146 FERC ¶ 61,175
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

ISO New England Inc. Docket No. ER12-1627-001

ORDER ACCEPTING COMPLIANCE FILING

(Issued March 12, 2014)

1. On March 15, 2013, ISO New England Inc. (ISO-NE) submitted a compliance filing in response to the Commission's January 14, 2013 order in this proceeding, which conditionally accepted in part, and rejected in part, ISO-NE's proposed revisions to its Forward Capacity Market (FCM) rules. The revisions were intended to conform the FCM rules with the rules providing for full integration and compensation of demand response resources in the energy market (Fully Integrated Rules).[1] For the reasons discussed below, the Commission accepts ISO-NE's compliance filing.

# I. Background

## A. FCM Conforming Changes to Existing Fully Integrated Rules

2. On April 26, 2012, ISO-NE submitted proposed changes (April 26, 2012 Filing) to its Transmission, Markets and Services Tariff (Tariff) to revise certain FCM rules to be consistent with the price-responsive demand Fully Integrated Rules.[2] ISO-NE also sought to delay the effective date for the Fully Integrated Rules from June 1, 2016 to June 1, 2017.[3] The April 26, 2012 Filing generally specified the rights and obligations of demand response resources that take on Capacity Supply Obligations in the FCM upon

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[1] *ISO New England Inc.*, 142 FERC ¶ 61,027 (2013) (as corrected by errata notice issued January 15, 2013) (January 14, 2013 Order).

[2] *See ISO New England Inc*., 138 FERC ¶ 61,042 (2012) (January 19, 2012 Order).

[3] ISO New England Inc., Market Rule 1 Price Responsive Demand FCM Conforming Changes for Full Integration, Docket No. ER12-1627-000 (filed Apr. 26, 2012).

implementation of the Fully Integrated Rules. Relevant here, ISO-NE sought to require demand response resources with Capacity Supply Obligations[4] in the FCM to make cost-based energy offers into the Day-Ahead Energy Market and Real-Time Energy Market (must-offer requirement). ISO-NE also proposed to use average avoided peak distribution losses to qualify all demand resource types in the FCM, which is the same loss factor used in the Fully Integrated Rules for the energy markets.[5] Additionally, ISO-NE proposed that resources with an audited Full Reduction Time or offered Full Reduction Time greater than 30 minutes and less than or equal to 12 hours receive a zero Hourly Available MW value unless the duration of the shortage event exceeds the audited Full Reduction Time or offered Full Reduction Time. ISO-NE stated that this is comparable to generation resources.[6]

3. In the January 14, 2013 Order, the Commission accepted in part and rejected in part the April 26, 2012 Filing, with the accepted Tariff revisions to become effective on January 15, 2013, as requested, subject to conditions. Relevant here, the Commission accepted the must-offer requirement, subject to ISO-NE providing additional explanation regarding how the Internal Market Monitor (IMM) will monitor and evaluate offers by demand response capacity resources, including the extent to which opportunity costs will be considered in evaluating such offers.[7] The Commission further noted that ISO-NE's previously-approved measurement and verification protocol includes refreshment of demand response resources' baselines with recent meter data using a "3 of Last 10 Days" method.[8] The Commission required ISO-NE to explain the interaction between the must-offer requirement and the need for demand response resources to refresh their baselines, and, specifically, whether the 3 of Last 10 Days methodology will continue to ensure accurate baselines in light of the requirement that demand resources with a Capacity

[4] Capitalized terms used but not defined herein have the meaning given to those terms in ISO-NE's Tariff.

[5] ISO New England Inc., Market Rule 1 Price Responsive Demand FCM Conforming Changes for Full Integration, Docket No. ER12-1627-000 at 30 (filed Apr. 26, 2012).

[6] Transmittal Letter at 24.

[7] January 14, 2013 Order, 142 FERC ¶ 61,042 at P 33.

[8] The "3 of Last 10 Days" refreshment methodology refers to the number of days, over the past 10 days of the same day type (*e.g.*, weekdays), on which metered demand data were included in the baseline calculation.

