

Summary of Demand Resources Group Meeting
May 3, 2006

Thank you for another productive meeting. I particularly want to thank Steve Cowell for his presentation on Other Demand Resource (ODR) categories and monitoring and verification issues, and Dave Ehrlich for his presentation on the ISO's current load forecasting methodologies. We also got through a good portion of the outline for Transition Rules -- by adding load shifting and distributed generation measures in the list of eligible ODR projects, I believe we achieved broad consensus through section 2.b.3 of the document.

Other important take-aways from today's discussion:

- Monitoring and verification (M&V): Steve Cowell's presentation and the ISO's straw proposal on M&V appear to be generally consistent. However, details concerning how to do M&V for the different types of eligible ODR projects need to be fleshed out. The ODR sub-group led by Steve Cowell will flesh out the M&V rules for the various resource categories -- those wishing to participate in the formation of those rules should contact Steve.
- Load Reconstitution: If Demand Resources are purchased through the capacity market, loads need to be "reconstituted" back up to their baseline (pre-demand reduction) levels to ensure proper allocation of capacity costs and to avoid double counting of Demand Resource benefits. The group needs to consider if and how such reconstitution should be done for the Transition Period, and how it would be done in the FCM to the extent Demand Resources participate in the Forward Capacity Auction.
- Integration of Demand Resources into the Forward Capacity Market (FCM): The fundamental issue raised by Dave Ehrlich's presentation, which the DRG must resolve with respect to the Installed Capacity Requirement (ICR) calculation and FCM design, is whether (and perhaps which) Demand Resources should participate in the Forward Capacity Auction and/or should reduce ICR prior to running the auction.

Next meeting is scheduled for Friday, May 19, 2006 (place to be announced at a later date). I propose that we devote the entire day to the Transition Period rules. We will circulate draft language in advance of May 19. If anyone has comments on the ISO's May 2, 2006 outline of proposed rules for the Transition Period, please send those to me as soon as possible. Please note that Transition Rules need to be developed by the beginning of June.

After we work through the Transition Period rules, I propose that we tackle the issue of load reconstitution. Dave Errichetti of Northeast Utilities has agreed to head up a sub-group to explore and discuss these issues -- please contact Dave Errichetti if you are interested in helping resolve these issues. I suspect that this discussion will impact how we think about integrating Demand Resources in the FCM.

Regards,
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