

# Resource Adequacy: Theory, Practice and Challenges

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## Capacity markets have generally been considered successful...

- New capacity resources are being added and retirements of existing resources have been deferred.
- Significant new demand response has participated in the market.
- Market prices have reflected short-term supply and demand conditions in each market.

**Sufficient capacity has been maintained and market prices have been more stable and robust than those generated by earlier, short-term capacity market designs.**

...but several significant challenges remain.

- Market prices have not been sufficient to support merchant entry.
- Non-market new supply has exacerbated capacity surpluses.
- Administrative Cost of New Entry (CONE) have not followed actual new-build costs well.
- Generation resources and demand resources not treated equivalently.
- Concern about how “right” resources will displace “wrong” resources.

**The challenge will be to refine market designs to encourage and support bilateral capacity transactions without undermining competitive market pricing in “spot” capacity auctions.**