147 FERC ¶ 61,006
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 1, 2014

In Reply Refer To:
ISO New England Inc. and New England
Power Pool Participants Committee
Docket No. ER14-727-000

ISO New England Inc.
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Dear Messrs. Douglass and Doot:

1. On December 20, 2013, ISO New England Inc. (ISO-NE), joined by the New England Power Pool Participants Committee (together, Filing Parties), proposed revisions to ISO-NE's Transmission, Markets and Services Tariff (Tariff) modifying the computation of Demand Response Baselines[1] during the "Transition Period" prior to implementation of demand response rules that fully comply with Order No. 745.[2] Filing Parties explain these changes are intended "to improve baseline accuracy by appropriately accounting for scheduled and forced curtailments in the electricity

[1] Capitalized terms used herein are defined as provided for in the Tariff.

[2] *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, FERC Stats. & Regs. ¶ 31,322, *order on reh'g*, Order No. 745-A, 137 FERC ¶ 61,215 (2011). The Transition Period covers Capacity Commitment Periods commencing prior to June 1, 2017. Filing Parties represent that similar changes for after the Transition Period have not yet been developed.

consumption of demand response assets."[3] Filing Parties' proposed Tariff revisions affect Appendix E1 and subsections 8A, 8B and 13 of section III of the Tariff. As discussed below, the Commission conditionally accepts the proposed Tariff revisions, to become effective June 1, 2014, as requested, subject to a compliance filing.

2. Filing Parties define a Demand Response Baseline as "the expected demand of an end-use metered customer or the expected output level of an end-use customer's generation" and state that "Demand Response Baselines are compared to actual consumption/output for purposes of determining demand response performance."[4] Filing Parties describe a *scheduled* curtailment of a demand response asset as occurring during scheduled maintenance of energy-consuming equipment, which entails significantly lower than normal electricity consumption by that asset. Comparatively, Filing Parties describe a *forced* curtailment as including an event beyond a demand response asset's control, such as a transmission or distribution outage, during which the demand response asset's electricity consumption is reduced to zero MW. Filing Parties state that the current Transition Period rules require that "metered loads for days on which demand response resources were not dispatched to address a capacity deficiency and were not scheduled to reduce demand in the energy market be used in the baseline computation."[5] Consequently, Filing Parties assert that meter data from days with a scheduled or forced curtailment may be included in a customer's Demand Response Baseline calculation, which would "likely result in an underestimated and/or distorted Demand Response Baseline."[6]

3. To address such potential underestimation and/or distortion of baselines and to preserve a demand response asset's existing Demand Response Baseline during a scheduled or forced curtailment, Filing Parties propose Tariff revisions to require that demand response providers "submit meter data values during a curtailment that are equal to the last unadjusted baseline computed prior to the [scheduled or forced] curtailment instead of actual meter readings."[7] Filing Parties state that their proposed Tariff revisions prohibit a demand response provider from submitting a Demand Reduction Offer during a scheduled or forced curtailment because demand response assets affected by

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[3] Transmittal Letter at 1.

[4] *Id.* at 4.

[5] *Id.* at 5.

[6] *Id.*

[7] *Id.*

curtailment are not actually available for dispatch to balance real-time supply and demand. Filing Parties also propose Tariff changes to correct typographical errors and to clarify certain demand response related provisions.

4. Notice of Filing Parties' proposed Tariff revisions was published in the *Federal Register*, 79 Fed. Reg. 129 (2014), with interventions and protests due on or before January 10, 2014. NRG Companies, Exelon Corporation, and Northeast Utilities Service Company submitted timely motions to intervene. Verso Paper Corporation filed a timely motion to intervene and comments in support of Filing Parties' proposed Tariff revisions. No protests or adverse comments were filed. 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.

5. We find that the Tariff revisions improve the accuracy of and preserve Demand Response Baselines during periods of forced and scheduled curtailments by requiring demand response providers to submit meter data values during a curtailment that are equal to the last unadjusted baseline computed prior to the scheduled or forced curtailment, instead of the demand response asset's actual meter readings. We also find that the Tariff revisions prohibiting demand response providers from submitting Demand Reduction Offers during known scheduled or forced curtailments provide for a more accurate representation of asset availability for dispatch and appropriate compensation. We find the proposed Tariff revisions regarding notifications of scheduled or forced curtailments to ISO-NE, as well as the other proposed revisions that clarify certain demand response related provisions in the ISO-NE Tariff, to be just and reasonable. For these reasons, we will conditionally accept the proposed Tariff revisions, subject to a compliance filing as discussed below.

6. Our conditional acceptance of the proposed Tariff revisions is based upon our review of the entire record, including the accompanying testimony of Henry Y. Yoshimura[8] (Yoshimura Testimony) purporting to explain them. Mr. Yoshimura states that "a Demand Response Asset with a cleared Demand Reduction Offer that experiences an unanticipated forced curtailment during the period in which it was scheduled to reduce load will receive an energy payment."[9] Mr. Yoshimura further states that these unanticipated forced curtailments will be rare and of short duration. However, the relevant proposed changes to Appendix E1.3.1 only prohibit a market participant from submitting a Demand Reduction Offer for any subsequent operating days until the forced curtailment is over and electrical service to the demand response asset is restored; there appears to be no corresponding proposed Tariff language providing for energy payments

[8] Henry Y. Yoshimura is the Director of Demand Resource Strategy for ISO-NE.

[9] Yoshimura Testimony at 17.

to demand response providers during such forced curtailments. Therefore, within 30 days of the date of this order, ISO-NE must submit a compliance filing with either Tariff language providing that a Demand Response Asset with a cleared Demand Reduction Offer that experiences an unanticipated forced curtailment during the period in which it was scheduled to reduce load, will receive an energy payment, or explain how its Tariff otherwise provides for that result. Additionally, the Yoshimura Testimony states that in proposed revisions to Section III.13.7.1.5.10.2(a)(ii) of the Tariff, "the phrase '15 days' was modified to say '15 *calendar* days' for clarity."[10] This change is not reflected in the relevant section of the proposed Tariff revisions. Therefore, within 30 days of the date of this order, ISO-NE must submit a compliance filing clarifying whether it intends for the proposed Tariff revisions to reflect that change and, if so, submit corresponding proposed Tariff language.

7. The proposed Tariff revisions are hereby conditionally accepted for filing, effective June 1, 2014, as requested, subject to a compliance filing, as discussed in the body of this order.

8. ISO-NE is hereby directed to submit a compliance filing within 30 days of this order, as discussed in the body of this order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

[10] *Id.* at 22.