achieve this goal, the ISO has proposed a schedule that would result in the filing of market rules no later than June 1, 2010. As noted previously, NEPOOL is planning to discuss the ISO's planned schedule at future stakeholder meetings and will provide a status update to the Commission if an update is considered desirable or appropriate under the circumstances.

Using the PRD Matrix as a guide, the ISO's planned schedule provides for the drafting and review of a "design basis" document, *i.e.*, a document that summarizes the key market design features, terms, and conditions. This drafting and review effort would occur during the fall of 2009, through the NEPOOL stakeholder process and with the active involvement of the region's state utility regulators. Distributing a draft design basis document for stakeholder consideration before the third Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2012), scheduled for October 2009, would provide notice to auction participants of the scope of potential changes to the market rules concerning Demand Resource participation in the energy markets, which could become effective by the beginning of the 2012-2013 Capacity Commitment Period.

The ISO's planned schedule anticipates that the NEPOOL Markets and Participants Committees would consider and vote on the design basis document in the November/December 2009 timeframe, which would then provide guidance and input on the drafting of market rules consistent with the approved design basis document. The ISO's planned schedule also anticipates that the first draft of market rules would be distributed for Markets Committee consideration in February 2010 and that the Markets Committee would vote on the rules in April 2010. Upon Participants Committee consideration of these rules in May 2010, the market rules could be filed with the Commission on or about June 2010.

Because of the anticipated complexity of new approaches to achieve price-responsive demand in the region, and the other high-priority projects that will be underway within the region at approximately the same time (*e.g.*, Forward Capacity Market implementation), a phased implementation might be required.

As part of its planned schedule, the ISO intends to solicit the input of NEPOOL and NECPUC and to file an additional report with the Commission no later than December 18, 2009

describing the progress made in the region on the proposals outlined in the PRD Matrix.² The report shall include, but not be limited to: (i) a design basis document reflecting the approaches being considered that has been presented to and considered by NECPUC and the NEPOOL Markets Committee and Participants Committee; (ii) a description of any areas of consensus (and, if appropriate, areas of ongoing disagreement) with respect to any major policy questions, and; (iii) relevant details regarding the stakeholder discussions and the ISO's views on the future of price-responsive demand in the region. Additionally, stakeholders, NECPUC and the states individually retain their rights to seek alternative relief different than, in addition to or outside of the ISO's planned schedule and process, including but not limited to the option of filing written comments or protests with the Commission on the status report once it has been filed with the Commission.

The ISO, NEPOOL and NECPUC look forward to continue working together over the next several months to help develop the optimal solutions on these issues for the region.

² As noted earlier, NEPOOL has not taken a position on the ISO's planned schedule, including the plan to file a status report no later than December 18, 2009.

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Respectfully submitted,

ISO NEW ENGLAND INC.

NEW ENGLAND POWER POOL
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 31st day of July, 2009.

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Evaluation Matrix of Price-Responsive Demand Approaches

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
I. Product Definition						
Product purchased	MWh of energy consumed	MWh of energy consumed	MWh of reduced energy usage (<i>i.e.</i> , energy not consumed) – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.	MWh of reduced consumption (<i>i.e.</i> , deviations from baseline) that increase consumer surplus without lowering generator compensation below the marginal cost of the marginal unit needed to serve remaining load.	MWh of reduced energy usage (<i>i.e.</i> , energy not consumed) – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.	MWh of reduced energy usage (<i>i.e.</i> , energy not consumed) – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.
Unit of measurement	MWh	MWh	MWh or MW per hour of reduced energy usage – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.	MWh or MW per hour of reduced energy usage – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.	MWh or MW per hour of reduced energy usage – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.	MWh or MW per hour of reduced energy usage – estimated customer baseline usage less actual usage during hours in which demand reduction offers have cleared.