Supply Obligation offer into the energy market in all hours and thus could be dispatched more frequently than under the current FCM market rules.[9] The Commission also accepted ISO-NE's proposed availability calculation for demand response resources, subject to ISO-NE explaining how considering the duration of a shortage event when evaluating the performance of demand response resources but not generation resources provides for comparable treatment.[10] Finally, the Commission accepted ISO-NE's proposal to remove transmission losses from its calculation of demand resource capacity values, subject to ISO-NE explaining whether, and if so how, ISO-NE will adjust the total capacity requirement to reflect avoided transmission losses when procuring capacity.[11]

## B. Compliance Filing

### 1. Monitoring and Evaluation of Offers

4. In its compliance filing, ISO-NE states that when monitoring and evaluating offers submitted by demand response capacity resources, the IMM will review market participants' demand reduction offers (MW, $/MWh and other offer parameters) and any day-to-day changes in their offers that signal a need for further investigation.[12] ISO-NE verifies that the IMM will review a demand response resource owner's opportunity cost[13] estimate, including all data and information to support the estimate. The IMM will also

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[9] January 14, 2013 Order, 142 FERC ¶ 61,042 at P 36.

[10] *Id.* P 58.

[11] *Id.* P 57.

[12] ISO-NE states that the IMM will not calculate opportunity costs or reference levels for demand response resources, and Appendix A of Market Rule 1 does not contain any mitigation measures for demand response resources. ISO-NE explains that, as of March 2013, 1,967 demand response resources were registered (five times the number of registered generation assets) and participating in the FCM, many of which represent unique combinations of business, systems and process types; therefore calculating opportunity costs would be impracticable. Transmittal Letter at 3.

[13] According to ISO-NE, a demand response resource's opportunity cost is defined as "the resource's forgone revenue on the products or services it would have sold had it not interrupted its operation by reducing electricity consumption in response to the ISO's dispatch, less the resource's expected variable cost of the electricity and other avoidable costs it did not incur as a direct result of its reducing electricity consumption in response to the ISO's dispatch." Transmittal Letter at 3, n. 13.

compare a market participant's demand reduction offers to historical offers that were submitted and cleared from the same resource for a comparable time period (i.e., hours of the day, day of the week, month of the year, etc.). According to ISO-NE, demand reduction offers that deviate significantly from the demand reduction offers submitted and cleared over the historical period may result in the IMM requesting additional information from the market participant in order to evaluate the deviation.[14]

5. In addition, the IMM may require the market participant to provide information pertaining to daily operation of the associated facility (i.e., routine maintenance, change in business hours, holidays, etc.). According to ISO-NE, this information is important because a market participant that knows one of its demand response asset's load will be reduced relative to its baseline for reasons unrelated to price could submit a demand reduction offer at a price at which the demand response resource is likely to be dispatched, to receive compensation for what it refers to as a "phantom load reduction."[15] The IMM also may review meter data to determine whether actual consumption at least equals the load offered for reduction.[16]

### 2. <u>Baseline Refreshment</u>

6. ISO-NE proposes to retain the 3 of Last 10 Days baseline refreshment method, which it first proposed as part of its Order No. 745 compliance filing,[17] and which the Commission accepted in January 2012[18] and ISO-NE implemented on June 1, 2012.[19]

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[14] Transmittal Letter at 3.

[15] ISO-NE describes phantom load reductions as "differences between an asset's baseline and actual load that appear to be in response to an ISO dispatch when, in fact, the asset's actual load was lower than the baseline due to reasons unrelated to the ISO dispatch, such as electricity consuming equipment being out of service or a business shutdown." Transmittal Letter at 4, n. 14.

[16] Transmittal Letter at 3-4.

[17] *See* ISO New England Inc., Order No. 745 Compliance Filing, Docket No. ER11-4336-000 (filed Aug. 19, 2011). ISO-NE's proposal was supported by a report by KEMA entitled "Analysis and Assessment of Baseline Accuracy," appended as Exhibit C to Attachment 5 of that filing.

[18] January 19, Order, 138 FERC ¶ 61,042 (accepting subject to condition proposed Tariff revisions).

[19] Transmittal Letter at 6-7.

ISO-NE states that this method should remain in place because baseline accuracy requires periodic inclusion of contemporary, non-event day interval meter data in the baseline computation, even for capacity resources required to offer into the energy market.

