output, and purchase Energy in the LBMP Markets, or by an entity engaged in a Bilateral Wheel Through transaction to indicate the Congestion Component cost below which that entity is willing to accept Transmission Service.

2.38a ~~Deficiency Procurement Auction~~ ~~Reserved for future use.~~ Demand Reduction Aggregator

A Demand Reduction Provider, qualified pursuant to ISO Procedures, that bids Demand Side Resources of at least 1 MW through contracts with Demand Side Resources and is not a Load Serving Entity.

~~An auction conducted pursuant to Section 5.14.1(a) of this Tariff to procure sufficient Unforced Capacity to cover the remainder of LSEs' Unforced Capacity requirements for an Obligation Procurement Period.~~

2.38b Demand Reduction

A quantity of reduced electricity demand from a Demand Side Resource that is bid, produced, purchased and sold over a period of time and measured or calculated in Megawatt hours.

2.38c Demand Reduction Incentive Payment

A payment to Demand Reduction Providers that are scheduled to make Day-Ahead Demand Reductions~~ that are not supplied by a Local Generator.~~ The payment shall be equal to the product of: (a) the Day-Ahead hourly LBMP at the applicable Demand Reduction bus; and (b) the lesser of the actual hourly Demand Reduction or the Day-Ahead scheduled hourly Demand Reduction in MW. Demand Reduction Incentive Payments shall not be made after October 31, 2004.

2.38d Demand Reduction Provider

An entity, qualified pursuant to ISO Procedures, that bids Demand Side Resources of at least 1 MW, pursuant to the DADRP. ~~Prior to January 1, 2002, only Load Serving Entities may qualify as Demand Reduction Providers. On and after January 1, 2002, Curtailment Services Providers may also qualify as Demand Reduction Providers.~~ A Demand Reduction Provider can be either a Load Serving Entity or a Demand Bid Aggregator.

2.39 Demand Side Resources

Resources located in the NYCA that are capable of reducing demand in a responsive, measurable and verifiable manner within time limits, and that are qualified to participate in competitive Energy markets pursuant to this Tariff and the ISO Procedures. ~~Demand Side Resources may reduce demand either by curtailing NYCA Load or by activating Local Generators, provided, however, for purposes of bidding into the Day-Ahead Market, Demand Side Resources shall not include reduced demand activated by Local Generators that use diesel fuel~~.

2.40 Dependable Maximum Net Capability ("DMNC")

The sustained maximum net output of a Generator, as demonstrated by the performance of a test or through actual operation, averaged over a continuous time period as defined in the ISO Procedures.

2.41 Desired Net Interchange ("DNI")

A mechanism used to set and maintain the desired Energy interchange (or transfer)

between two Control Areas; it is scheduled ahead of time and can be changed only manually in real-time.

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4.16 Day-Ahead LBMP Market Transactions

The ISO shall calculate the Day-Ahead LBMPs for each Load Zone and at each Generator bus and Demand Reduction Bus as described in Attachment B. Each Supplier that bids a Generator into the ISO Day-Ahead Market and is scheduled in the SCUC to sell Energy in the Day-Ahead Market will be paid the product of: (a) the Day-Ahead hourly LBMP at the applicable Generator bus; and (b) the hourly Energy schedule. For e~~E~~ach Demand Reduction Provider that bids a Demand Reduction into the Day-Ahead Market and is scheduled in SCUC to reduce demand, the LSE providing energy service to the Demand Side Resource providing the Demand Reduction shall be paid the product of: (a) the Day-Ahead hourly LBMP at the applicable Demand Reduction Bus; and (b) the hourly demand reduction scheduled Day-Ahead (in MW). – Each LSE that bids into the ISO Day-Ahead Market, including each Customer that submits a bid – for a Virtual Transaction, and has a schedule accepted by the ISO to purchase Energy in the Day-Ahead Market will pay the product of: (a) the Day-Ahead hourly Zonal LBMP at each Point of Withdrawal; and (b) the scheduled Energy at each Point of Withdrawal. Each Customer that submits a Virtual Transaction bid into the ISO Day-Ahead Market and has a schedule accepted by the ISO to sell Energy in a Load Zone in the Day-Ahead Market will receive a payment equal to the product of (a) the Day-Ahead hourly zonal LBMP for that Load Zone; and (b) the hourly scheduled Energy for the Customer in that Load Zone. Each Demand Reduction Provider that bids a Demand Reduction ~~that is not activated by a Local Generator~~ into the Day-Ahead Market and is scheduled in the SCUC to reduce demand shall receive a Demand

A. Settlement When Actual Energy Withdrawals Exceed Scheduled Energy Withdrawals Other Than Scheduled or Actual Withdrawals in Virtual Transactions

When the Actual Energy Withdrawals by a Customer over an SCD interval exceed the Energy withdrawals scheduled over that SCD interval, the ISO shall charge the Real-Time LBMP for Energy equal to the product of: (a) the Real-Time LBMP calculated in that SCD interval for each applicable Load Zone; and (b) the difference between the Actual Energy Withdrawals and the scheduled Energy withdrawals at that Load Zone.

