



## ***Frequently Asked Questions*** **Real-Time Price Response Program**

### **Q: Who can participate in the Real-Time Price Response Program?**

A: Any customer who can voluntarily reduce their electricity consumption by a minimum of 100 kW in response to ISO New England's notification is eligible to participate.

### **Q: What if my business can't reduce demand by the minimum 100 kW?**

A: Your Enrolling Participant or Demand Response Provider can aggregate several buildings together to achieve the minimum 100 kW, however each building must have its own hourly meter. There are no penalties for not achieving your intended kW reduction goals and absolutely no risk.

### **Q: How does the program work?**

A: ISO New England will notify you when wholesale prices in your region are forecasted to exceed \$0.10 per kWh in any program hour during the next day. This is referred to as a Price Response Event Day. Any voluntary reductions in electricity consumption your business makes during the designated program hours of the Price Response Event Day will be eligible for incentive payments.

### **Q: Does my business need any special metering?**

A: Yes. Your business needs to have an electric meter capable of recording your building's electricity consumption *every hour*. This type of meter is sometime referred to as an "interval" or "hourly" meter. If your local utility has already installed an hourly meter on your building then you may be able to enroll in the program immediately. If you do not have an hourly meter, contact your utility account manager for more information on their hourly metering services and costs.

### **Q: How and when will I be notified of Price Response Event Days?**

A: ISO New England will send an e-mail message to one or more people at your business either the night before or the morning of a Price Response Event Day. The message will tell you when the event will start and end. For example, the message may say that the price event will start at 8 AM and end at 6 PM. Any reductions that your business can make during those hours will be eligible for payment.

### **Q: How much can my business get paid?**

A: Your business will be paid the greater of the wholesale electricity price in your region or a minimum of \$0.10 per kWh. Wholesale electricity prices can reach as high as \$1.00 per kWh. The payments will be based on ISO New England's estimate of your electricity reduction using consumption data measured by your hourly electric meter.

### **Q: How will ISO New England determine how much electricity reduction my business achieved?**

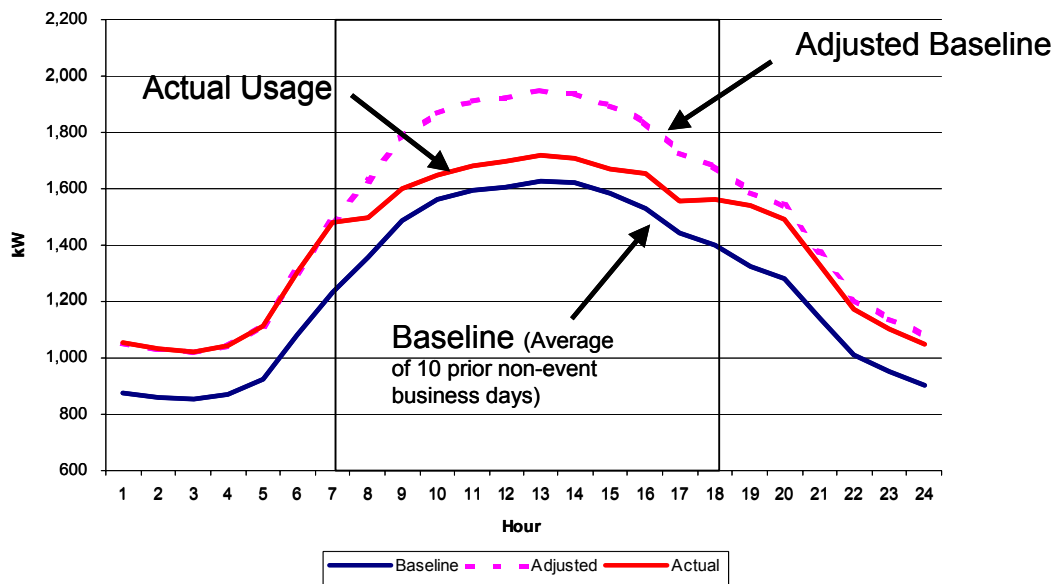
A: Your local utility will send ISO New England your hourly electricity consumption data every day. ISO New England will use the data to calculate your average hourly consumption. This



calculated amount is referred to as your “Baseline Consumption”.<sup>1</sup> When a Price Response Event Day occurs ISO New England will compare your actual hourly consumption during the event hours to your Baseline Consumption. The difference between your actual usage and the adjusted Baseline Consumption represents your demand reduction.