7. ISO-NE explains that although the 3 of Last 10 Days baseline refreshment method may result in inclusion of meter data from event days in the baseline calculation of demand response resources that are dispatched frequently, the likelihood of this occurring will be low given that the typical demand response resource will have high opportunity costs. ISO-NE states that a typical demand response resource (i.e., a resource with high opportunity costs) is expected to bid high in the energy market "and since the resource cannot bid below the Demand Reduction Threshold Price, it is highly unlikely that the 3 of Last 10 Days methodology will adversely affect the typical Demand Response Resource in the 'must-offer' context."[20] ISO-NE further explains that demand response resources with lower opportunity costs can address the issue of "baseline erosion" by: (1) incorporating the impact of frequent clearing in its demand reduction offer in order to reduce the risk of frequent dispatch--that is, estimate the risk and possible impact of baseline refreshment and include that cost in the demand reduction offer price; or (2) participating in the market as a passive demand resource. According to ISO-NE, passive demand resources participate in the FCM by reducing load on a permanent and non-dispatchable basis, and because they are not dispatchable and do not respond to Locational Marginal Prices, they are not subject to the baseline accuracy problems associated with frequent dispatches.[21]

### 3. Transmission Losses Factor

8. ISO-NE states that subsequent to the January 14, 2013 Order, it reevaluated this issue and in June 2013 submitted proposed Tariff revisions to reinstate the adjustment for transmission losses for demand response resources participating in the FCM. On August 20, 2013, the Commission accepted that change and it became effective August 21, 2013.[22]

### 4. Availability Computation Comparability

9. ISO-NE states that the availability determination for long lead-time demand response resources is intended to accomplish what the competitive offer requirement accomplishes for generation resources: ensure that demand response resources offer

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[20] *Id.* at 9.

[21] *Id.* at 9-10.

[22] *ISO New England Inc.*, 144 FERC ¶ 61,140 (2013).

consistent with their physical capabilities and costs and discourage offers that essentially make a resource inaccessible for dispatch when needed to address a shortage event.[23] However, ISO-NE asserts that the availability determination cannot be the same for generation resources and demand response resources, because the latter lack well-defined competitive offer cost criteria[24] and monitoring and verifying the physical characteristics of demand response resources that potentially are comprised of many underlying assets with varying capabilities across different seasons pose complexities that are not easily overcome.[25]

10. ISO-NE further explains that under the availability determination, where a shorter full reduction time and lower costs are reflected in a resource's demand reduction offer, it is more likely that the resource will be dispatched during a shortage event, and the more likely that resource will meet its Capacity Supply Obligation and avoid an FCM penalty during a shortage event.[26] According to ISO-NE, the same logic applies to the cost component of the offer. For example, if a market participant submits a relatively lower demand reduction offer, the resource is more likely to reduce demand in many hours across the day and is subsequently more likely to reduce demand in hours when a shortage event occurs, thereby increasing the likelihood of avoiding penalties.[27]

## II. Notice of Filing

11. Notice of the compliance filing was published in the *Federal Register*, 78 Fed. Reg. 17,929 (2013), with interventions and protests due on or before April 4, 2013. Dominion Resources Services, Inc. filed a timely motion to intervene. Timely protests were submitted by, jointly, EnerNOC, Inc., Comverge, Inc., NEPOOL Industrial

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[23] Transmittal Letter at 13.

[24] For example, the methodology that ISO-NE uses for determining demand response resources' opportunity costs is necessarily different from that used to calculate opportunity costs for traditional generation resources. *See* Transmittal Letter at 13, n. 42.

[25] Transmittal Letter at 13.

[26] Put another way, "if a relatively shorter Full Reduction Time (reflecting accurate capabilities) is bid by the resource, (i) the Shortage Event is more likely to be longer than the resource's Full Reduction Time, and thus the resource will more likely be determined "available" and avoid the penalty, or (ii) the resource would be more likely to be dispatched preceding the expected shortage and thus would be reducing demand during the event and avoid penalties." Transmittal Letter at 14.

[27] *Id.*

Customer Coalition, Industrial Energy Consumer Group, and Wal-Mart Stores, Inc. (collectively, DR Supporters); and Verso Paper Corporation (Verso). On April 19, 2013, ISO-NE filed an answer to the protests, and on April 30, 2013, Verso filed an answer to ISO-NE's answer.

## III. Discussion

### A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest or answer to answer unless otherwise ordered by the decisional authority. We will accept ISO-NE's answer and Verso's answer to ISO-NE's answer because they have provided information that assisted us in the decision-making process.

