**FINAL PROBLEM STATEMENT**

Over the past several months, the Markets Committee was presented with different approaches[[1]](#footnote-1) to address settlement imbalances associated with the treatment of energy efficiency resources (“EERs”)[[2]](#footnote-2) in connection with the calculation of Capacity Performance Payments during Capacity Scarcity Conditions that occur in off-peak hours.[[3]](#footnote-3) Among others, one potential solution offered was to assess the Actual Capacity Provided (“ACP”) of EERs for Capacity Scarcity Conditions that occur in off-peak hours, and to use the resulting values to calculate Capacity Performance Payments for EERs. This approach requires a method that estimates EER performance in all hours. At this time, there is no consensus on an established method in ISO New England by which to estimate EER performance in all hours for existing and new measures.[[4]](#footnote-4)

EERs are composed of a portfolio of passive, non-dispatchable measures whose current performance under the ISO tariff is calculated only during on-peak hours.[[5]](#footnote-5) The proposed approach must be able to assess the ACP of EERs in all hours (8760), which may include additional and expanded measurement and verification (“M&V”) documentation and a potential change to reporting mechanisms with which to measure and demonstrate performance during on-peak and off-peak hours. Such an approach may require adoption of new methodological approaches and precision levels beyond the current M&V standards established in the ISO New England Tariff, Manuals or Operating Procedures.

Accordingly, the Markets Committee instructs the Demand Resources Working Group (“DRWG”) to consider how EER performance in all hours for existing and new measures could be established and, what, if any, additional methodological standards and reporting mechanisms are required to accommodate such a change. In considering alternatives that assess the ACP of EERs in all hours, the DRWG will prioritize options that require the least time and expense to develop and implement. Consideration of estimation methods and options will allow sufficient opportunity for appropriate and representative stakeholder input and sufficient time for assessment of multiple options.

The group will report potential options back to the Markets Committee, which may include time and cost estimates associated with implementing each option.

1. Background materials concerning this issue are posted at:

   <https://www.iso-ne.com/static-assets/documents/2019/01/a5_nepga_presentation_ee_settlement_shortfall.pdf> ;

   <https://www.iso-ne.com/static-assets/documents/2019/02/a5a_veic_presentation_ee_during_csc.pptx> ; and

   <https://www.iso-ne.com/static-assets/documents/2019/01/a3_iso_memo_re_pfp_ee_proposals.pdf> . [↑](#footnote-ref-1)
2. EERs is used here as shorthand for the portion of On-Peak Demand Resources and Seasonal Peak Demand Resources consisting of Energy Efficiency measures. [↑](#footnote-ref-2)
3. “Off-peak hours” are those hours other than Demand Resource On-Peak Hours for On-Peak Demand Resources, and those hours other than Demand Resource Seasonal Peak Hours for Seasonal Peak Demand Resources. [↑](#footnote-ref-3)
4. In developing this statement, the parties involved do not necessarily support or oppose the proposals currently before the Markets Committee that require providing data to support the computation of ACPs for EERs in off-peak hours. [↑](#footnote-ref-4)
5. “On-peak hours” are Demand Resource On-Peak Hours for On-Peak Demand Resources and Demand Resource Seasonal Peak Hours for Seasonal Peak Demand Resources. [↑](#footnote-ref-5)