**Q: What happens if the weather is different on a Price Event Day than any of the days used to calculate my Baseline Consumption?**

A: As illustrated below, the Baseline Consumption will be adjusted to match your building’s actual electricity consumption just prior to the start of a price event. This way if the weather on a Price Event Day is significantly different than the days used to calculate your Baseline Consumption your businesses Demand Response reduction will not be penalized.



**Q: When will price response events happen and how long will they last?**

A: It is hard to predict when price response events will happen. It depends on a lot of factors including the weather, fuel prices and the availability of the region’s power plants, the availability of the region’s transmission lines and the outlook of the companies buying and selling power in the wholesale market. However, historically wholesale prices have been the highest when electricity demand is the highest, which usually occurs on hot summer days. When a price response event occurs it can start as early as 7 AM and always ends at 6 PM.

**Q: Is there anyway of knowing in advance what the hourly wholesale prices will be?**

A: It is also hard to predict what the hourly wholesale prices will be. However, participating customers are guaranteed a minimum payment of \$0.10 per kWh so there is some price certainty. One indicator of what tomorrow’s hourly wholesale prices may be is the “day-ahead” hourly

<sup>1</sup> The Baseline Consumption will be based on the average of ten (10) prior non-event business days before the Price Event Day.

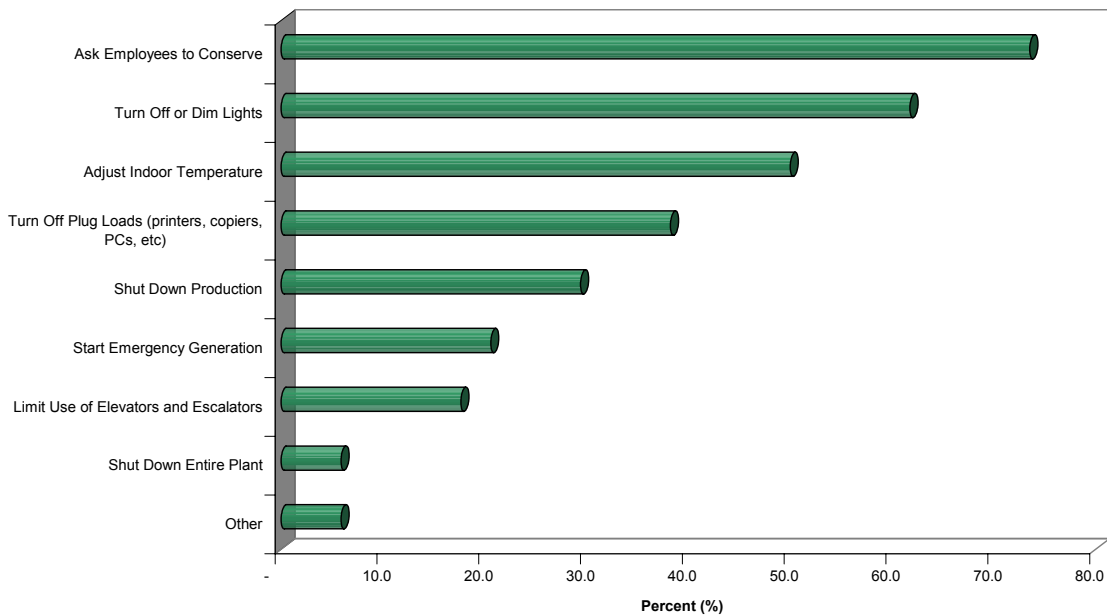


wholesale prices that are set by the power plants and energy traders bidding into ISO New England’s day-ahead market every day. If a customer wants some indication of what tomorrow’s hourly wholesale prices might be, they could look at the results of tomorrow’s day-ahead market which are generally available by 4 PM of the day before on ISO New England’s website at [www.iso-ne.com](http://www.iso-ne.com). Of course, there is no guarantee that the real-time prices will match or track the day-ahead prices nor are they a guarantee of what a customer will be paid.

**Q: What can my business do to reduce consumption?**

A: Anything that reduces electricity consumption qualifies. Some businesses have instructed their employees to turn-off unnecessary lighting, office equipment, computers and machinery. Some customers have raised air-conditioner temperatures by a few degrees. Others have used their existing energy management systems (EMS) to automatically control or adjust equipment settings. Some customers turn on on-site generators so that less electricity is drawn from the grid. The bottom line is anything your business can do to reduce consumption can make a difference.

The graph below illustrates the most common methods participating customers use to reduce consumption in the Real-Time Price Response Program.