### B. Protests

14. DR Supporters do not take issue with ISO-NE's explanation of the factors that the IMM will consider in evaluating offers from demand response resources; they object only to "[ISO-NE's] failure or refusal to put these well-articulated . . . descriptions of process into a tariff or manual . . . ."[28] DR Supporters request that the Commission require ISO-NE to file Tariff revisions incorporating the explanation into its Tariff, arguing that doing so would provide interested parties with the framework to understand the process, which, they assert, is "essential to the proper functioning of the market."[29]

15. Verso disagrees with ISO-NE's proposed method for monitoring bidding behavior, which Verso believes will not work in practice.[30] According to Verso, its historical bids vary such that it would be difficult to establish typical historical bids and even if this were possible, its bids often may vary from its historical bids because, unlike a typical demand response provider, its opportunity costs vary from day to day and within the day. Thus, according to Verso, ISO-NE will be regularly investigating Verso's bids. Even if ISO-NE determines not to regularly investigate Verso's bids, Verso asserts that the lack

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[28] DR Supporters Limited Protest at 3.

[29] *Id.* at 3-4.

[30] Verso Protest at 6-11.

of clarity concerning whether ISO-NE will investigate its bids will generate significant uncertainty.

16. Therefore, Verso recommends that the Commission direct ISO-NE to meet with Verso and other interested demand response providers to agree on governing principles regarding how Verso will bid into the ISO-NE's market.[31] Specifically, Verso proposes that it and ISO-NE should agree on what guiding principles will apply to an opportunity cost energy bid for a large paper mill, which will result in a "safe harbor" for bids that follow the governing principles.[32]

17. Verso also asserts that there are two problems with the 3 of Last 10 Days baseline refreshment method. First, Verso believes that the number of days in the denominator (i.e., 10 days – the period over which the baseline is to be refreshed) is too short for purposes of the must-offer requirement because the demand response provider must refrain from providing service so that the baseline can be refreshed. According to Verso, based on the 3 of Last 10 Days baseline methodology, 30 percent of the time (3 days out of the 10 days) the demand response provider must refrain from providing service to allow the baseline to be refreshed. Second, Verso states that it is likely to be dispatched during the three days when its baseline is to be refreshed. As Verso puts it, "[b]ecause of the must-offer requirement, Verso is required to bid on all days, including those 3 days, and because Verso's opportunity costs (for a portion of its load) are often less than the market clearing prices, Verso's bids made on those 3 days, specifically days 8, 9, 10, likely would be accepted. Having been accepted, Verso's baseline would be refreshed (changed and lowered)."[33] To avoid these problems, Verso recommends changing the refreshment baseline methodology from 3 of Last 10 Days to "3 of Last 20 Days." According to Verso, this change "will result in a baseline that continues to reflect seasonal differences in load while otherwise addressing the problems identified above."[34]

## C. <u>Answers</u>

18. In its answer, ISO-NE states that it is not opposed to supplementing its Tariff to include an explanation of the IMM's approach to monitoring demand reduction offers, as well as a list of cost categories, including opportunity costs and an additional amount that

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[31] *Id*. at 9.

[32] *Id.* at 9-10.

[33] *Id*. at 11.

[34] *Id*. at 13.

would reflect the possible impact of baseline refreshment. However, ISO-NE notes that making any such Tariff revisions is subject to ISO-NE's stakeholder process.[35]

19. ISO-NE states that Verso's protest raises a number of issues that are irrelevant to the question of ISO-NE's compliance with the January 14, 2013 Order. Specifically, ISO-NE states that Verso's request for meetings regarding a "safe harbor" for its bidding strategies is unnecessary because demand reduction offers are not subject to mitigation in the first instance, and the IMM's monitoring program will work equally well for Verso and other paper-making facilities that provide demand response in ISO-NE's markets.

