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September 21, 2009

**VIA ELECTRONIC MAIL**

Hon. Jaclyn A. Brillling, Secretary  
Public Service Commission of the State of New York  
Three Empire State Plaza  
Albany, New York 12223-1350

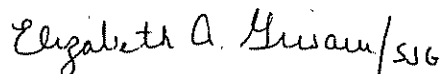
***Re: Subject: Case 09-E-0115 - Proceeding on Motion of the Commission to Consider Demand Response Initiatives.***

Dear Secretary Brillling:

Attached to this transmission for filing in the above-entitled proceeding are the comments of the New York Independent System Operator, Inc. (NYISO) on the "Assessment of the Potential for Cost Effective Demand Response Programs" submitted by Consolidated Edison of New York. As instructed, the NYISO is simultaneously serving the parties on the Active Parties List with a copy of this filing by electronic mail. A certificate of service is also filed herewith.

Should you have any questions, I can be reached at the above address, by phone at (518) 487-7624 or by e-mail at [egrisar@woh.com](mailto:egrisar@woh.com).

Very truly yours,



Elizabeth A. Grisaru

Enclosure

**STATE OF NEW YORK**  
**PUBLIC SERVICE COMMISSION**

Case No. 09-E-0115 – Proceeding on Motion of the Commission to Consider Demand Response Initiatives

**COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC**

**I. Introduction**

The New York Independent System Operator, Inc. (“NYISO”) submits these comments in response to the New York State Public Service Commission’s (the “Commission’s”) Notice Soliciting Comments dated August 26, 2009 (“Notice”) in the referenced proceeding. The Notice solicited comments on the demand response initiatives proposed by Consolidated Edison of New York, Inc. (“Con Edison”) in its “Assessment of the Potential for Cost Effective Demand Response” (the “Demand Response Report”) in response to the Commission’s February 17, 2009 Order instituting this proceeding,<sup>1</sup> as further discussed at the technical conferences and collaborative meetings.

In the February 17 Order, the Commission separated issues relating to demand response from the Commission’s ongoing proceeding establishing and examining an Energy Efficiency Portfolio Standard<sup>2</sup> in order “to examine potential initiatives to promote demand response in the parts of the state where peak load reduction would provide the greatest benefits.” The Commission directed Con Edison to file a report identifying and describing cost-effective

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<sup>1</sup> Case No. 09-E-0115, Order Instituting Proceeding (February 17, 2009)

<sup>2</sup> Case No. 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Instituting Proceeding (May 16, 2007).

demand response programs that could be applied in Zone J. Accordingly, Con Edison filed the Demand Response Report on June 1, 2009.

The NYISO is the independent body responsible under tariffs approved by the Federal Energy Regulatory Commission for maintaining bulk power system reliability, providing open access transmission service, and administering the wholesale energy, capacity, and ancillary services markets in New York. Among its tariff-based duties is the efficient administration of various demand response programs, described in more detail below. Due to its interest in this proceeding, the NYISO filed a Request for Inclusion on the Active Party List on March 11, 2009, and is an active party.

The NYISO appreciates that Con Edison and the Department of Public Service Staff in the past have recognized the value to customers and the State of coordinating the NYISO's and Con Edison's respective demand response programs so that they complement each other rather than interfere with each other. The NYISO recommends that the Commission approve the Commercial System Relief Program ("CSR") proposed by Con Edison in the Demand Response Report, with the modifications described herein. As to Con Edison's proposed Network Relief Program, the NYISO respectfully requests that the Commission direct Con Edison to continue working with the Parties to develop the details of the program. The NYISO believes that input from interested parties including the NYISO will minimize the possibility of the Network Relief Program from unintentionally interfering with the NYISO's operating protocols.

