



The Integration of Demand Response in Capacity Markets by Xavier Lambin

Comments by Richard Green

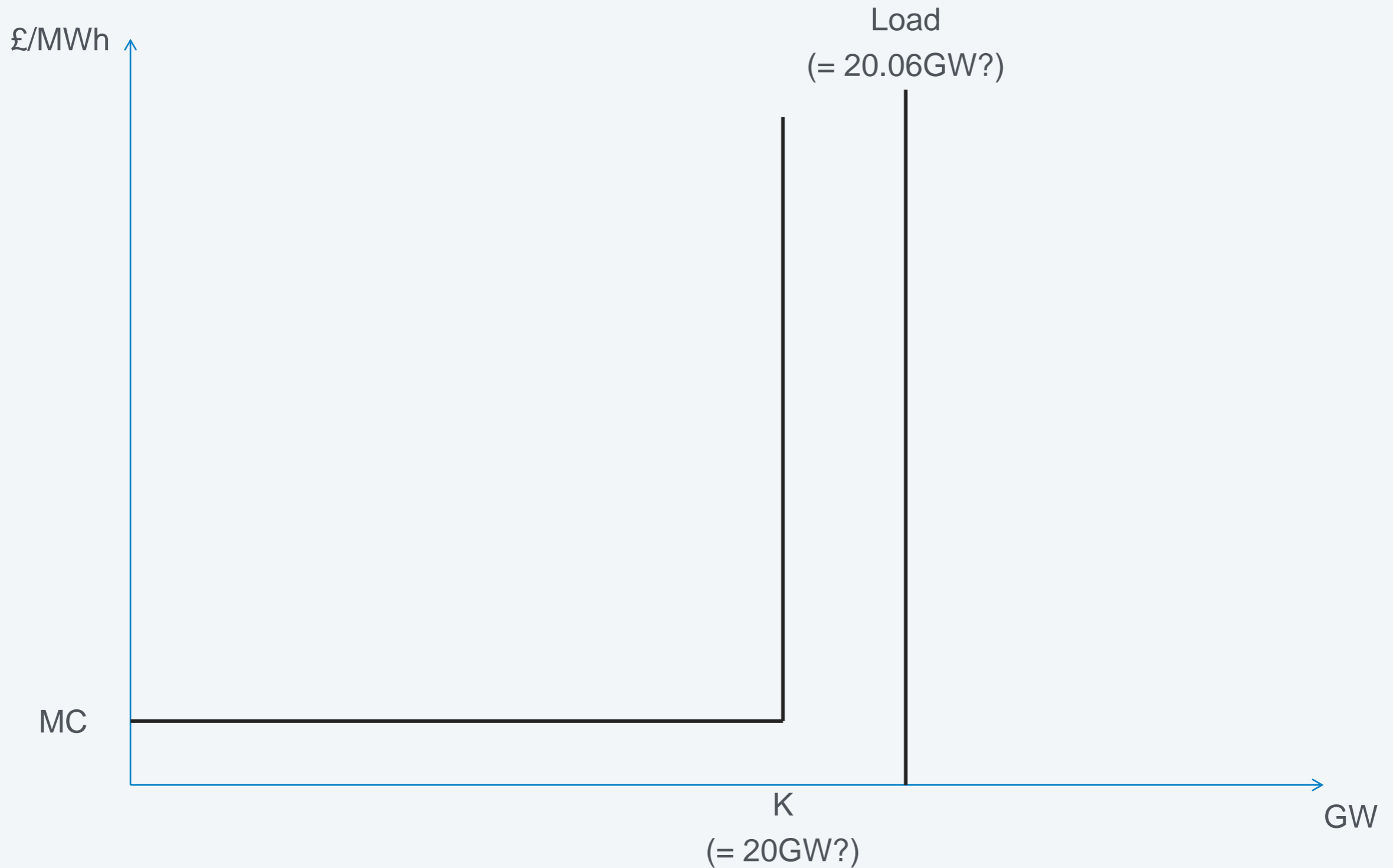
