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New England Forward Capacity Market: A State Efficiency Program Perspective

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VEIC Involvement in Capacity Market

- ISO Demand Resources Group (4/6 - 10/6)
 - DRG developed draft rules
- Voting member of NEPOOL (starting 9/06)
- State working group steering committee (9/06 – present)
 - Input to ISO on draft M&V manual
 - Continue to meet to address regional M&V opportunities
- ISO approved VEIC “market participant status” (12/06)
- Filed transition 3 period capacity claims (12/06 – 2/07)
- Received 2 capacity payments (12/06 & 1/07)

Transition Period Issues

- Getting regulatory approval for M&V plan
- Adjust for ISO's different definition of peak savings
- Clarifying ownership of capacity credits

Note: most of these issues apply to FCM as well.

FCM Issues – M&V requirements

- Extensive and different than state regulation
 - Will increase costs
- Encourages greater regionalization of evaluation
 - Share costs
 - Raise fewer questions
- May not be cost-effective to bid whole portfolio
 - Timing for first FCA reinforces this concern
- ISO focused on “gross” savings (states focus on “net”)

FCM Issues – Bidding

- Don't have contract for DSM delivery beyond 2008
 - Not issue for utility administration model
- Don't have approved budget for 2010
- Potential need for composite bids
 - Must have same summer and winter capacity
 - Timing is very problematic for 1st auction
 - Don't want “tail wagging the dog”
- Ramifications for bidding below 75% of CONE
- How conservative or aggressive to be



FCM Issues – Other

- What happens to extra money?
- Influx of competition for big customers

Benefits of Capacity Market

- Possible significant additional \$ for efficiency
 - ~\$2.50 for one CFL (over 6 year life)
 - ~\$150 for SEER 15 central A/C (over 15 year life)
 - ~50% of cost of VT annual portfolio over avg measure lives
 - *NPVs assuming installed 2007, \$7.50/kW-month starting 2010*
- Partnerships with new entities
 - VEIC getting inquiries from demand response providers
- Greater confidence in some savings
 - ...though wouldn't be worth cost w/o capacity market
 - M&V manual not ideal for other purposes



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Questions?

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