

ISO-NE Forward Capacity Market and Demand Response Programs

Mark C. Kalpin, Esq.
June 19, 2007

WILMERHALE 

WILMER CUTLER PICKERING HALE AND DORR LLP



Overview

- Forward Capacity Market
 - Regulatory Background and Timeline
 - FCM Costs
 - FCM Implementation -- ICAP “Tag”
- ISO-NE Demand Response Programs
 - Program Overview
 - Aggregation/Service Providers
 - Customer Specific Issues



FCM: Regulatory Background

- FCM is a forward procurement, auction-based locational capacity market that is intended to procure enough capacity to meet NE's forecasted demand and reserve requirements three to five years into the future
- Select a portfolio of supply and demand resources through auction process. Eligible resources:
 - Supply: generation; intermittent; and renewable
 - Demand: energy efficiency; load management; and distributed generation
- Final Rules have not yet been developed



FCM: Regulatory Timeline

- June 2006: FERC accepts FCM Settlement
- October 2006: FERC approves Transition Period Market Rule
- December 2006: Transition Period begins
- February 2007: ISO files FCM Market Rule with FERC
- Q1 2008: FCM auction conducted for 2010 Commitment Period
- June 2010: First FCM Commitment Period



FCM Costs

- Transition Period
 - 12/1/06 to 5/31/08: \$3.05/kW-month
 - 6/1/08 to 5/31/09: \$3.75/kW-month
 - 6/1/09 to 5/31/10: \$4.10/kW-month
- FCM: 6/1/10 and beyond
 - Market-based rates, with potential for floor and/or ceiling for first auctions
- Estimated Impact* (kWh basis): \$0.01 - \$0.0135+

* Source: National Grid USA Basic Service Procurement Cost Estimates



FCM: Implementation and ICAP Tag

- Listed ICAP Resources receive Monthly ICAP Payment
- ICAP payments collected from ISO-NE “Customers”
 - ICAP Tag = Capacity obligation for each Customer
 - ICAP Tag is determined retrospectively based on Customer’s load at time of system peak (e.g., August 2, 2006 at 3 pm) or on PUC-approved load profile
 - Capacity Charges collected by Load Serving Entities from each Customer based on ICAP Tag
 - ICAP Tags are approximate: reconciled on daily basis to account for customer entries, exits and migrations
 - Load Reconstitution: ICAP Tags corrected for load curtailments under DRP



Demand Response Programs: Overview

- Reliability vs. Price Response Programs
 - On-Peak, Seasonal Peak, Critical Peak, Real-Time Demand Response, Real-Time Emergency Generation
- Basic Requirements
 - > 100 kW, Response Time < 30 minutes or < 2 hours
 - Minimum 2 hour interruption
 - Enrollment, Metering, Monitoring and Verification
- Basic Payment
 - Monthly ICAP Market/Transition Price
 - Energy Price (\$0.50/0.35/0.10 per kWh)
 - Penalties for non-performance



DRP Aggregators/Service Providers

- Participation as Individual Customer or Group
- DRP Aggregators / Service Providers
 - ISO-NE posted list at http://www.iso-ne.com/genrtion_resrcs/dr/providers/index.html



DRP: Customer Specific Issues

- Requirement for Connection to ISO-NE Grid
 - Ability to shed actual load
- Prohibition on Double-Counting of Resources
- Interaction with Existing Air Permits
 - OP-4, Stage 12 event
- Commitment of Additional Capacity into FCM