An electricity market

The Copperfield model: result happiness



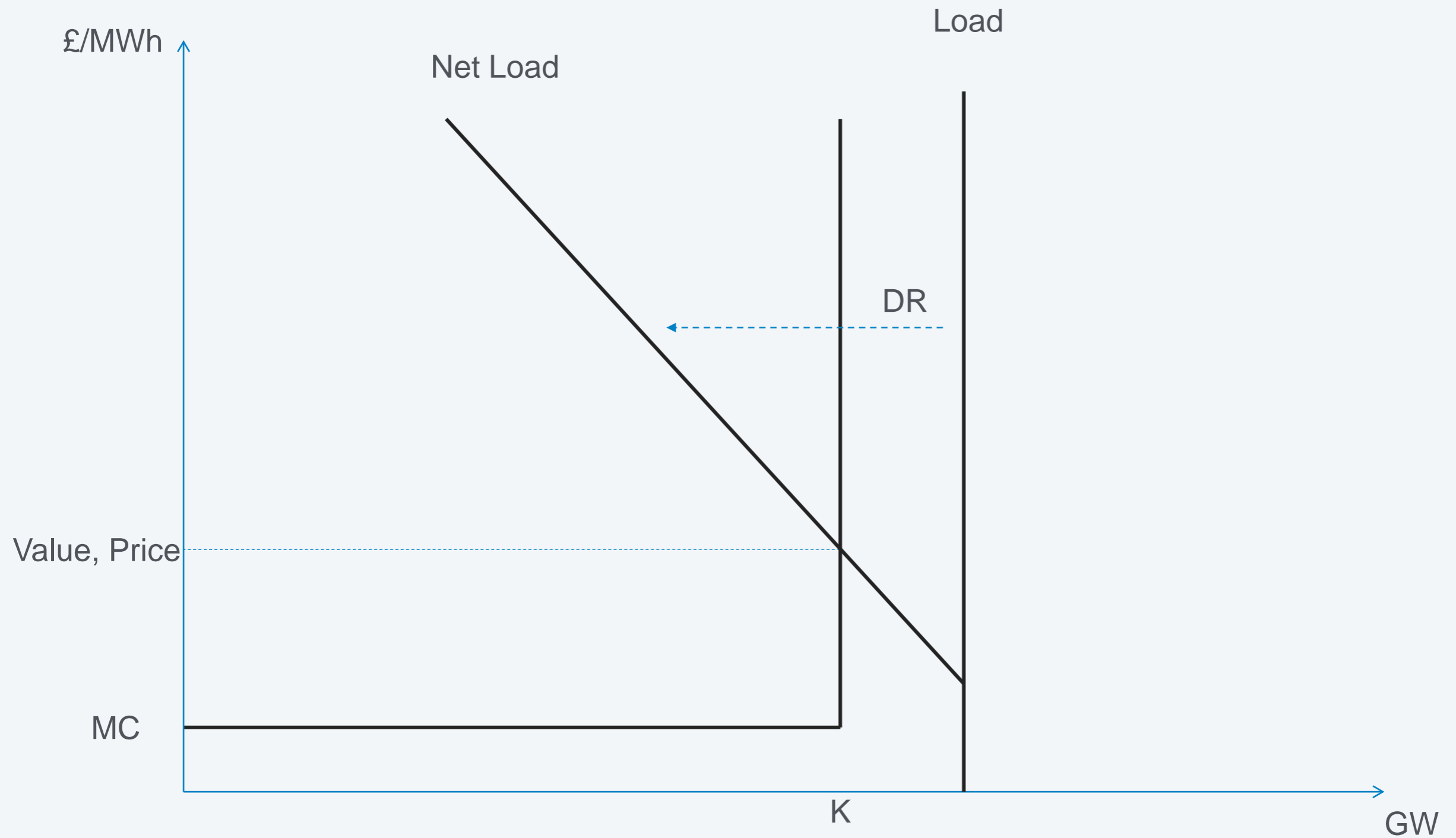