## II. The NYISO's Demand Response Programs

The NYISO's demand response programs provide the New York Control Area with valuable and dependable resources that supplement other supply when needed. The programs were designed to support bulk power system reliability and provide demand response resources with the ability to participate in various NYISO markets. The NYISO presents this brief synopsis of its programs so that the Commission can appreciate the importance of the modifications to the CSRP proposed herein. Demand resources with interruptible load and distributed generation resources may participate in the NYISO markets under several programs:

- Resources participating in the Emergency Demand Response Program<sup>3</sup> (“EDRP”) voluntarily curtail energy consumption when called upon during emergency conditions. The NYISO compensates these resources at the greater of \$500/MWh or the prevailing locational based market price. The EDRP program does not have a capacity component.
- The NYISO's Special Case Resource (“SCR”) program provides an opportunity for Local Generators and demand resources with interruptible load to receive payments for Capacity and Energy.<sup>4</sup>
- Under the Targeted Demand Response Program, Transmission Owners can request the NYISO to deploy EDRP resources and SCRs to assist in providing load relief to address certain local reliability circumstances. The NYISO is required to deploy those resources upon the request of a Transmission Owner.

This program is available in Load Zone J, New York City.

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<sup>3</sup> Capitalized terms not defined herein have the meaning set forth in the NYISO Market Administration and Control Area Services Tariff and the NYISO Open Access Transmission Tariff.

<sup>4</sup> Resources may participate in EDRP or the SCR program, but not both.

- The Day-Ahead Demand Response Program (“DADRP”) provides an opportunity for energy consumers to offer load reductions as supply in the Day-Ahead energy market. Offers that clear are paid the market clearing price, and are scheduled in the Day-Ahead Market, which means that DADRP resources are required to curtail in accordance with the scheduled load reduction. DADRP increases the amount of supply in the market and helps moderate prices. Qualified SCR and EDRP resources may participate in DADRP.
- The Demand Side Ancillary Services Program (“DSASP”) provides an opportunity for demand response resources to participate in the Ancillary Services market. Demand resources may offer their load curtailment capability in Day-Ahead or Real-Time to provide Operating Reserves or Regulation service. DSASP resources do not receive an energy payment but are eligible to receive a Day-Ahead Margin Assurance Payment to make up for any difference between their Day-Ahead schedule and their Real-Time dispatch, assuming they perform to the Day Ahead schedule.

### **III. Con Edison’s Proposed Commercial System Relief Program**

Con Edison’s proposed CSRP is a two-year pilot, beginning in June 2010, designed, among other things, to reduce its system peak. Con Edison states that it intends to integrate committed reductions into its load forecast for 2011, with an initial enrollment target of 100 MW of demand response resources.<sup>5</sup> The CSRP will be effective during the summer months of June through September. Con Edison will pay participants a capacity reservation payment, and participants will be obligated to curtail their demand on notice from Con Edison for a maximum

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<sup>5</sup> Demand Response Report at 4.

of ten events over the four-month period. As proposed by Con Edison, CSRPs participants would be prohibited from participating in the NYISO's SCR program during that same period, but would be allowed to offer their capacity to the NYISO for the months of May and October. Resources would receive an energy payment for the hours in which they perform, and would be eligible for bonus payments for responding to Con Edison's calls for performance beyond normal program parameters.

The NYISO recognizes the value of reducing the Con Edison system peak. The NYISO has identified the following concerns, which it believes can be readily resolved with the modifications described herein. First, the CSRPs proposal would not permit the NYISO to call on CSRPs resources during a NYISO event. It is reasonably foreseeable that a NYCA event may not coincide with a CSRPs-defined event. As proposed, the CSRPs also does not provide for optimal operational coordination between Con Edison and the NYISO. Second, the design of the CSRPs creates the potential that demand response resources may enroll in both Con Edison's and certain NYISO programs, with the possible result that the capacity represented by these resources could be double-counted. Specifically, Con Edison and other Load Serving Entities in Zone J will use this capacity to reduce their capacity obligations for the year. The resources should not be allowed to offer the same capacity into the NYISO market in May and October, because it will have already been recognized.