20. With respect to Verso's baseline methodology arguments, ISO-NE asserts that Verso does not contend that the baseline refreshment rule is incompatible with the must-offer requirement, but instead focuses on whether the methodology is compatible with Verso's bidding strategies. ISO-NE argues that this is irrelevant to whether ISO-NE has complied with the Commission's directives in the January 14 Order, and urges the Commission to reject Verso's protest.[36]

21. Verso's answer asserts that ISO-NE's answer does not adequately justify its baseline proposal, arguing that ISO-NE's "proposals were built on a faulty premise – that there exist a typical demand response provider."[37] More specifically, Verso argues that ISO-NE has not provided an analysis showing that the opportunity costs of this typical provider were often above the market clearing price and thus the typical provider would not be dispatched every day under a must-offer requirement. Verso also asserts that ISO-NE assumes that the typical provider would not be dispatched during the 3-day refreshment period.[38] Finally, Verso insists that its opportunity costs were often less than the market clearing price, and under the must-offer requirement, it would be dispatched even during the three day refreshment period.[39]

### D. Commission Determination

22. The Commission finds that ISO-NE's compliance filing fulfills the requirements in the January 14, 2013 Order, and, accordingly, we will accept it.

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[35] ISO-NE Answer at 13.

[36] *Id*. at 10-12.

[37] Verso Answer at 2.

[38] *Id*. at 2-3.

[39] *Id*. at 7.

23. Turning to each specific requirement, we first find that the compliance filing sufficiently addresses monitoring and evaluation of demand response resources for purposes of the must-offer requirement. ISO-NE's compliance filing explains that the IMM will monitor demand reduction offers for irregularities by, among other things, assessing any day-to-day changes in the offers and comparing demand reduction offers to comparable historical offers, and reviewing meter data to determine whether actual consumption at least equals the load offered for reduction. ISO-NE's compliance filing explains that the IMM may request additional information from market participants whose demand reduction offers deviate significantly, including requiring the market participant to provide information pertaining to daily operation of the associated facility. ISO-NE's compliance filing addresses the Commission's specific concern in the January 14, 2013 Order that the IMM will consider opportunity costs in evaluating a demand response resource's offer. ISO-NE explains that the IMM may require demand response capacity resources to provide a range of information in order to better understand the opportunity cost basis for the demand reduction offers, but that the IMM will not calculate the opportunity cost for a demand response capacity resource. Instead, the IMM "will review the resource owner's opportunity cost estimate, including all data and information to support the estimate."[40] ISO-NE states that the IMM will use this information to perform evaluations of the demand response capacity resource's offer behavior, including examining whether the resource is offering consistent with the amount of load available for interruption or attempting to be committed and dispatched at times when the resource's load is reduced for reasons other than price, such as during routine maintenance, or altered business hours. We are satisfied with this explanation.

24. DR Supporters posit that ISO-NE "failed" to formalize its explanation regarding monitoring and evaluation of demand response resources in the Tariff, a requirement we did not require and will not impose here. As an initial matter, DR Supporters' argument is beyond the scope of this compliance proceeding, where the only issue is whether ISO-NE has complied with the January 14, 2013 Order. That order did not require ISO-NE to submit new Tariff revisions on this or any other issue, and, indeed, DR Supporters neither challenge ISO-NE's explanation regarding monitoring and evaluation of demand response resources (they support it), nor allege that ISO-NE has failed to comply with the January 14, 2013 Order. The Commission finds that ISO-NE's compliance filing provides sufficient detail regarding the data the IMM will consider in reviewing offers, and the information falls within and comports with existing Tariff provisions already allowing the IMM to request a range of data and consider a multitude of factors in

[40] Transmittal Letter at 3.

assessing offers from all resources.[41] We find no reason based on the record here to direct ISO-NE to revise its Tariff to address treatment of demand response resources specifically.[42]

25. While we here decline to direct ISO-NE to revise its Tariff to reflect its explanation of the monitoring and evaluation process for demand response resources, we note that ISO-NE expresses willingness to do so, but asserts that any specific changes must be vetted through the stakeholder process first. We note that ISO-NE expresses a willingness to explore tariff changes through its stakeholder process and we strongly encourage ISO-NE to do so.

26. With regard to the 3 of Last 10 Days methodology, we find that ISO-NE's explanation sufficiently accounts for the interaction between the must-offer requirement and the need for demand response resources to refresh their baselines, while avoiding baseline erosion. ISO-NE states that it is highly unlikely that the 3 of Last 10 Days methodology will adversely affect the typical demand response capacity resource. ISO-NE explains that "dispatch frequency is a function of the resource's offer price – the higher the offer price, the less likely the resource would be dispatched. Because Demand Response Resources typically have high opportunity costs, the likelihood of continuous dispatches for the typical resource is extremely low."[43] ISO-NE further outlined some options that exist for demand response resources with lower opportunity costs to address baseline erosion. Therefore, we find that ISO-NE's compliance filing has provided

[41] For example, Appendix A to Market Rule 1, Section III.A.2.3(k)(ii), which addresses the market monitoring and mitigation functions of the IMM, requires that the IMM perform monitoring for "conduct and outcomes that are inconsistent with competitive markets." Section III.A.17.1 specifically addresses the monitoring of Demand Reduction Offers, in that it requires Market Participants to provide the IMM with data, upon request, to determine (a) the opportunity costs associated with Demand Reduction Offers, (b) the accuracy of Demand Response Baselines, (c) the method used to achieve a demand reduction, and (d) the accuracy of reported demand levels.