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
II. Eligibility						
Participation requirements (e.g., peak consumption levels, eligibility of individuals or aggregations)	Market Participants with price-response assets (individuals or aggregations of end-use consumers within the same Dispatch Zone) with peak consumption levels \geq 1.0 MW.	Market Participants	Market Participants with price-response assets (individuals or aggregations of end-use consumers within the same Dispatch Zone) with demand reduction offers \geq 1.0 MW.	Any load that can provide a consumption deviation from a verifiable customer baseline that increases consumer surplus as measured by lower day-ahead and real-time prices as calculated by the Pricing Algorithm.	Market Participants with price-response assets (individuals or aggregations of end-use consumers within the same Dispatch Zone). Minimum demand reduction offers and specific aggregation requirements to be determined.	Market Participants with price-response assets (individuals or aggregations of end-use consumers within the same Dispatch Zone). Minimum peak consumption threshold not addressed.
Customer Eligibility with regard to other Price-Responsive Demand options	Those participating in the supply-side approach are not eligible to participate in the demand-side approach.		Those participating in a demand-side approach (i.e., purchasing commodity pursuant to a dynamic retail rate) are not eligible to participate in the supply-side approach.	All customers who satisfy the criteria above.	All customers	To be discussed
Voluntary/Not-Voluntary	Voluntary	Voluntary	Voluntary with respect to Day-Ahead Energy Market participation (not voluntary in Real-Time Energy Market if obligations assumed through the Day-Ahead Energy Market, or if dispatched in real time in accordance with the resource's bidding parameters).	Voluntary with respect to Day-Ahead Energy Market participation (not voluntary in Real-Time Energy Market if obligations assumed through the Day-Ahead Energy Market, or if dispatched in real time in accordance with the resource's bidding parameters).	Voluntary with respect to Day-Ahead Energy Market participation (not voluntary in Real-Time Energy Market if obligations assumed through the Day-Ahead Energy Market, or if dispatched in real time in accordance with the resource's bidding parameters).	Voluntary with respect to Day-Ahead Energy Market participation (not voluntary in Real-Time Energy Market if obligations assumed through the Day-Ahead Energy Market).
Market Penetration levels or goals (e.g., demand response participation percentage of total load) or limitations to participation	Facilitates market transparency and efficient retail prices that are directly linked to real-time wholesale power costs.	Facilitate the development of efficient pricing provided by entities that have a retail relationship with end-users.	Provides an efficient level of compensation to customers able to provide load reductions coincident with periods of high power costs, but are currently paying uniform retail rates.	Determined by market based on ability to verify reductions and lower costs to other consumers.	Approach is to be long-term integrated supply-side market opportunity for demand response to overcome market barriers, provide continuity for customers and provide net cost benefits to all customers.	Overcome the market barriers to demand resources, in order to reduce costs during highest-price hours and improve the efficiency of the wholesale energy market.

