Organization of MISO States

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Organization of MISO States
Midwest Demand Resources Initiative
Statement of Principles for Demand Resources

Introduction The Organization of MISO States 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. Its working group, the Midwest Demand Resources Initiative, is tasked to promote progress toward an active demand side throughout MISO.

In promoting this objective, the OMS recognizes that:

1. MISO tariffs should support the state commissions' responsibility in the setting of rules and conditions of service for retail demand response programs;
2. MISO tariffs should encourage flexibility to LSEs to offer retail demand response resources into the markets in a way that preserves both state and regional interests.

Values An active demand side can work in real time to signal that reduction of some electric use is more valuable than the dispatch of more expensive supply. 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. Customers who are more aware of the cost of electricity and what they can do about it, especially at times of peak demand and low reserves;

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 maintenance of resource adequacy;

6. Efficient maintenance of system reliability;

7. Diminished potential for generators to exert market power;

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8. A cleaner electric system impact; and

9. Delayed or avoided new electric generation.

Demand resources are everywhere since many customers from among all customer classes can offer a 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 to guide the work of MWDRI and for use in other applicable venues, and OMS expects that these principles will evolve over time:

1. **Well-functioning wholesale electric markets and their associated benefits require 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 **make transparent the value of investments in demand resources to reduce costs to consumers and increase reliability and environmental quality**;

4. **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;

5. Market rules and tariffs should **maximize cost-effective demand response enrollment and participation**; all demand resource market participants should be subject to equivalent registration and technical requirements as any other resource in a MISO market.

6. **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; Legacy programs shall not be required to participate in the MISO market;

7. **Regulation should enable and encourage those business structures and relationships** that facilitate and promote demand resources; such encouragement does not imply the subsidization of demand resources;

8. **The environmental effect** of demand response that involves behind the meter generation should not be unduly negative; and

9. **Education and dialogue** among stakeholders to achieve progress on these principles will be important for some time.

The OMS calls on MISO: 1) to maintain a commitment to improving its market design procedures that affect demand response, 2) to assess and reflect the value of demand resources in its transmission expansion process, (MTEP), and 3) to take what steps it can to enable OMS states to improve demand response programs under their jurisdiction. OMS expects that a well functioning demand side to the MISO wholesale electric market will make that market more beneficial to all market participants, including customers, and will address expectations for market performance by Federal energy regulators.

Strategies Following are state regulatory strategies that offer support for these principles:

1. Consider the value of **dynamic or time-sensitive retail prices** such as critical peak pricing and variations of real time pricing, **and supporting infrastructure**;

2. The **distribution of revenues** to demand resources should reflect the values contributed by customers, utilities and, where they operate, third parties;

3. Advocate that all MISO markets, tariffs, resource adequacy determinations and system planning should promote demand response as a resource, while recognizing distinctions between demand response resources and generation resources;

4. Ensure (with appropriate safeguards) necessary **access to and use of meter data** by retail customers and, where they operate, third parties market participants, for the purpose of valuing and improving the performance of demand resources;

5. Ensure **timely settlement** for compensation for demand response actions;

6. **Assess** legacy load control and interruptible rate tariffs for effectiveness;

7. **Monitor environmental effects** from increased demand response and any resulting increase in behind the meter generation and facilitate cooperation between utility and environmental regulatory agencies to evaluate these effects; and

8. Promote **continuing engagement and inquiry** among stakeholders in MISO committees and in OMS committees.

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