

Energy Efficiency As An ISO-NE Resource

Presentation to:

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Resource
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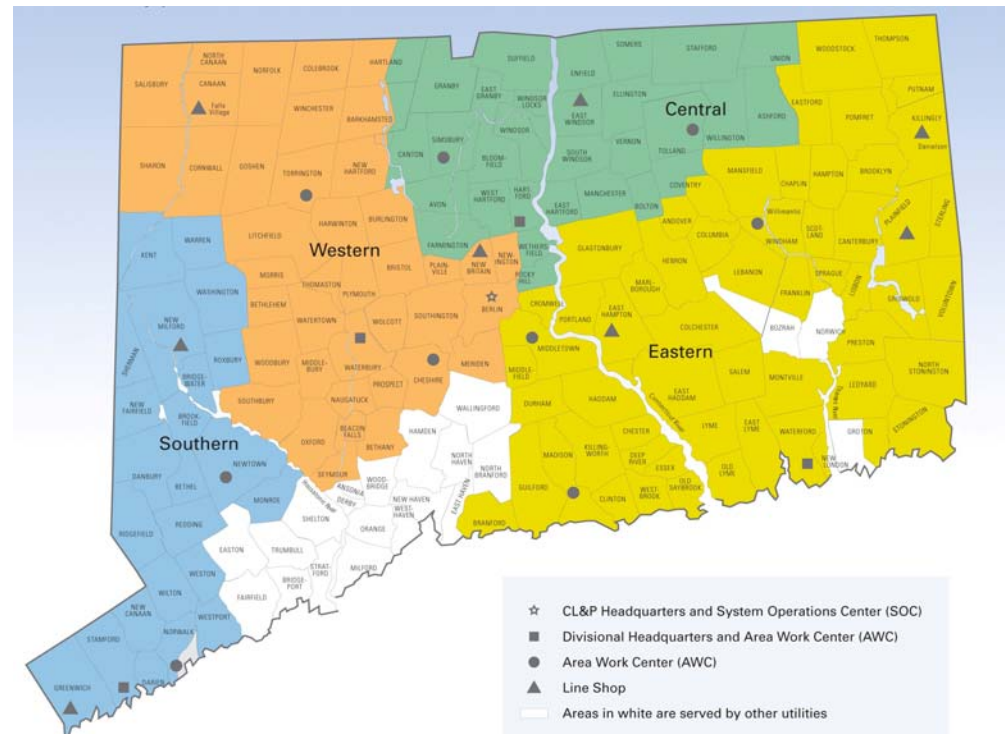
**Connecticut
Light & Power**

A Northeast Utilities Company



Connecticut Light & Power (CL&P)

- Largest electric distribution company in Connecticut
- Part of the Northeast Utilities System
- Serves more than 1.2 million customers
- Design and implement energy efficiency programs for all customers classes



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Connecticut Energy Efficiency Fund

The Fund was created in 1998. It's mission is to:

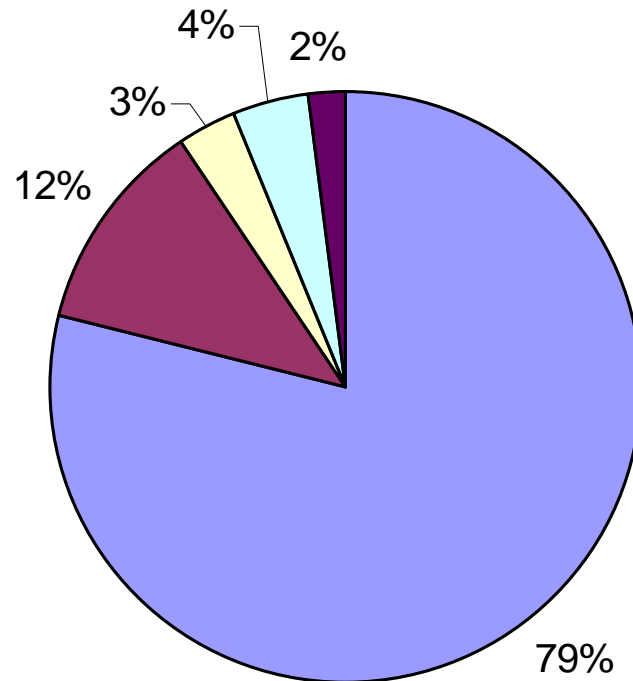
- Advance the efficient use of energy
- Reduce air pollution and negative environmental impacts
- Promote economic development and energy security
- Provide funding for programs which primarily comes from electric and natural gas utility customers