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
III. Payment Rates, Terms, and Conditions						
Event activation (i.e., when is product delivery eligible for compensation)	N/A - Market Participants can choose to increase or decrease consumption in any hour – i.e., there are no specific event hours.	N/A - Market Participants can choose to increase or decrease consumption in any hour – i.e., there are no specific event hours.	<p>Events are those hours in which demand reduction offers clear in the Day-Ahead Energy Market.</p> <p>Generally, offers clear when the price of the offer is less than or equal to the market clearing price.</p> <p>Energy resources may also be dispatched in real time in accordance with the resource’s bidding parameters.</p>	<p>The ISO would notify and dispatch a resource when its bid clears.</p> <p>Bids clear when inclusion of a demand resource in the day-ahead dispatch leads to a lower Day-Ahead Price (as calculated by the Pricing Algorithm).</p> <p>Bids cleared in real time when dispatch leads to a lower real-time price under the Pricing Algorithm.</p>	<p>Events are those hours in which demand reduction offers clear in the Day-Ahead Energy Market.</p> <p>Generally, offers clear when the price of the offer is less than or equal to the market clearing price.</p> <p>Energy resources may also be dispatched in real time in accordance with the resource’s bidding parameters.</p>	<p>Events are those hours in which demand reductions clear in the Day-Ahead Energy Market.</p> <p>Demand resources are eligible to bid only during highest priced hours.</p>
Event notification (i.e., how participants are notified)	N/A - Market Participants can choose to increase or decrease consumption in any hour – i.e., there are no specific event hours.	N/A - Market Participants can choose to increase or decrease consumption in any hour – i.e., there are no specific event hours.	The ISO notifies participants when its day-ahead or real-time bid clears in the same manner and timing as other supply resources.	The ISO notifies participants when its day-ahead or real-time bid clears in the same manner and timing as other supply resources.	The ISO notifies participants when its day-ahead or real-time bid clears in the same manner and timing as other supply resources.	The ISO notifies participants when a day-ahead or real-time bid clears in the same manner and timing as other supply resources.
Pricing or Compensation	<p>Real-Time Wholesale Power Cost per MWh inclusive of all wholesale power cost elements.</p> <p>Allocation of wholesale capacity costs to “critical peak hours” (e.g., Shortage Hours) and development of a revenue requirement reconciliation mechanism to address over/under-collected wholesale costs needs to be</p>	<p>Real-Time Wholesale Power Cost per MWh inclusive of all wholesale power cost elements.</p> <p>Capacity costs assigned to periods highest annual loads.</p>	<p>Participants are paid the Day-Ahead LMP for cleared offers.</p> <p>Consistent with all other supply resources, real-time deviations are paid or credited at the Real-Time LMP to the extent such deviations are consistent with Dispatch Instructions $\pm 10\%$; if such deviations are inconsistent with Dispatch Instructions, such deviations</p>	<p>Participants cleared Day-Ahead are paid the Day-Ahead LMP.</p> <p>To resolve the potential payment/charge mismatch problem, positive real-time deviations from cleared day-ahead load are paid for at the real-time LMP; negative real-time deviations from day-ahead load treated in accordance with the Settlement Algorithm such</p>	<p>Payment of Day-Ahead LMP for cleared offers at or above a dynamic threshold.</p> <p>Payment of Day-Ahead LMP - G for cleared offers below the dynamic threshold, where G is a proxy of the retail energy rate</p> <p>Generally consistent with supply resources, real-time deviations are paid or credited at the Real-Time</p>	Demand resources that clear are paid the full clearing price, in the same way that supply resources are paid.

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
	considered.		<p>shall not be compensated and shall be subject to an allocation of NCPC.</p> <p>The participant's total payment is net of the reduced real-time energy usage times a proxy of the retail energy rate.</p>	<p>that LSEs are either held harmless by receiving either the Day-Ahead Price or are credited at the Real-Time LMP.</p> <p>Deviations from supply obligations (failure to interrupt) require purchase of the non-interrupted consumption at the real-time price and may result in penalties for availability in the case of capacity resource.</p> <p>Demand resources dispatched in real time are paid for at the Real-Time LMP.</p>	<p>LMP to the extent deviations are consistent with Dispatch Instructions plus or minus an allowable deviation, with the exception that deviations will be paid or credited at the Real-Time LMP - G when the Real-Time LMP is below the dynamic threshold (G as defined above).</p>	
Threshold Mechanism	N/A	N/A	N/A	<p>There is no predetermined threshold.</p> <p>Demand response bids clear at any time the bid results in a lower day-ahead or real-time price (as determined by the pricing algorithm).</p>	<p>Separately determined for each load zone.</p> <p>Dynamically calculated (TBD) on periodic basis, e.g., indexed to fuel price, and structured to provide reasonable confidence that participation of demand response and payment of LMP at or above threshold results in net benefit to load.</p>	To be determined
Bidding Parameters	N/A	N/A	<p>Market Participants submitting supply offers in the energy market shall be able to specify offer parameters for demand resources comparable to those of other types of dispatchable resources (<i>e.g.</i>, hourly offer price, hourly offer amount, minimum load</p>	<p>Market Participants with demand resources must have the ability to submit bids specifying minimum run times, variable block pricing and other parameters.</p> <p>The intent is for these reforms to be explored for all resources, not just demand</p>	<p>Market Participants with demand resources must have the ability to submit bids specifying minimum run times, variable block pricing (<i>i.e.</i>, shaped bids) and the fixed costs of shutdown and restart. Other bidding parameters may be</p>	To be discussed