[42] Furthermore, as the Commission explained in the January 14, 2013 Order, 142 FERC ¶ 61,042 at P 33, addressing DR Supporters' concerns on this issue, any risks associated with the costs of defending against an investigation exist for all market participants, and the Commission will not treat demand response resources differently than other entities that find themselves subject to an investigation. Just as a must-offer requirement alone does not substantially increase the risk of a referral to the Office of Enforcement, it does not require ISO-NE to revise Appendix A of the Tariff.

[43] Transmittal Letter at 8.

sufficient explanation for the proposal to continue using the 3 of Last 10 Days baseline refreshment methodology in light of the addition of the must-offer requirement for demand response resources with a Capacity Supply Obligation.

27. The Commission rejects Verso's request that the Commission direct ISO-NE to meet with Verso to create a "safe harbor" for its bidding strategies and Verso's proposal to extend the baseline refreshment rule from "3 of Last 10 Days" to "3 of Last 20 Days." We required ISO-NE on compliance to demonstrate that the "3 of Last 10 Days" method continues to produce accurate baselines in light of the must-offer requirement. ISO-NE, on compliance, explains that it is highly unlikely that the "3 of Last 10 Days" methodology, by which the demand response baseline is calculated, will affect the typical demand response resource (i.e., a resource with high opportunity costs) in the "must-offer context" since dispatch is a function of a resource's offer price and, since demand response resources typically bid high, the likelihood of dispatch is low.[44] Verso claims that ISO-NE's methodology will not produce accurate baselines for resources with low opportunity costs. As ISO-NE notes, Verso does not contest that the baseline refreshment rule is compatible with the must-offer requirement, but instead argues that the denominator (10 days) of the 3 of Last 10 Days method should be increased to 20 days because Verso's bidding strategy may result in its offers clearing more frequently, resulting in the possibility of baseline erosion. However, as discussed above, ISO-NE has outlined several options for resources with low opportunity cost to address baseline erosion. For example, as ISO-NE explains, for the few demand response resources with lower opportunity costs, the demand response provider can address the "baseline erosion" problem by: (1) incorporating the impact of frequent clearing in its demand reduction offer (i.e., by estimating the risk and possible impact of baseline refreshment and by including that cost in the demand reduction offer price); or (2) having the resource participate in the market as a passive demand resource. Passive demand resources that participate in the FCM are not subject to the baseline accuracy problems associated with frequent dispatches because they are not dispatchable and do not respond to Locational Marginal Prices.[45] Thus, we see no reason to amend ISO-NE's compliance requirement as requested by Verso.

28. With regard to the availability calculation for demand response resources, we find that ISO-NE has adequately explained how considering the duration of a shortage event when evaluating the performance of demand response resources but not generation resources provides for comparable treatment. ISO-NE's explanation notes differences between the availability determination for long lead-time demand response resources and

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[44] *Id.* at 9.

[45] Transmittal Letter at 9-10.

generation resources. As ISO-NE explains, the availability calculation is intended to replicate the competitive offer requirement imposed on generating resources and thus is structured to incent demand response resources to reflect in their offers their true opportunity costs and physical characteristics, and not withhold the resource from dispatch when needed by ISO-NE to address a shortage event. We find that ISO-NE has satisfied the January 14, 2013 Order's requirements on this issue.

29. Finally, as noted above, the Commission accepted ISO-NE's Tariff sheets reinstating the adjustment for transmission losses for demand response resources on August 20, 2013. Accordingly, the January 14, 2013 Order's directive on this issue is moot.[46]

The Commission orders:

ISO-NE's compliance filing is hereby accepted, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,
Deputy Secretary.

[46] *ISO New England Inc.*, 144 FERC ¶ 61,140 (2013).