CL&P - Energy Efficiency Fund Partnership

- Design and implement energy efficiency (EE) programs for all customers classes
 - Average annual electric energy efficiency spending of \$ 79 million
 - Save on average 42 MWs and 156 GWHrs annually
 - Load Response Programs have approximately 100 MW of Demand Response
 - Integrated Electric and Natural Gas programs

2011 Efficiency Funding Revenue Sources



\$116.8 MM

■ Mill Rate ■ FCM ■ Class III RECs ■ RGGI ■ ARRA

- Customer collections (Mill rate) \$0.003/kWh
- Forward Capacity Market (FCM)
- Class III Renewable Energy Credits (Class III RECs)
- Regional Greenhouse Gas Initiative (RGGI)
- American Recovery and Reinvestment Act (ARRA)

100% of revenues were received from the mill rate in 2006.

Primary Alternative Revenue Sources

- Forward Capacity Market
 - A market designed by the regional electric system operator to procure capacity resources for the New England region
- Class III Renewable Energy Credits
 - State of Connecticut Renewable Portfolio Standards program that allows qualified energy efficiency activities to generate credits

Forward Capacity Market Formed

- Independent System Operator – New England (ISO-NE) established a market to acquire capacity to meet New England's electric needs
- Demand Resources treated as Qualified Capacity
- Energy Efficiency, Load Response, Distributed Generation can participate and receive capacity payments
- Transition Period ran from 12/1/06 through 5/31/10
- Full Forward Capacity Market (FCM) began 6/01/10

FCM Bid Development

- ISO-NE conducts annual Forward Capacity Auctions (FCA)
- Auctions for capacity conducted three years in advance of need
- CL&P develops forecasts of summer and winter peak demand reductions based on:
 - historical EE program performance, and
 - demand savings estimated from future budget projections
- The lesser of the summer or winter demand determines the FCA capacity amount

FCM Bid Qualification

- Show Of Interest submitted to ISO-NE
 - Provides a minimum and maximum capacity amount
- Qualification Package submitted to formalize bid
- Qualification packages includes:
 - capacity bid amount and bid price
 - a comprehensive marketing plan,
 - cost and savings budgets,
 - benefit-cost analysis,
 - evaluation, measurement and verification plans

Forward Capacity Market Auction

- Capacity entered into ISO-NE's bidding system
- Declining clock auction
- All sponsors notified of their auction results
- Post necessary financial assurance
- FCM is a forward-looking, competitive market and auctions have already been held for 2012, 2013 and 2014.

Capacity Delivery Reporting & Payment

- Install capacity in time for the delivery period
- Monthly peak demand savings data extracted from our EE tracking systems by program, end use, and measure
- ISO-NE provides payments to CL&P via its monthly payment process

CL&P's FCM Results

- Collected more than \$32 Million in capacity payments since its inception in 2006
- Capacity payments are used to increase Energy Efficiency Fund program budgets
- 2011 revenue from the FCM is estimated to be \$13.7 million

FCA#5 Results - For Information

- ISO-NE Conducted FCA#5: June 6 – 8, 2011
- FCA obtained 36,918 MW of capacity
 - 31,439 MW generation ~85%
 - 3,468 MW demand resources ~10%
 - 2,011 MW Imports ~5%

Note: 33,200 MW needed for power year 2014 -15

- FCA#5 went to floor price of \$3.209/kW-mo with excess supply of 3,718 MW
 - Auction clearing price pro-rated to \$2.86/kW-mo

Conclusion

- The ability to use Energy Efficiency as Resource has allowed the traditional EE fund to diversify from core revenue sources.
- Provides revenues to fund incremental energy efficiency without impacting customers rates
- Financially recognizes EE in the capacity markets