**Q: What are the costs to participate?**

A: If your business already has an hourly meter that is read every day by the local utility via a telephone line then there may be no additional costs. If your hourly meter is not connected to a telephone line, there is an option to have your local utility send ISO New England your hourly meter data on a monthly basis. However, under this “super low tech” option it will take longer for your business to receive its payment. If an hourly meter needs to be installed, there may be additional costs. You should contact your local utility account manager for the details and costs of their hourly metering services.

**Q: Are there any risks?**

A: No. The program is completely voluntary. If your business can reduce its consumption in response to high wholesale prices you can get paid. If you do nothing, there are no penalties. No costs, no risk and no reason not to participate.

**Q: Why would my business want to participate?**

A: The most obvious benefit is your business can get paid at wholesale prices for reducing your electricity consumption. However, there is a more important reason. Customers who participate in the Real-Time Price Response Programs should be able to negotiate lower retail electricity prices from their competitive electricity supplier as described below

**Q: How can participating in the program effect my competitive electricity supplier’s retail price?**

A: It’s all about risk. A customer who does not understand their usage nor has the ability to control its usage is transferring risk to their competitive electricity supplier. The customer is, in essence, asking the supplier to assume the risk that at any point in time the customer can increase their energy consumption without any consideration for the supplier’s wholesale costs. The less predictable a customer’s behavior is, the more risk that a competitive electricity supplier must assume. Risk always translates into a higher price.

Customers who participate in the Real-Time Price Response Program can prove to their competitive electricity supplier that they can manage their hourly usage, respond to wholesale prices and, therefore, lower their competitive electricity supplier’s risk. Lower risk should translate into a lower retail price.

**Q: How does my business sign up?**

A: Your business can enroll through either an Enrolling Participant or a Demand Response Provider. A directory of Enrolling Participants and Demand Response Providers is available from ISO New England. If you are unsure, contact your local utility. Chances are, your local utility is already an Enrolling Participant and is signing up customers into this program.

**Q: My energy management system (EMS) is already recording pulses from my electric meter. Can we use the EMS rather than installing a new interval meter?**

A: If your EMS can meet the ISO’s accuracy standards then your EMS provider may be able to work with your Enrolling Participant to record and send hourly data to the ISO on a daily basis in



