



FCM Perspectives

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Map of Market Opportunities for Demand Response

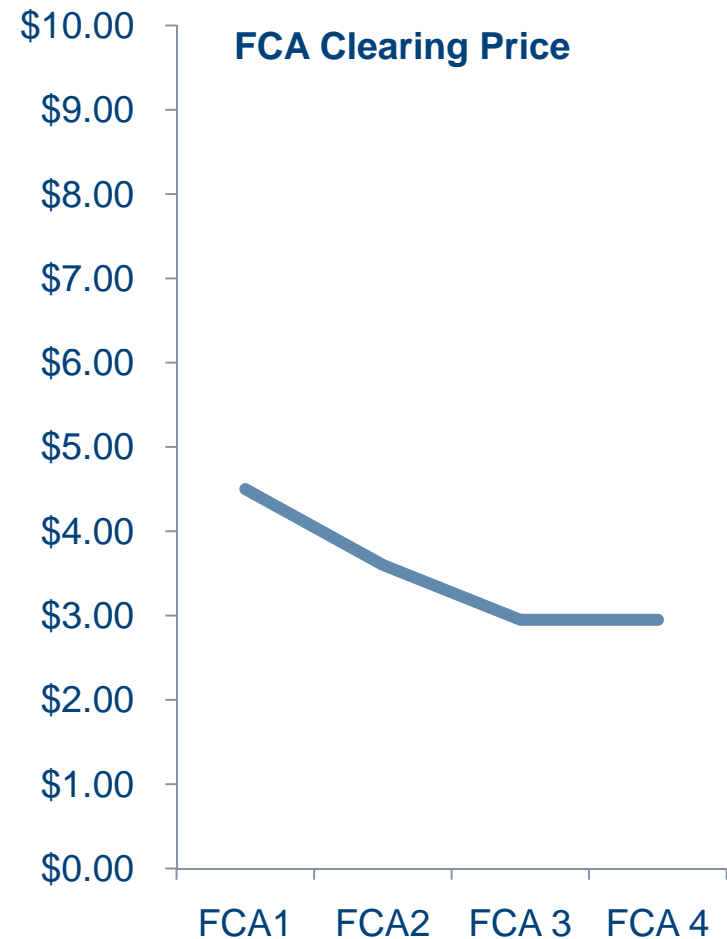
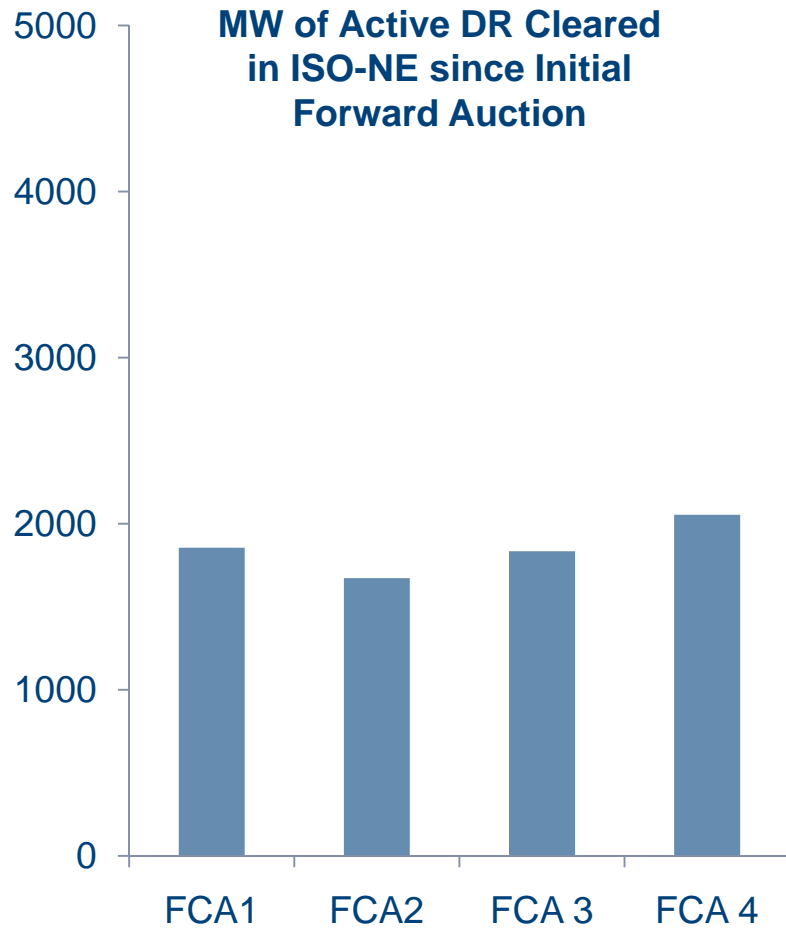
ISO-NE access limited to FCM