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
			reduction duration, shut down cost). These offer parameters would be used to schedule and dispatch resources with the objective of minimizing the cost of serving energy demand in New England.	<p>response.</p> <p>Market Participants should be allowed to enter “conditional bids” that are contingent upon the LMP reaching a specified level before the bid can be accepted or that offer differing prices based on differing LMP levels.</p> <p>If a threshold is established, market participants should be allowed to clear demand resources in hours “around” the hour or hours the event threshold is triggered and be paid the LMP in those surrounding hours if they submit a minimum run time bid that is a lower cost to consumers than generation resources over the length of their bid.</p> <p>Provisions for self-scheduling and rebidding between the day ahead and real time need to be established.</p>	<p>considered.</p> <p>Comparable bidding flexibility would be explored for all resources, not just demand resources.</p> <p>Market Participants with demand resources would be allowed to clear in hours “around” the hour or hours the event threshold is triggered and be paid the LMP in those surrounding hours if they submit a minimum run time bid that is a lower cost to consumers than generation resources over the duration of their bid.</p> <p>Self-scheduling of demand resources consistent with the ability to self-schedule other resources to be considered.</p>	

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
IV. Measurement and Verification						
Measurement and verification of product delivery (e.g., customer baseline methodology)	Interval metering	Interval metering	Interval metering and customer baseline methodology is needed.	Customer baseline methodology / Interval metering.	Interval metering and customer baseline methodology is needed.	Interval metering and/or baseline methodology is needed.
			Customer baseline methodology used for active demand response in the FCM is proposed.	Customer baseline composed of rolling 45 “eligible day” window of which at least 15 days count as non-event days per EnerNOC proposal. “Eligible days” can be customized to assure accuracy and fairness for different usages (e.g. ski slopes) and customized approaches not relying on the 15/45 construct considered on a case by case basis.	Customer baseline methodology to be revised to address potential of stagnant baseline issue; starting point to be EnerNOC’s rolling 45-day look-back window with a minimum 15-day inclusion, with forcing function that includes event days as necessary to fill out the 15-day minimum.	
			VIRIDITY ENERGY			
			In addition to any standard CBL calculation method, allow market participants to propose alternative methods, subject to the ISO’s review.	No class of customer usage is eligible to use any particular baseline methodology unless the ISO determines the methodology is reasonably accurate for that type of usage.	Customer baseline methodology should incorporate an asymmetrical baseline adjustment if a customer is committed on a day-ahead basis (by clearing the Day-Ahead Energy Market or Dispatch Instructions issued in anticipation of the depletion of Thirty Minute Operating Reserve).	
					Allow alternative customer baseline methodologies, subject to the ISO’s review and approval, to assure accuracy and fairness for different customer types and usages that do not fit the standard customer baseline methodology.	

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
Metering and communication requirements	Interval metering, need to be able to receive real-time pricing information and transmit settlement data to the ISO.	Interval metering, need to be able to receive real-time pricing information and transmit settlement data to the ISO.	Interval metering, need to be able to receive real-time pricing information and transmit settlement data to the ISO within settlement deadlines. Five-minute interval metering and telemetry would be required consistent with current market system infrastructure.	Interval metering/load profiling.	Generally, five-minute interval metering and communications consistent with the requirements for demand resources participating in FCM. May allow flexibility for demonstrating load profile pre and post investment on custom basis as an alternative to interval metering.	Interval metering May allow flexibility for demonstrating load profile pre and post investment on custom basis as an alternative to interval metering.