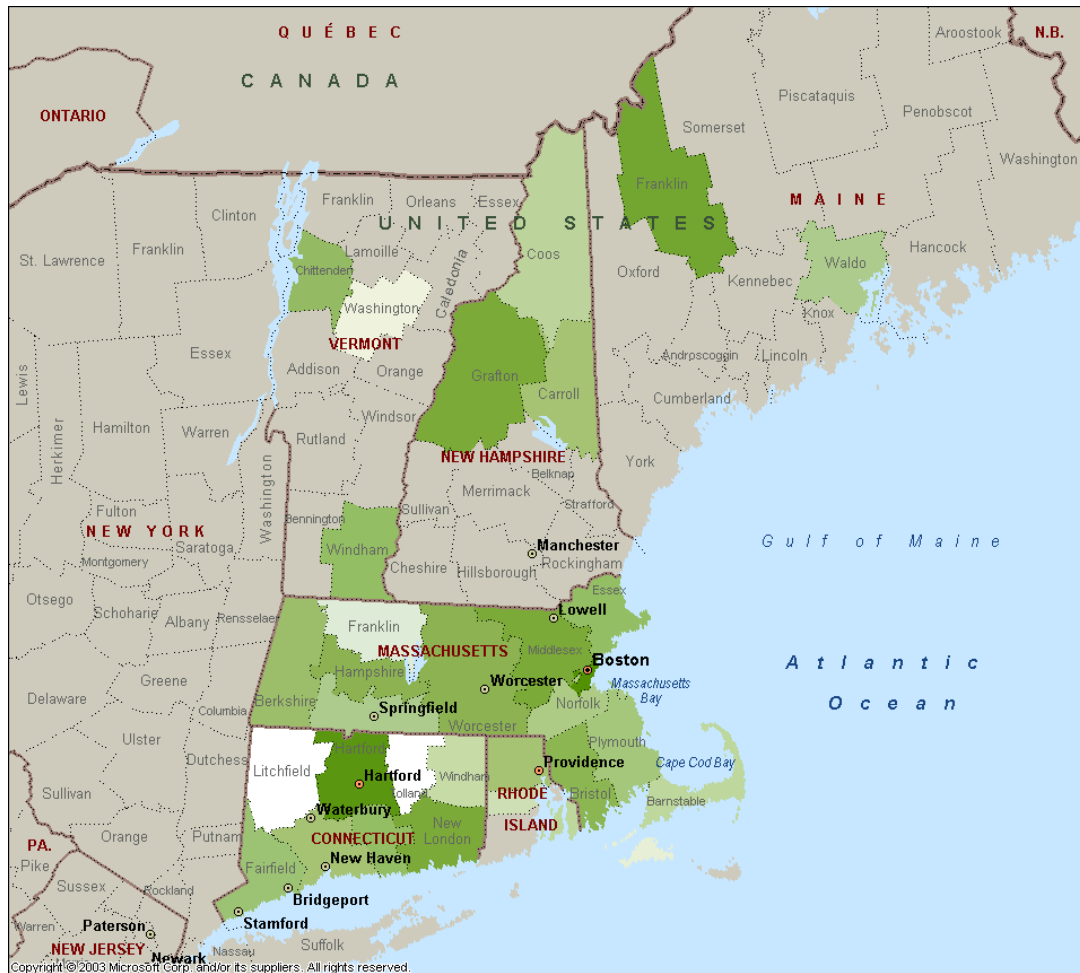
the ISO’s required format. You should ask your EMS provider to talk with your Enrolling Participant and the ISO to discuss the technical details.

**Q: What types of businesses are already participating?**

A: Many different types of businesses are participating in the program, including universities, hospitals, retail stores, office buildings, manufacturers, and municipal and government agencies. The Real-Time Price Response Program is for any business that wants to take control of their energy costs and become both a smarter electricity consumer and smarter electricity buyer.

**Q: Where are the participating businesses located?**

A: Customers throughout New England participate in the Real-Time Price Response Program. As you would expect, participation is greatest in the regions with larger industrial customers and higher populations. The map below illustrates participation by county as of April 2005. The darker shaded regions have the greatest amount of capacity (kW) enrolled in the program.<sup>2</sup>



<sup>2</sup> Gray shaded counties have no participation