

ORIGINAL



FILED
IN THE OFFICE OF THE SECRETARY

03 NOV 24 PM 4: 53

November 24, 2003

FEDERAL ENERGY
REGULATORY COMMISSION

BY HAND

The Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

New York Independent System Operator, Inc. Submittal of Further Information in
Compliance with the October 24, 2003 Order in Docket No. ER01-3001-006 007

Dear Ms. Salas:

Pursuant to the Commission's October 24, 2003 Order in this proceeding ("October 24 Order"),¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits further information regarding the relationship between its demand response programs and the wholesale price of electricity within the NYISO.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. A form of *Federal Register* Notice ("Attachment V").

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel and Secretary
Belinda F. Thornton, Director of Regulatory Affairs
Gerald R. Deaver, Senior Attorney
New York Independent System Operator, Inc.
3890 Carman Road, Schenectady, NY 12303
Tel: (518) 356-6153
Fax: (518) 356-4702
rfernandez@nyiso.com
bthornton@nyiso.com
gdeaver@nyiso.com

¹ *New York Independent System Operator, Inc.*, 105 FERC ¶ 61,115 (2003).

NYISO-Main Facility
3890 Carman Road
Schenectady, NY 12303

NYISO-Wolf Road
187 Wolf Road
Albany, NY 12203

NYISO-Annex
5172 Western Turnpike
Altamont, NY 12009

The Honorable Magalie R. Salas, Secretary
November 24, 2003
Page 2

III. Service List

Copies of this filing are being served on all parties designated on the official service list for this proceeding maintained by the Secretary of the Commission. The NYISO has also mailed a copy of this filing to all parties who have executed Service Agreements under the NYISO's Open-Access Transmission Tariff or its Market Administration and Control Area Services Tariff, and to the electric utility regulatory agencies in New York, New Jersey, and Pennsylvania.

IV. Background

Pursuant to the initial October 25, 2001 Order in this proceeding,² beginning in December 2001 and semi-annually in June and December of each year thereafter, the NYISO has submitted four reports to the Commission regarding: (i) the NYISO's existing demand response programs, the status of real-time demand response mechanisms, and the effects of demand response programs on wholesale prices; and (ii) the addition of new generation resources in the New York Control Area ("NYCA").³ In the October 24 Order, the Commission accepted the NYISO's June 2, 2003 semi-annual compliance report, but directed the NYISO to submit additional information in a further compliance filing regarding the relationship between demand response programs and wholesale electricity prices in the NYISO-administered markets.

Previously, the NYISO has evaluated the wholesale price impacts of its demand response programs on a once-a-year basis after the conclusion of each year's summer capability period. Because these programs are utilized principally during the summer period when higher loads and peak demands occur, a much greater body of data concerning demand reduction bids and actual schedules is available for this evaluation. Conversely, Load curtailments from demand reduction programs are much less frequent during the winter capability period, leaving the NYISO with very little meaningful data to analyze for the June compliance reports in this proceeding. As a result of the annual analysis currently being conducted in support of the upcoming December 1 semi-annual compliance report, however, the following further information regarding the price impacts of demand response from January through May 2003 is provided below in compliance with the October 24 Order.

² *New York Independent System Operator, Inc.*, 97 FERC ¶ 61,095 (2001).

³ Capitalized terms not otherwise defined herein shall have the meaning set forth in Article 2 of the NYISO's Market Administration and Control Area Services Tariff.

The Honorable Magalie R. Salas, Secretary
 November 24, 2003
 Page 3

V. Compliance Information

During the January through May 2003 period, 909 individual Day-Ahead Demand Response ("DADRP") bids were scheduled in the Capital-Hudson region, which is defined as NYISO Load Zones F, G, H, and I. The scheduled DADRP bids amounted to a total of 1,893 MWh of curtailed energy. DADRP bids were not accepted and scheduled in any other NYISO load zone during this period.

Under the methodology for evaluating the correlation, if any, between demand response programs and wholesale electricity prices developed by the NYSIO for previous compliance reports, market impacts are measured by two factors: collateral savings and reduced hedge costs. Collateral savings measure the reduction in the cost of Day-Ahead Market ("DAM") energy purchases by Load Serving Entities ("LSEs") that result from DADRP-scheduled curtailment. Hedge cost impact is an estimate of the ripple effect that lower DAM prices during curtailment hours may have on bilateral energy supply contracts.