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
V. Rights and Obligations						
Performance obligations (e.g., limits on deviations, additional revenues/penalties for positive or negative deviations)	N/A		<p>Performance rights and obligations would be comparable to those of other supply resources.</p> <p>Participants are paid the Day-Ahead LMP for cleared offers.</p> <p>Consistent with all other supply resources, real-time deviations are paid or credited at the Real-Time LMP to the extent such deviations are consistent with Dispatch Instructions \pm 10%; if such deviations are inconsistent with Dispatch Instructions, such deviations shall not be compensated and shall be subject to an allocation of NCPC.</p> <p>The participant's total payment is net of the reduced real-time energy usage times a proxy of the retail energy rate.</p>	<p>The intent is for FCM demand resources to be subject to an availability adjustment similar to all other resources.</p> <p>The PER adjustment should be replaced for all demand resources with the Financial Performance Obligation as described in <i>Financial Performance Obligation Proposal</i>, FERC Docket No. AD08-4-000.</p> <p>If generators do not wish to be treated comparably with demand resources, then the financial performance obligation approach should be adopted for demand resources such that: (1) demand resources are paid a capacity price with no PER adjustment; (2) energy payments to demand resources are capped at the PER unit strike price for that portion of their response receiving capacity payments, and; (3) for demand response supplied in excess of their committed capacity, they receive the uncapped real time LMP.</p>	<p>Comparable (i.e., not identical) rights and obligations to those of other supply resources.</p> <p>Generally consistent with supply resources, real-time deviations are paid or credited at the Real-Time LMP to the extent deviations are consistent with Dispatch Instructions plus or minus an allowable deviation, with the exception that deviations will be paid or credited at the Real-Time LMP - G when the Real-Time LMP is below the dynamic threshold (G as defined above). Deviations not consistent with Dispatch Instructions are not compensated.</p>	Performance rights and obligations would be parallel to those of other supply resources.

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
VI. Cost Allocation						
Cost Allocation (i.e., who pays if payments are made)	N/A	N/A	<p>Payments allocated pro-rata across all load (either Real-Time Load Obligation or Network Load).</p> <p>Allocation to specific LSEs will be considered if a method can be developed to hold the LSE harmless from load deviations caused by the supply-side approach.</p>	<p>LSEs or consumers in Day-Ahead Energy Market pay for day-ahead demand response and all other resources through payment of the day-ahead price as calculated by the Pricing Algorithm.</p> <p>A similar algorithm can be applied to create a real-time price that incorporates the cost of real-time demand response into the energy price paid by LSEs or consumers in real time.</p>	<p>Bifurcated cost allocation:</p> <ul style="list-style-type: none"> LMP – G portion of payment allocated to the host LSE (i.e., the LSE that is responsible for the Real-Time Load Obligation of the customer providing the load reduction. This allocation holds the LSE harmless “G” portion of payment allocated pro-rata across all Real-Time Load Obligation 	<p>Costs for demand resources are collected by increasing the clearing price charged to all load purchasing from the Day-Ahead Energy Market in the hour the demand resources clear (i.e., pro-rata across all load).</p>

