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TREATING DEMAND PARTICIPATION IN WHOLESALE MARKETS EQUIVALENT TO SUPPLY PARTICIPATION TODAY

The transformation of today's one-sided electricity markets into two-sided markets presents an opportunity to benefit customers, markets, and the overall grid

Reston, Va. – The [Energy Systems Integration Group \(ESIG\)](#) has released the sixth white paper from its task force on aligning retail pricing with grid needs. This white paper outlines an approach to aligning demand with grid needs that involves demand participation in wholesale markets equivalent to supply participation today.

The task force brings together experts in rate design and electricity markets, transmission and distribution planning and operations, consumer advocates, and others to explore current issues, potential solutions, and practical implementation challenges involved in using the flexibility in price-sensitive loads.

The white paper by Richard O'Neill, Debra Lew, and Erik Ela, "[Treating Demand Equivalent to Supply in Wholesale Markets: An Opportunity for Customer, Market, and Social Benefits](#)," describes how, in full, active demand participation (bid-in demand), electricity customers have the same rights, requirements, penalties, and privileges as generators. Debra Lew, associate director of ESIG, noted how "bid-in demand would create a two-sided market that allows for more efficient market operation, maximizing benefits to market participants who do participate and reducing overall system costs."

As an example, large industrial customers or load-serving entities would first bid in prices they are willing to pay for quantities of electricity along with their load resources' operating constraints. They would participate in the day-ahead and real-time electricity markets, be able to set the price, and be exposed to and hedged by wholesale market prices. They would then operate according to their day-ahead schedule or participate in the real-time market and be dispatched based on real-time prices. These customers would have an incentive to reduce demand when prices are high and increase demand when prices are low—naturally supporting the grid—and would be precisely dispatched, giving the grid operator more control to balance the system.

The set of six white papers (with two more to come) is intended for people across the energy industry: power systems engineering and grid operators, retail economists, consumer advocates, regulators, and others. The task force aims to advance understanding of the opportunities and challenges of using and enhancing retail pricing and programs to meet the changing grid needs of an evolving energy paradigm.

ESIG is a nonprofit organization that marshals the expertise of the electricity industry's technical community to support grid transformation and energy systems integration and operation. The white papers can be downloaded at <https://www.esig.energy/aligning-retail-pricing-with-grid-needs/>.

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