

October 8, 2010

2010 Report of the
OMS Demand Response and Technology Working Group

I. Integration of ARCs into the Midwest ISO

The most significant Demand Response issue in the Midwest ISO in 2010 remains the integration of Aggregators of Retail Customers (ARCs) into the Midwest ISO Energy and Ancillary Services Market.

On October 2, 2009, the Midwest ISO filed a plan with the FERC in Docket ER09-1049 to integrate ARCs into the Midwest ISO market in compliance with Order 719. The OMS filed comments in response to this filing which supported the Midwest ISO proposal and focused on two issues. First, OMS took the position that the correct compensation for ARCs for load reductions was equal to LMP – Retail Rate. Secondly, that the payments made to ARCs should be directly assigned to the Load Serving Entity that provides retail service to the customer(s) whose load is curtailed. The FERC has not yet issued an order on the Midwest ISO's proposal.

On March 18, 2010, the FERC issued a Notice of Proposed Rulemaking in Docket RM10-17 relating to compensation for demand response resources in RTO markets. FERC proposed that ARCs be paid the full LMP for load reductions. FERC also sought comments concerning a number of related issues, such as whether it would be appropriate to require a common compensation scheme (i.e. full LMP) across all RTOs or whether regional variations could be justified.

OMS filed comments in this proceeding which essentially mirrored the OMS comments filed in Docket ER09-1049. That is, that LMP – Retail Rate was the correct compensation and that payments should be directly assigned to LSEs. FERC held a technical conference on September 13, 2010 in which both of these issues were addressed by participants. Written comments on the technical conference topics are now being filed with the FERC.

The OMS Demand Response and Technology Working Group issued a brief survey of the member states relating to state commission actions relating to ARCs in each state. Responses to the survey will be compiled and provided to OMS members and other interested persons.

The Midwest ISO Demand Response Working Group has continued to address a number of issues relating to ARC integration during 2010. The primary issue which has been addressed has been the development of Measurement and Verification protocols for customer load reductions.

II. Price Responsive Demand

The Midwest ISO has incorporated the integration of Price Responsive Demand issues from “bid to bill” as part of its 2010 Entity Management Plan. The Midwest ISO staff has made a number of presentations at the monthly meeting of the Midwest ISO Demand Response Working Group on this topic. The most contentious issue is the treatment of Price Responsive Demand in the load forecasts used for the purpose of determining resource adequacy requirements under the provisions of Module E. There are also issues relating to the treatment of Price Responsive Demand in transmission planning and on market operations.

The OMS Demand Response and Technology Working Group continues to monitor this issue and will provide further information to the OMS as the Midwest ISO develops its proposal.