



# Wholesale Market Consequences of the Current Gross Load Reconstitution Methodology Proposal: Ensuring a Peak Load Forecast That Does Not Underestimate Energy Efficiency Capacity Resources

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# Background

- The NEPOOL Reliability Committee (RC) recently supported changes to Section III.12 of the Tariff to reduce the quantity by which it reconstitutes the long-term peak load forecast from all energy efficiency resource (EE) MWs on the system to EE MWs that have cleared a Forward Capacity Auction (FCA).
- The RC-supported change would establish the quantity of load reconstitution based on a historical trend line created by historical measures of EE Capacity Supply Obligations (CSO) relative to the level of EE measures installed.
- Limiting reconstitution to the trend line-based forecast creates the possibility that EE MWs that clear in a Forward Capacity Auction (FCA) exceed the level of reconstitution for that auction.
- Absent corrective market rules, the Section III.12 change can distort FCA prices and allow for “double-counting” of EE MWs.

# Need for Companion Market Rule 1 Change

- NEPGA understands that the reconstitution methodology intends to: (1) arrive at a gross load forecast that reflects the MWs of EE that will clear in that FCA; and (2) avoid counting EE resources with CSOs as both supply and demand.
- Failure to provide a companion market rule change can lead to circumstances where the quantity of EE MWs cleared in the FCA exceeds the quantity of forecast EE MWs reconstituted into the gross peak load forecast. If that were to occur, the FCA will understate demand and artificially suppress clearing prices.
- In addition, a lack of a companion market rule change will leave open the possibility of “double-counting” EE MWs, i.e., to count those MWs as both supply (through the acquisition of a CSO) and demand (by failing to reconstitute for that quantity).
- **Example:**

Trend line shows that 2,000 MW of EE MWs will clear in the FCA, yet the FCA clears 2,500 MW of EE. The additional 500 MW of EE CSO cleared beyond the reconstitution would have the same effect as understating the capacity requirement by 500MW and artificially suppress the FCA clearing price. The market would also double-count the 500 MW.

# Potential Market Rule 1 Change to Assure That EE CSO MWs Do Not Exceed the Quantity of Reconstitution

- One of two methods could be used to assure that the level of EE MWs cleared in the FCA does not exceed the amount of peak load reconstituted into the peak load forecast (which then feeds into the Net Installed Capacity Requirement):
  - Do not qualify EE as capacity supply to a level that exceeds the level of EE capacity reflected in the reconstituted peak load forecast; or
  - Add a constraint in the FCA clearing process to prevent EE MWs from clearing beyond the level of EE reflected in the peak load forecast.

# Request

- NEPGA requests that, prior to the September Participants Committee vote on the Section III.12 changes, ISO-NE agree to change Market Rule 1 in a manner that assures that EE supply cleared in the FCA does not exceed the level of EE reflected in the reconstituted peak load forecast and thereby avoid double-counting capacity .
- NEPGA further requests that ISO-NE promptly begin work on such Market Rule 1 change to be effective for the first implementation of the Section III.12 change in FCA16.

# Questions?

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