A. Con Edison's CSRPs Needs to Provide for Coordination with the NYISO to Maintain the Value of the NYISO's Programs for Reliability

The NYISO relies on demand response resources to assist with the management of NYCA-wide or Zonal operating reserve deficiencies and system emergencies. The proposed CSRPs criteria to activate resources for in-day emergencies is based on Con Edison's load

forecast criteria; however, there is no provision for the NYISO to request that Con Edison call the resources, or for the NYISO to directly call the CSRPs resources to aid in addressing system-wide conditions.

While a system condition that causes Con Edison to call its CSRPs participants to respond may coincide with a NYISO event, the NYISO can foresee needing to call on the same resources for conditions that do not coincide with the CSRPs event criteria. For various reasons, including those discussed herein, the NYISO agrees with Con Edison that CSRPs resources should not be enrolled in both programs at the same time. However, it would be beneficial to the NYCA as a whole if the NYISO had the ability to have Con Edison call on the CSRPs resources under certain system conditions. The NYISO recognizes that responses may need to be voluntary; however, having the ability to access these resources, even if they are not under a tariff obligation to respond, would be beneficial. It is important that the CSRPs include procedures that would permit the NYISO to request activation of CSRPs participants at least on a voluntary basis. The NYISO respectfully requests that the Commission direct Con Edison to coordinate with the NYISO concerning activation criteria before filing tariff leaves.

**B. Participation, Administration, and Payment Issues; and Proposed Modifications**

As proposed, the CSRPs would result in a demand response resource that participates in both the CSRPs and certain of the NYISO's programs receiving payments from Con Edison and the NYISO for the same service; namely, they receive the value of six months participation in the NYISO SCR program for four months of participation in Con Edison's CSRPs program. In addition, the possibility of dual enrollments across the programs creates a substantial risk of Con Edison and the NYISO over-stating the actual availability of demand resources to respond to system events.

The NYISO believes these issues can be resolved if the CSRP is modified to prohibit CSRP resources from registering for any of the NYISO's SCR program, EDRP, DADRP, or DSASP for the entire Summer Capability Period. Clarity in both Con Edison's program rules and the NYISO's program rules will facilitate the demand resources' understanding of their obligations, their compliance, and Con Edison's and the NYISO's administration of their respective programs.

Con Edison's CSRP program is specifically designed so that the committed peak load reductions will reduce Load Serving Entities' ("LSEs") capacity obligations for the entire Capability Year, not just the four months associated with CSRP. To avoid double counting of capacity resources, Con Edison states that it will exclude its CSRP customers from participating in the NYISO's SCR program for the months of June through September,<sup>6</sup> but does not explicitly prohibit the resources' participation in the NYISO's SCR program in May or October. Accordingly, the Locational Installed Capacity Requirement and each LSE's allocable share would be lower in respect of the MW participating in the program; however, if CSRP resources are not excluded from the NYISO's SCR program in May and October, the same capacity would be double counted.

In addition, Con Edison's proposed capacity reservation payment for the four months of CSRP is equivalent to the NYISO's capacity market payment for the full six months of the Summer Capability Period in the SCR program. Thus, in effect, CSRP participants that register with the NYISO as SCRs in the months of May and October would be offering capacity that has already been recognized. Con Edison's proposed rules for CSRP also should prohibit participants from registering in the NYISO's EDRP for the Summer Capability Period.

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<sup>6</sup> Report at p. 8.



Eliminating overlap of program participation would eliminate the risk of double payment and the corresponding potential additional cost burden on all Zone J customers.