Market	Capacity or Emergency	Energy	Ancillary
PJM	Green	Yellow	Green
ISO-NE	Green	Orange	Red
NYISO	Green	Yellow	Yellow
ERCOT	Green *	Red	Green
CAISO	Red	Red	Red
MISO	Red **	Red	Red
SPP	Red **	Red	Red **

* Emergency Program, ** No opportunity exists for generators or DR in these markets



Stagnant Demand Response Growth in ISO-NE



Key FERC Decisions on the Horizon and the effect on Demand Response

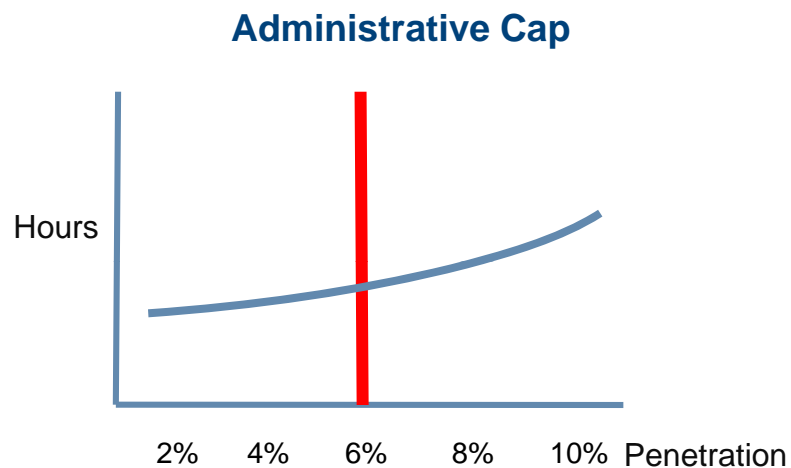
- Alternative Price Rule (FCM Reform)
 - Undermines new entry for Demand Resources (DR)
 - Supports pricing for retention of existing DR
 - Pricing continuity is crucial for long term stability of DR
- Demand Response Compensation Final Rule
 - Energy revenues complement capacity revenues to promote growth of DR in FCM
 - Far reaching implications in context of **total** compensation and valuation of DR in all markets

Future of Demand Response in ISO-NE

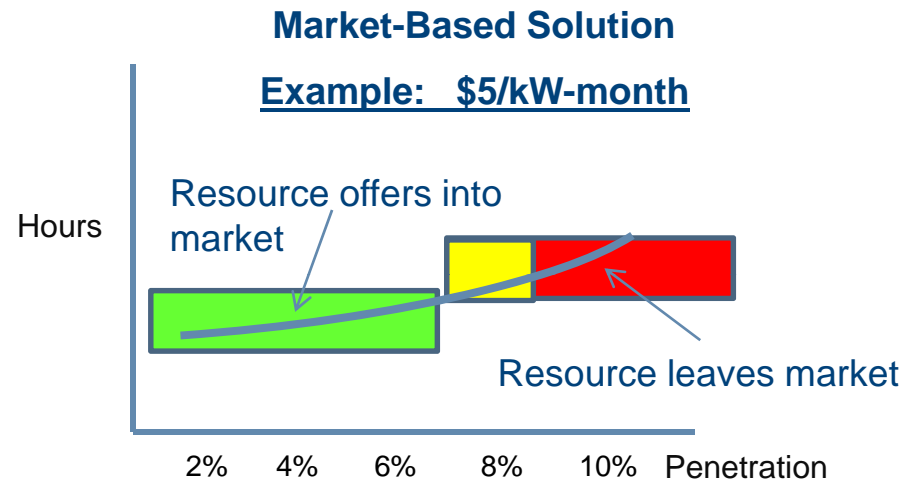
- Regardless of FERC decision on APR and OOM, need to incent greater DR participation in the market – with declining prices, FCM is not sufficient
- The following steps would increase DR participation:
 - A legitimate opportunity for DR in the Energy and Reserve Markets compatible with simultaneous participation in FCM
 - Comparability
 - Market access, compensation, rights and obligations

What Does Comparability Look Like?

Case Study: DR Penetration and Response of ISO-NE



- Arbitrary method for selecting DR penetration
- Prevents optimization of market efficiency



- Predictability coupled with transparency in ISO-NE Forward Capacity Market sends appropriate price signals to DR providers
- Market-based decision to participate

• **Comparable treatment**



Questions:

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