

**Sustainable Energy Advocates' Conference/Summit on  
Wholesale Market Integration of Energy Efficiency/Demand Resources**

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*The New England Forward Capacity Market: A case study in side effects and facing the real  
implementation issues that arise with success . . .*

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The convergence of high energy prices, increasing demand (particularly during peak hours), reliability concerns and environmental concerns (particularly the need to reduce greenhouse gas emissions) is driving New England, like many regions, to meet more our electricity needs through energy efficiency and other demand resources. The progress and efforts in New England have spun out some developments and crystallized some interesting issues that could be useful and interesting elsewhere in the nation.

**ISO- New England's Forward Capacity Market**

- **First-in-the-nation capacity market to explicitly include EE/DR** and create rules for doing creating and implementing such a capacity market
  - Grew out of RMR proceedings and ensuing attempt at creating system for capacity payments that would be predetermined based on demand curve and location of the resource
  - Creates new opportunities for EE/DR and compensates them for their ability to meet both energy and capacity needs of the regionEE/DR bid into auction the same as generators – Not simply treated as resource that reduces demand forecast (See Peterson presentation for details)
- **Interesting Side effects:**
  - Forced disparate interests to organize as “DR Community” quite effectively – including efficiency, demand response providers, utilities, environmental and efficiency advocates
  - Spurred an unprecedented regional Measurement and Verification effort
  - Has fueled and played into state-level reform, revision and expansion of efficiency and DSM programs throughout New England
  - Has helped spur, frame, define and move forward a wide range of other planning efforts – for example the 20 year “Scenario Analysis” exercise undertaken by ISO-NE looks at demand resources as capacity asset, like generation following the model of the Forward Capacity Market
- **Issues Remaining in the implementation process:**
  - Treatment of summer seasonal resources in FCM – ensuring needed summer only demand response are fully integrated (CLF working jointly w/Comverge)
    - Dealing with convoluted “composite bid” structure
  - Reconstitution – lingering desire of utilities to recalibrate as if DR didn't exist
  - Red tape and complexity of process – frightened away many smaller efficiency and other demand resource providers who “showed interest”