



May 16, 2013

Commissioner Tony Clark

STATEMENT

Statement of Commissioner Tony Clark on NYISO Order No. 745 Market Services Tariff Compliance Filing

"While I agree with the decisions in today's order, particularly the determination that entities not purchasing energy in the relevant NYISO energy market should not be allocated any demand response costs, I write separately to highlight my disagreement with the underlying decision in Order No. 745 to overcompensate demand response resources by paying them full LMP in the energy markets.

"Order No. 745 was created to alleviate barriers to demand response in wholesale energy markets by ensuring greater comparability between the compensation of demand response resources and supply-side resources. However, the compensation settled on by the Commission goes beyond the level needed to promote competition, and overcompensates demand response resources.

"I support comparable treatment and compensation between resources as necessary precursors to a diverse resource pool and robust wholesale energy markets. These fundamental principles prevent me from supporting full LMP compensation for demand response. As a resource, demand response is capable of delivering benefits to the markets by curtailing load when our grid is most in need. However, when a demand response resource provides a service to the market, it avoids a payment that it would otherwise incur. These savings should be accounted for when determining a just, reasonable, and not unduly discriminatory rate. This is where Order No. 745 falls short. By providing full LMP compensation, the wholesale energy markets are now overcompensating demand response resources for their services and forcing consumers to pay more than needed to ensure comparability and overcome barriers faced by demand response.

"The decision to compensate demand response at full LMP also leads to differential treatment between resources participating in the energy market. Order No. 745 provides demand response with a payment equal to LMP plus the savings associated with avoided energy usage. This extra incentive places other resources at a disadvantage and at risk of being displaced. I cannot support this preferential treatment, especially at a time when resources are relying on accurate market signals to weather a storm of changing economic and regulatory conditions.

"For these reasons, I respectfully partially dissent from this order."