

Organization of MISO States Statement of Principles for Demand Resources

The Organization of MISO States (OMS) supports a well-functioning wholesale power market in the MISO region and agrees that engagement by customers, the demand side of the market, is vital to this objective.

In promoting this objective, the OMS recognizes:

1. MISO's tariff, Business Practices Manuals, and other attachments should support the state commissions' responsibility in the setting of rules and conditions of service for retail demand response programs; and
2. MISO's tariff, Business Practices Manuals, and other attachments should provide flexibility to Load Serving Entities (LSE) so that they may offer retail demand response resources into the markets in a way that preserves both state and regional interests.

Values

Robust participation on the demand side of the market can work in real time to signal that a reduction of some electric use is more valuable than the dispatch of more expensive supply. The OMS identifies some key values that flow from an active demand side:

1. Lower costs for safe and adequate electric service to all customers;
2. Customer awareness of the cost of electricity, especially at times of peak demand and low reserves, as well as awareness of options to respond and reduce costs;
3. Reduced volatility in power prices;
4. More efficient signals for generation and transmission capacity as well as for demand side resources, including demand response, energy efficiency, and distributed generation;
5. Efficient resource adequacy assurance;
6. Efficient maintenance of system reliability;

7. Diminished potential for generators to exert market power;
8. A cleaner electric system; and
9. Delayed or avoided new electric generation.

Demand resources are everywhere since many customers from all customer classes can participate in demand response if given a reasonable opportunity. Unfortunately, many of these demand resources are currently only prospective resources because of barriers to their active participation in the market. Demand resources represent a broad category of options potentially available to customers, including demand response, energy efficiency, distributed generation and dynamic or time-based rate options. The states also recognize that the system value of demand response may be enhanced for all participants if demand resources are developed and offered in all states. Analysis to test this premise should be developed with cooperation from MISO and OMS.

Principles

The OMS accepts the following as principles for use in other applicable venues, and the OMS expects that these principles will evolve over time:

1. **Wholesale electric markets function better with an active and engaged demand side;**
2. **Markets should recognize and assure economic value** from real-time load reduction actions, especially in congested areas, through material payments to market participants and customers, as appropriate, that enable the response to occur;
3. **MISO and state regulators should analyze and make apparent the value of investments in demand resources** to reduce costs to consumers and increase reliability and environmental quality;
4. **MISO should respect states' jurisdictional role** in determining how customers may participate in demand response programs;
5. **Regulators (and lawmakers, when necessary) should remove inefficient institutional barriers** to demand response and other demand resources, both at the state level and in all the markets that MISO operates, including ancillary services;
6. Market rules and tariffs should **enable cost-effective demand response enrollment and participation**, and all demand resource market participants, to the extent possible, should be subject to equivalent registration and technical requirements as any other resource in a MISO market;
7. **Legacy load control and interruptible tariffs**, largely designed in a pre-organized market framework for purposes defined by individual states, will continue and may be more valuable if they are consistent with a well-functioning wholesale electric market; however, legacy programs shall not be required to participate in the MISO market;

8. **Regulation should enable and encourage those business structures and relationships** that facilitate and promote demand resources; however, such encouragement does not imply the subsidization of demand resources;
9. **The environmental effect** of demand response that involves behind-the-meter generation should not be unduly negative; and
10. **Ongoing education and dialogue** among stakeholders to achieve progress on these principles will continue to be important.

The OMS calls on MISO to: 1) maintain a commitment to improving its market design procedures that affect demand response; 2) assess and reflect the value of demand resources in its MISO Transmission Expansion Planning (MTEP) process; and 3) take what steps it can to enable OMS states to improve demand response programs under their individual state jurisdictions.

The OMS expects a well-functioning demand side of the MISO wholesale electric market will benefit all market participants, including non-participating customers, and will address expectations for efficient market performance by federal energy regulators.

History

- Originally adopted by the OMS Board of Directors November 8, 2007
- Amended February 20, 2015
 - The Arkansas Public Service Commission, Louisiana Public Service Commission, Mississippi Public Service Commission, and the Public Utility Commission of Texas abstained from this vote.