An electricity market

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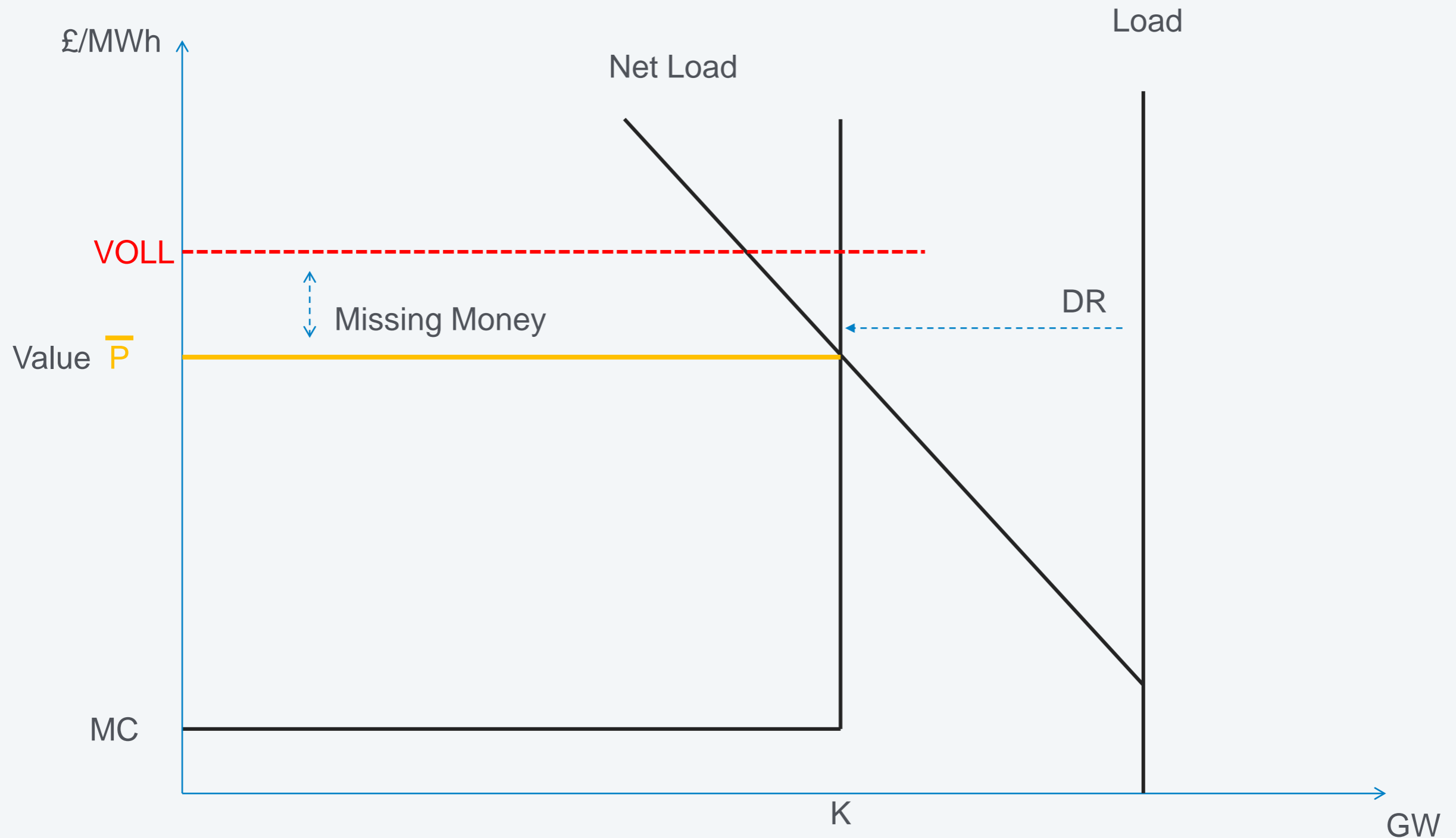
An electricity market