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
VII. Compatibility with Other Markets						
(and/or Impacts on Other Markets)						
Special provisions for FCM Demand Resources	<p>FCM demand resources would be subject to the same PER deduction as other capacity resources.</p> <p>The ISO will consider the need to price the capacity portion of the real-time price differently for those customers receiving FCM payments.</p>		<p>FCM demand resources would be subject to the same PER deduction as other capacity resources.</p> <p>FCM demand resources participating in a supply-side approach for energy would need to be segregated into separate resources from FCM demand resources participating in a demand-side approach for energy.</p>	<p>The intent is for FCM demand resources to be subject to an availability adjustment similar to all other resources.</p> <p>The PER adjustment should be replaced for all resources with the Financial Performance Obligation as described in Financial Performance Obligation Proposal, FERC Docket No. AD08-4-000.</p> <p>If generators do not wish to be treated comparably with demand resources, then the Financial Performance Obligation approach should be adopted for demand response resources such that</p> <ol style="list-style-type: none"> 1) demand response resources are paid a capacity price with no PER adjustment 2) energy payments to demand response resources are capped at the PER unit strike price for that portion of their response receiving capacity payments 3) for demand response supplied in excess of their committed capacity, they receive the uncapped real-time LMP. 	<p>Active FCM demand resources receive Real-Time LMP payments when dispatched in an FCM event.</p> <p>Real-Time LMP energy payments would be capped at the PER threshold (i.e., energy payment equal to LMP or PER threshold, whichever is less) as calculated for capacity resources. This cap is in lieu of the PER deduction from capacity payments.</p> <p>To the extent that active demand resources have a day-ahead cleared commitment coinciding with some or all of an FCM event period, compensation will be as specified in above in Section III for delivery of the day-ahead commitment and excess delivery will be paid the Real-Time LMP. (Negative deviation to day-ahead commitment will be at Real-Time LMP).</p>	<p>Active FCM demand resources would receive LMP energy payments when dispatched in an FCM event.</p> <p>The ISO would investigate opportunities for modifying the way in which capacity market costs are recovered, so that customers receive more accurate capacity price signals.</p>

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
Compatibility with Existing Day Ahead & Real Time Energy Markets	Approach is compatible with the existing market structure.	Approach is compatible with the existing market structure.	Approach requires significant modifications to the existing energy market structure to achieve balance in demand and supply quantities and appropriate cost allocation.	Approach requires modifications to the existing energy market structure to achieve balance and demand and supply quantities and appropriate cost allocation.	Represents full market integration for demand resources (<i>e.g.</i> , demand resources can set marginal clearing price). Requires market revisions to achieve full market integration.	Not addressed

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
VIII. Implementation						
Settlement Requirements (e.g., load data submission requirements and deadlines)	Market Participant needs to be able to transmit settlement data to the ISO by specific deadlines.	Market Participant needs to be able to transmit settlement data to the ISO by specific deadlines.	Market Participant needs to be able to receive Dispatch Instructions and transmit settlement data to the ISO by specified deadlines.	Market Participant needs to be able to receive Dispatch Instructions and transmit settlement data to the ISO by specified deadlines.	Market Participant needs to be able to receive Dispatch Instructions and transmit settlement data to the ISO by specified deadlines.	Market Participant needs to be able to transmit settlement data to the ISO by specified deadlines.
Implementation Schedule		Not discussed		Phased implementation: <ul style="list-style-type: none"> Phase I to include energy payments for FCM events, to be implemented by 6/1/2010 Phase II implementation to be determined 	Phased implementation: <ul style="list-style-type: none"> Phase I to provide energy payments for FCM events as described above in Section VII to be implemented by 6/1/2010 Phase II, which includes the broader integration of bidding, clearing and settlement in the Day-Ahead and Real-Time Energy Markets to be implemented no later than June 1, 2012 	Not discussed
Implementation Cost		Not discussed			Needs to be assessed by the ISO.	Not discussed

	Demand-Side Approaches		Supply-Side Approaches			
	ISO New England	NECPUC	ISO New England	CDRI	ENERNOC	NECPUC
State Regulatory Requirements and Financial Assurance	<p>Because this is a wholesale product offering, the customer or aggregator purchasing wholesale commodity for its own use or for resale would be the retail supplier. The retail supplier would need to comply with state requirements.</p> <p>Need to discuss whether any changes would be needed to the existing Financial Assurance Policies.</p>		<p>The Financial Assurance Policies would need to be reviewed under this approach.</p> <p>Because demand resource providers would be submitting offers and taking positions into the energy market, they would need to be subject to Financial Assurance Policy requirements similar to other supply resources.</p>	Need to review Financial Assurance Policies as applied to demand resource providers that would be submitting offers and taking positions in the energy markets.	Need to review Financial Assurance Policies as applied to demand resource providers that would be submitting offers and taking positions in the energy markets.	Need to review Financial Assurance Policies as applied to demand resource providers that would be submitting offers and taking positions in the energy markets.