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|  | NEPOOL Markets Committee |
|  | Henry Yoshimura |
|  | July 1, 2015 |
|  | **Proposed Tariff and Manual Changes to Delay the Full Integration of Demand Response into the Wholesale Markets by One Year** |

* 1. **Introduction and Background**

As explained at the June 2, 2015, Markets Committee meeting, the ISO is proposing to delay the full integration of Demand Response Resources into the energy and reserves market (“full integration”) by one year. In its present form, the ISO Tariff requires that full integration be implemented by June 1, 2017. However, a one-year delay is needed to address the uncertainty created by the decision of the U.S. Court of Appeals for the District of Columbia Circuit (“DC Circuit”) vacating Order 745,[[1]](#footnote-1) which is being reviewed by the U.S. Supreme Court.

Under the circumstances, prudent resource management requires that full integration be delayed by one year. Since a final decision by the U.S. Supreme Court will likely be issued by June 2016 and since full integration will take about two years to implement, a one-year delay should give the ISO sufficient time to implement full integration by June 1, 2018 if *EPSA* is reversed. Further, the delay will avoid an unnecessary expenditure of resources if *EPSA* is upheld.

The purpose of this memo is to provide detail for the two main categories of market rule changes that are needed to realize the delay from June 1, 2017, to June 1, 2018, as well as describe some clean-up and clarifying changes to the ISO Tariff and manuals. Firstly, market rule changes are needed to extend the currently effective rules for Real-Time Demand Response Resources to apply to the 8th Capacity Commitment Period – i.e., June 1, 2017 through May 31, 2018. All of these involve date changes – i.e., changing the date from June 1, 2017, to June 1, 2018.

Secondly, the market rules that will be applied to Demand Response Capacity Resources that cleared FCA 8 for the 8th Capacity Commitment Period must be clarified. The proposed market rule changes specify that a Demand Response Capacity Resource that cleared FCA 8 will be treated as a Real-Time Demand Response Resource during the 8th Capacity Commitment Period. Further, as a result of treating Demand Response Capacity Resources as Real-Time Demand Response Resources, changes must be made to avoid the application of the Shortage Event construct to Demand Response Capacity Resources.

Finally, we propose the following housekeeping changes to the ISO Tariff and manuals:

* Corrected typographical errors,
* Non-substantive clarifying changes, and
* Conforming manual changes.

The remainder of this memo explains the proposed changes, by category, in the following areas of the ISO Tariff and manuals:

* Definitions - Section I.2.2,
* Demand Response Baselines - Sections III.8A & III.8B,
* Forward Capacity Market - Section III.13,
* Demand Response - Appendices E1 & E2, and
* Manuals M-11 and M-20.

The proposed changes to the market rules and manuals have been posted for your review and consideration.

* 1. **Proposed Market Rule Changes to Extend the Currently Effective Rules**

All of the proposed market rule changes in this category involve date changes – i.e., 2017 to 2018. The changes are listed below by Tariff section.





* 1. **Proposed Market Rule Changes to Apply the Real-Time Demand Response Rules to Demand Response Capacity Resources**

The proposed market rule changes in this category include:

* Clarifying that a Demand Response Capacity Resource that cleared FCA 8 will be treated as a Real-Time Demand Response Resource during the 8th Capacity Commitment Period, and
* Avoiding the application of the Shortage Event construct to Demand Response Capacity Resources which will be treated as Real-Time Demand Response Resources.



* 1. **Other Proposed Market Rule Changes**

The proposed market rule and manual changes in this category include housekeeping changes (i.e., corrected typos, non-substantive clarifying changes, and conforming manual changes).



Please contact me if you have any questions regarding this memo or the proposed market rule or manual changes.

1. *Electric Power Supply Association v. FERC*, 753 F.3d 216. (D.C. Cir. 2014) (“*EPSA*”). [↑](#footnote-ref-1)