The solution: demand response



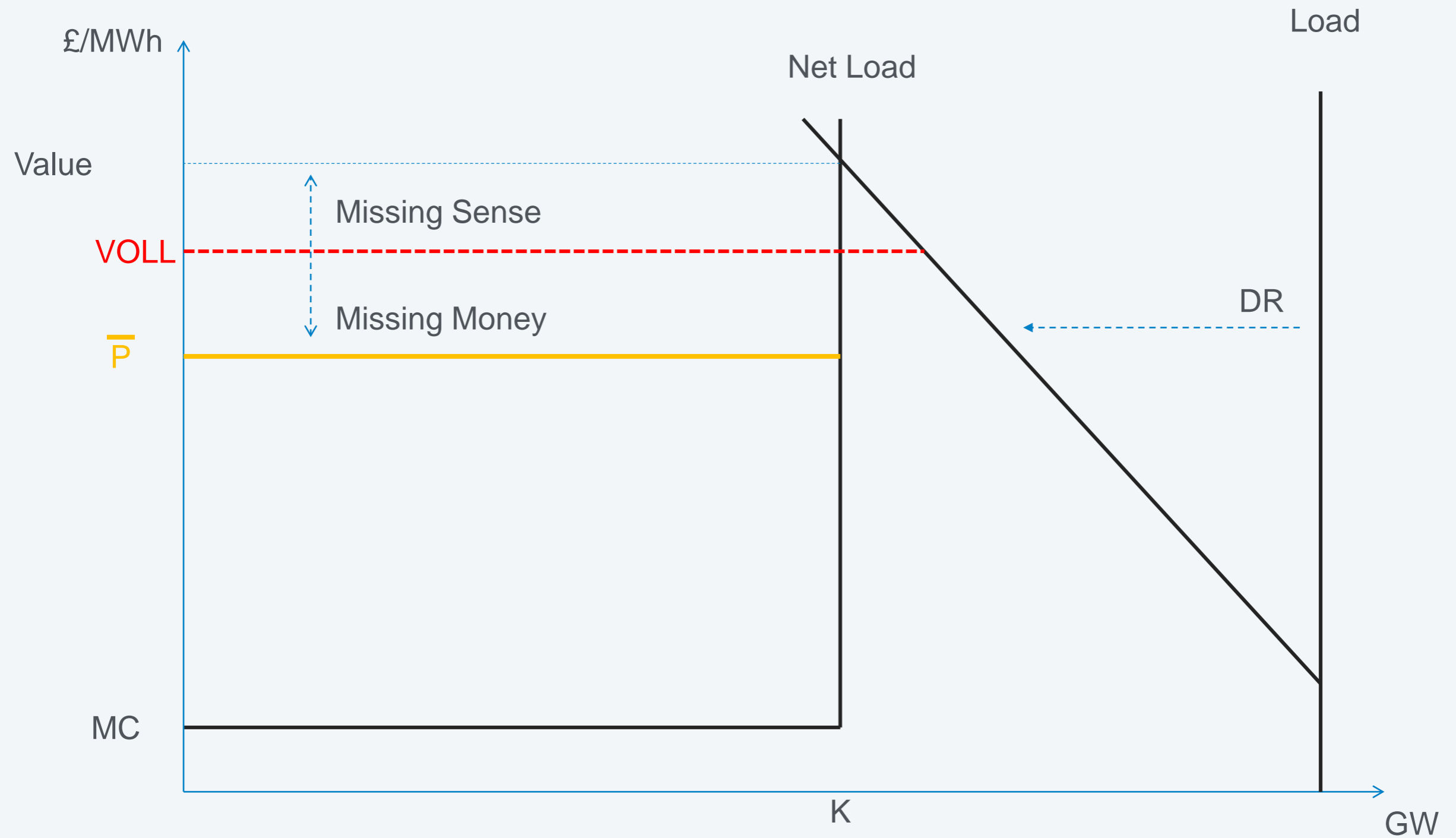
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Anti-solution: a price cap