Limited Resource for the twenty four hour day is less than its Day-Ahead margin than it shall receive a supplemental payment pursuant to ISO Procedures. An Energy Limited Resource's total margin is equal to the sum of: (a) the Day-Ahead revenue it receives for supplying Energy, Operating Reserve Service and Regulation Service, minus its Day-Ahead Bid to supply these services in each hour of the twenty four hour day; plus (b) the real-time revenue it receives for supplying Energy, Operating Reserve Service and Regulation Service, minus its real-time Bid to supply these services for each hour of the twenty four hour day. An Energy Limited Resource's Day-Ahead margin is equal to the revenue it would have received for providing Energy, Operating Reserve Service and Regulation Service pursuant to its Day-Ahead schedule, minus its Bid to provide these services for the same twenty four hour day.

~~When actual Demand Reduction from a Demand Reduction Provider that is supplied from Local Generators over an hour is less than the Demand Reduction scheduled over that hour, the Demand Reduction Provider shall pay a Demand Reduction imbalance charge equal to the product of: (a) the Real-Time LBMP calculated for that hour for the applicable Demand Reduction bus; and (b) the difference between the scheduled Demand Reduction and the actual Demand Reduction at that bus in that hour.~~

When actual Demand Reduction over an hour from a Demand Reduction Provider that is also the LSE providing energy service to the Demand Side Resource~~Demand Reduction Provider, other than Demand Reduction supplied by Local Generators, over an hour~~ is less than the Demand Reduction scheduled over that hour, th~~e~~at LSE~~Demand Reduction Provider~~ shall pay a Demand

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Reduction imbalance charge consisting of the product of (a) the greater of the Day-Ahead LBMP or the Real-Time LBMP for that hour and (b) the difference between the scheduled Demand Reduction and the actual Demand Reduction in that hour.~~equal to the product of: (a) the higher of the Day-Ahead LBMP or the Real-Time LBMP calculated for that hour for the applicable Demand Reduction bus; (b) the difference between the scheduled Demand Reduction and the actual Demand Reduction at that bus in that hour; and (c) 1.10~~.

When actual Demand Reduction over an hour from a Demand Reduction Provider that is not the LSE providing energy service to the Demand Side Resource is less than the Demand Reduction scheduled over that hour, then (1) the LSE providing Energy service to the Demand Reduction Provider's Demand Side Resource shall pay a Demand Reduction imbalance charge equal to the product of (a) the Day-Ahead LBMP calculated for that hour for the applicable load bus and (b) the difference between the scheduled Demand Reduction and the actual Demand Reduction at that bus in that hour, and (2) the Demand Reduction Provider will pay an amount equal to (a) the product of (i) the higher of the Day-Ahead LBMP or the Real-Time LBMP calculated for that hour for the applicable load bus, and (ii) the difference between the scheduled Demand Reduction and the Actual Demand Reduction at that bus in that hour, (b) minus the amount paid by the LSE providing service to the Demand Reduction Provider's Demand Side Resource under (1), above.

D. Settlement When Actual Energy Withdrawals are Less Than Scheduled Energy Withdrawals Other Than Actual or Scheduled Withdrawals in Virtual Transactions

When a Customer's Actual Energy Withdrawals over an SCD interval are less than its Energy withdrawals scheduled Day-Ahead over that SCD interval, the Customer shall be paid the product of: (a) the Real-Time LBMP calculated in that SCD interval for each applicable Load Zone; and (b) the difference between the scheduled Energy withdrawals and the Actual Energy Withdrawals in that Load Zone. If the Energy withdrawals scheduled by BME at a Proxy Generator Bus are curtailed for reasons within the control of a Supplier or Transmission Customer then that Supplier or Transmission Customer instead shall be paid the product of: (a) the lower of the time-weighted average of the LBMPs calculated for each SCD interval at the Proxy Generator Bus over the dispatch hour or the price calculated by the BME at the Proxy Generator Bus for that hour; and (b) the difference between the scheduled Energy withdrawals and the Actual Energy Withdrawals for the dispatch hour.