Prohibiting CSRP participants from participating in the NYISO's DADRP program also would avoid duplicative costs. Under the NYISO's tariff, a Day-Ahead schedule for a DADRP resource takes precedence over its reliability program participation (as EDRP or SCR). The DADRP rules are designed to prevent double payment in such a case: the NYISO nets the load reduction for any resources enrolled in both DADRP and either SCR or EDRP against the amount of MW scheduled through DADRP. Thus, the demand response provider receives only one energy payment for the total amount of demand response provided, even though some MW are provided under a Day-Ahead schedule and some in response to an EDRP or SCR call. Without a similar mechanism to ensure that a CSRP provider's response is not counted twice when a CSRP event coincides with the same resource's DADRP energy schedule, Con Edison's program may result in an energy payment that is additional to the NYISO market payment for the same load reduction. This mechanism does not appear achievable in the case of Con Edison's program, because DADRP energy schedules are protected as confidential, market-sensitive information under the NYISO's Market Services Tariff and could not be disclosed to Con Edison.

In addition, allowing participation in both CSRP and DADRP may have an impact on the demand resource's baseline and ultimately its performance in either program. If the resource participates in a CSRP event and also has been scheduled frequently in the Day-Ahead Market, the baseline may be affected and cause the demand resource to appear to have not fully met its commitment in the program. The same impact to a baseline could happen in determining the energy market performance for a DADRP schedule.

The NYISO also recommends that CSRP resources be prohibited from participating in the NYISO's DSASP program during the Summer Capability Period. While the NYISO does permit SCR and EDRP resources to enroll in DSASP, the NYISO has automated procedures in place in the network model to address coordination of these resources during reliability events. Although these resources are visible to Con Edison through its Energy Management System, Con Edison does not have control over the real-time dispatch of these resources. If a "dual enrollment" CSRP resource is already responding to the NYISO's real-time dispatch for Operating Reserves or Regulation service, it may not be able to meet its CSRP obligation. Conversely, if Con Edison activates a DSASP resource for a CSRP event and subsequently receives a real-time dispatch from the NYISO, the resource may not be able to meet its real-time schedule for Operating Reserves or Regulation service.

The NYISO's proposed measures would not be unduly burdensome on Con Edison. These modifications would facilitate resources' participation because they would be better able to understand their obligations.

#### **IV. Network Relief Program**

Con Edison has provided few details regarding its proposed Network Relief Program. Accordingly, it is not possible to determine the resources that will be eligible to enroll in it. In addition, Con Edison has not described the system conditions under which these resources may be dispatched. Therefore, the NYISO respectfully requests that the Commission direct that Con Edison continue to develop the details of this program, with input from the parties, before the Commission rules on it. Alternatively, the NYISO requests that the Commission direct Con Edison to modify the Network Relief Program to prohibit resources from participating if they participate in any of the NYISO's demand response programs. This modification is

necessary to ensure that NYISO operators know which resources may be available to respond if activated, and that resources are not compensated for the same services under more than one program.

**V. Conclusion**

The NYISO respectfully requests that the Commission approve Con Edison's CSR program with the modifications noted in the body of this filing. Specifically, the Commission should direct Con Edison to collaborate with the NYISO to develop demand response procedures, including mechanisms that will allow CSR resources to be activated by Con Edison on a voluntary basis upon request by the NYISO. In addition, CSR resources should be excluded from the NYISO's DADRP, EDRP, SCR, and DSASP programs for all of the Summer Capability Period. Finally, the Commission should direct that Con Edison continue to develop the details of the Network Relief Program, with input from the parties, before the Commission makes a final determination on this aspect of the program.

Respectfully submitted,

/s/Elizabeth A. Grisaru

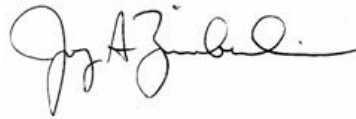
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STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 09-E-0115 - Proceeding on Motion of the Commission to Consider Demand Response Initiatives.

**CERTIFICATE OF SERVICE**

I hereby certify that I am over the age of eighteen years and that pursuant to the rules for service in the above captioned proceeding established by the Secretary to the Commission, I served on September 21, 2009 a copy of the Comments of the New York Independent System Operator, Inc. on the June 1, 2009 report titled "Assessment of the Potential for Cost Effective Demand Response" upon the parties on the Active Party List established for the above-captioned proceeding by electronic mail.



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