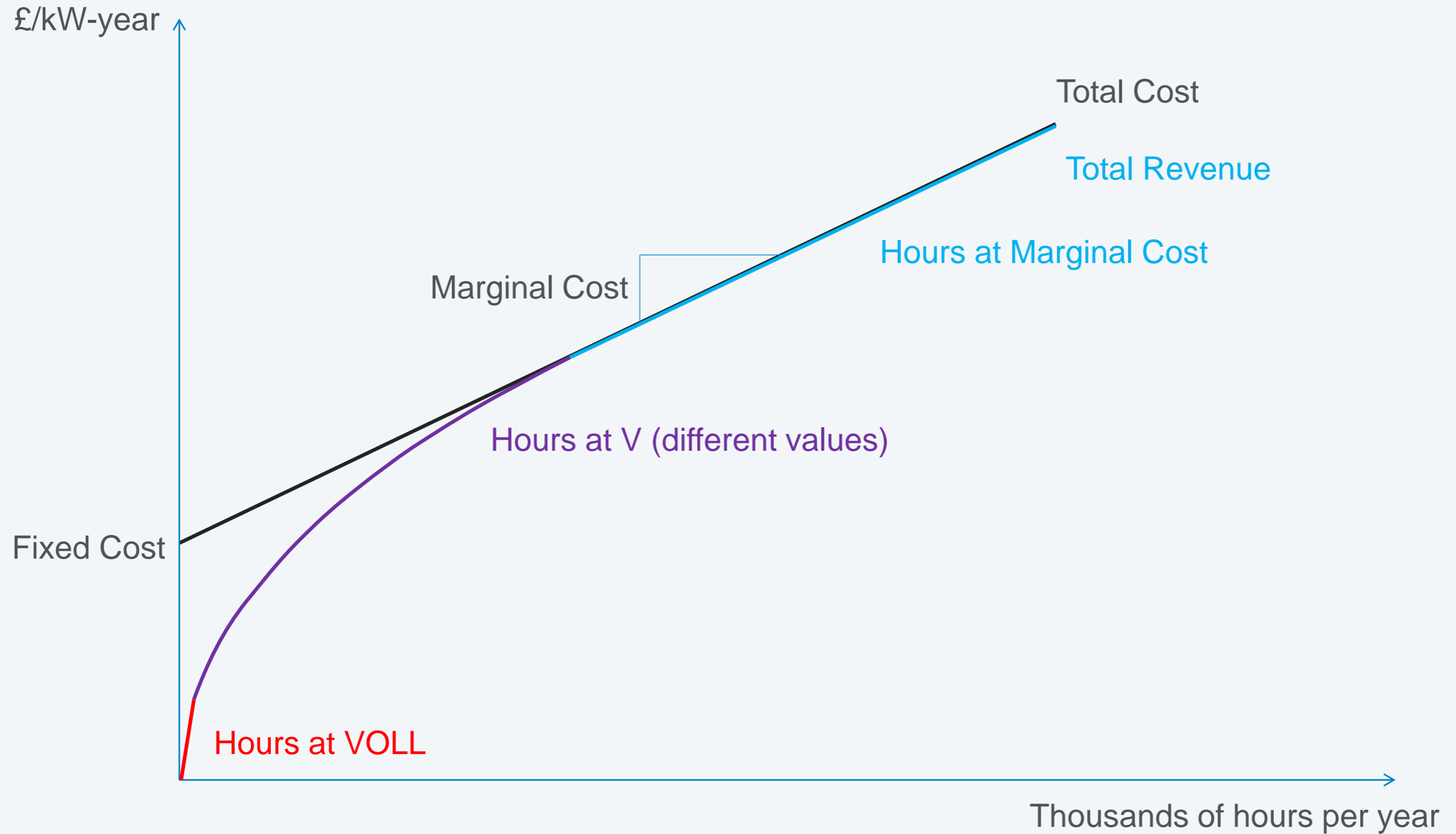
An electricity market

Another limit to DR: the Value of Lost Load



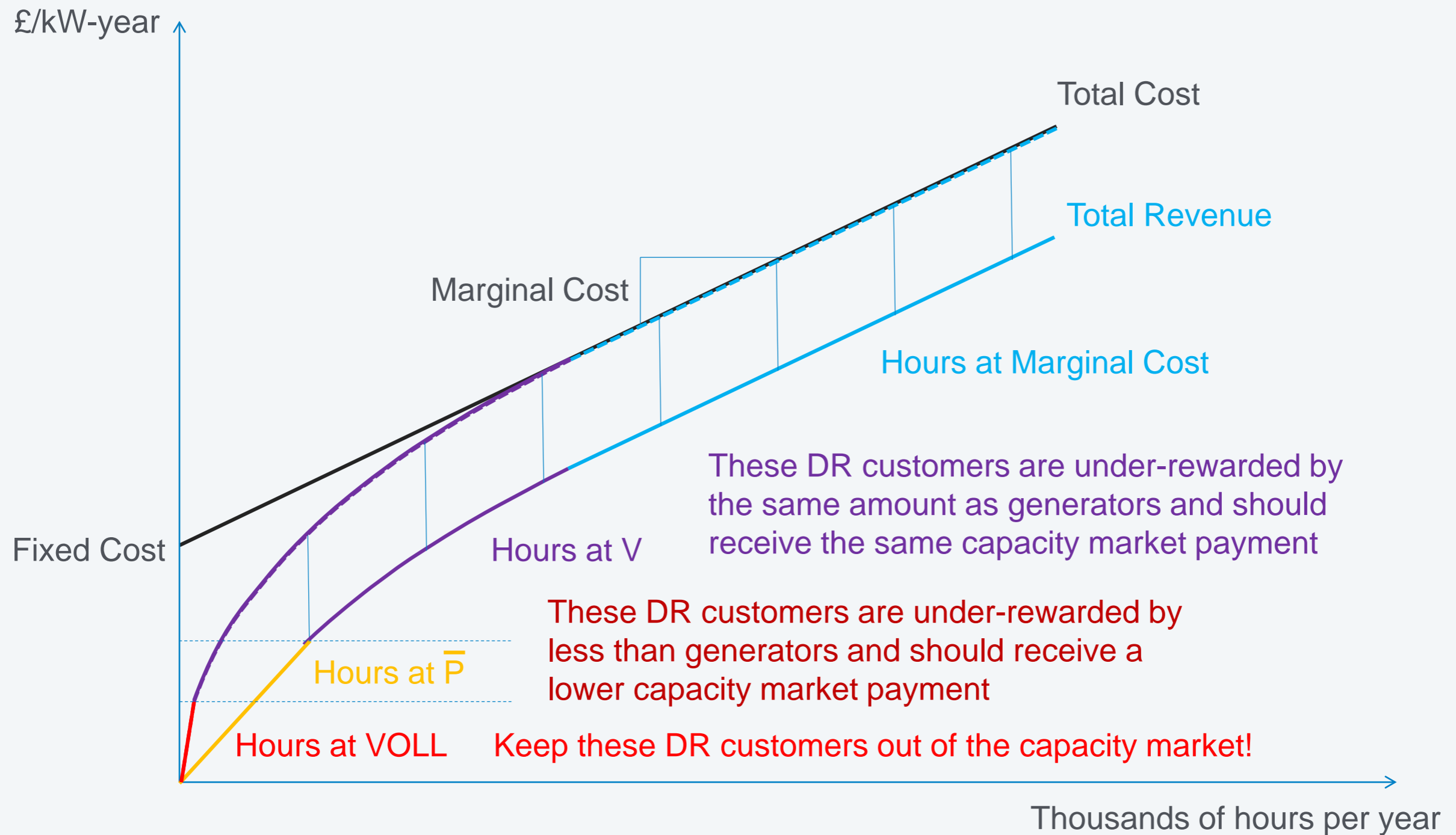
A screening curve

Generator Costs and Revenues



A screening curve

Generator Costs and Revenues with a Price Cap



A paper you missed?

Chao and Wilson (2002) “Multi-Dimensional Procurement Auctions for Power Reserves: Robust Incentive-Compatible Scoring and Settlement Rules”, *Journal of Regulatory Economics*; 22:2 161-183

Two-part auction for reserve capacity

- Generators submit bids for capacity and for energy (per unit called)

Scoring rule: ignore the energy price

- Generators are paid the spot market price for energy delivered

The ???-thousand dollar question

How much money is at stake?

The quasi-philosophical question

Is the capacity market about the price cap, or about uncertainty?