

Northeast Energy Efficiency Partnerships, Inc.



To: David Kathan and Sarah McKinley, Federal Energy Regulatory Commission

From: Julie Michals, Northeast Energy Efficiency Partnerships, Inc.

Date: April 17, 2007

Re: Background Information for April 23rd Technical Session on Demand Response: Measurement and Verification (M&V) Standards for Demand Resources in the ISO New England Forward Capacity Market (FCM)

As background to the April 23rd FERC Technical Session regarding the role of Demand Resources in wholesale capacity markets, herein is a summary of the applicability, content, and development of the ISO New England FCM M&V Manual for Demand Resources (“M&V Manual”), which supports the comments I will be providing as part of the M&V Panel.

Who must comply with requirements of the M&V Manual? The M&V Manual covers a broad range of demand resources including energy efficiency, load management/control, distributed generation, real-time demand response and real-time emergency generation, and can apply to a range of project sizes, from large state portfolio of programs to smaller merchant projects. As such, it effectively includes requirements that can apply to a range of demand resource characteristics.

What are the key requirements of the M&V Manual? The M&V Manual sets forth requirements that a Demand Resource provider must address in their M&V Plan as part of their qualification package to ISO for each Forward Capacity Auction. These requirements largely build from existing M&V practices including: the International Performance Measurement and Verification Protocol (IPMVP) guidelines, the Federal Energy Management Program (FEMP) M&V guidelines, existing state energy efficiency M&V methods, and ISO’s Load Response Program Manual. Key sections of the ISO M&V Manual include (see attached ppt for more detail):

- Acceptable M&V methods
- Baseline conditions
- Accuracy and precision requirements
- Monitoring parameters and variables
- Measurement equipment specifications
- Monitoring Frequency and Duration
- Data validation, retention and management
- Independence and auditing
- Appendix A (requirements for real-time demand response and emergency generation)

How was the M&V Manual developed? The M&V manual was developed by the ISO-NE with extensive input from key stakeholders, including the New England State Program Working Group (SPWG) represented by PUC commission staff, program administrators and evaluation experts (and facilitated by Northeast Energy Efficiency Partnerships) which focused on the applicability of the M&V Manual to state ratepayer-funded energy efficiency programs. Input was also provided by merchant Demand Resource parties representing energy efficiency, load management and demand response.

What were the key objectives in developing the M&V Manual: From ISO's perspective, the key objectives were to make the M&V Manual work for a range of demand resource types, and of different size (e.g., from single site projects to large scale state portfolio of programs), and to develop accuracy and precision requirements that would ensure the reliability of these demand resources consistent with accuracy standards for generators. For Demand Resource stakeholders, in particular the SPWG, the key objectives were to develop M&V standards that: a) did not "reinvent the wheel" (i.e., were based on standard practice); b) included accuracy and precision requirements that were reasonable and attainable without significantly increasing M&V costs; and c) ensured that states could bid their portfolio of programs into the FCM as a single project.

The M&V Manual was approved by the NEPOOL Markets Committee in early March, and recently approved by the Participants Committee on April 13th. It can be downloaded from ISO's website at http://www.iso-ne.com/rules_proceeds/isonet_mnls/index.html (dated April 13, 2007).

If you have any questions, please contact Julie Michals, Public Policy Outreach Manager at NEEP at (203) 244-5125 or jmichals@neep.org.