These two impacts are measured by estimating the flexibility of energy supplies ("Supply Flexibility") in the DAM and the Real-Time Market ("RTM") in response to price changes. The measure of Supply Flexibility is the percentage change in LBMP resulting from a one percent change in the load served. Higher Supply Flexibility values correlate with greater impacts from the collateral savings and hedging from scheduled DADRP curtailment bids. Table 1, below, provides a range of values for Supply Flexibility for January through May 2003. The range reflects hourly and daily differences and indicates the average Supply Flexibility for that period. The average value is useful for comparing market circumstances over time.

For the period January to May 2003, the average Supply Flexibility for the Capital-Hudson region was 2.7 and 3.5 for the DAM and RTM, respectively. By contrast, the corresponding values for the 2002 Summer Capability Period were approximately 4.5 and 5.5 for the DAM and RTM, respectively. The decreased Supply Flexibility value for the winter capability period is an expected result, given that Loads and demands are lower. Consequently, scheduled DADRP bids during the winter period would be expected to provide lower per unit market price impacts than would be expected in the summer period.

Table 2, below, contains the dollar estimates for the market impacts from demand reductions. Collateral savings are estimated at \$223,426 and hedging savings are \$487,308, for a total wholesale electricity price impact of \$710,734. Market Participants were paid a total of \$142,167 for the associated DAM load curtailments, which results in a market savings- to-market cost impact ratio of 5.0. By comparison, the savings-to-cost ratio for the summer 2002 period was 4.0, and approximately 7.0 for the summer 2001 period.

The Honorable Magalie R. Salas, Secretary
 November 24, 2003
 Page 4

Table 1. Supply Flexibilities – Capital-Hudson Region: January through May 2003

	Min Flexibility	Avg. Flexibility	Max Flexibility
DAM	1.32	2.70	3.80
RTM	1.44	3.73	5.90

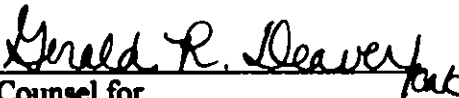
Table 2. DADRP Market Impacts: January through May 2003.

DADRP Scheduled Bids	DADRP Scheduled MWh	Collateral Savings	Reduction in Hedge Costs	Total Impacts	Program Payments
909	1,893	\$223,426	\$487,308	\$710,734	\$142,167

V. Federal Register Notice

A form of *Federal Register* Notice is provided herewith. A diskette of the Notice is also provided in WordPerfect format.

Respectfully submitted,



Counsel for
 New York Independent System Operator, Inc.

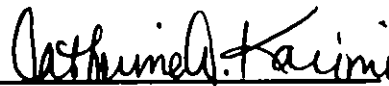
Robert E. Fernandez, General Counsel and Secretary
 Gerald R. Deaver, Senior Attorney
 New York Independent System Operator, Inc.
 3890 Carman Road
 Schenectady, NY 12303

cc: Daniel L. Larcamp, Director Office of Markets, Tariffs and Rates
 Alice M. Fernandez, Director Office of Markets, Tariffs and Rates -- East Division
 Robert E. Pease, Acting Director of Division of Enforcement, Office of Market Oversight and Enforcement
 Michael A. Bardee, Lead Counsel for Markets, Tariffs and Rates

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person that has executed a Service Agreement under the NYISO's Open Access Transmission Tariff or Market Administration and Control Area Services Tariff, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2003).

Dated at Washington, D.C. this 24th day of November, 2003.



Catherine A. Karimi
Sr. Professional Assistant
Hunton & Williams LLP
1900 K Street, N.W.
Washington, DC 20006-1109
(202) 955-1500

ATTACHMENT I

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.) Docket No. ER01-3001-00_

NOTICE OF FILING

Take notice that on November 24, 2003, the New York Independent System Operator, Inc. ("NYISO") submitted further information regarding the relationship of demand response programs and the price of wholesale electricity in New York in compliance with the Commission's October 24, 2003 Order in the above-captioned proceeding. The NYISO has served a copy of this filing upon all parties that have executed service agreements under the NYISO's Open Access Transmission Tariff and Market Administration and Control Area Services Tariff.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR §§ 385.211 and 385.214). Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designed on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's website at www.ferc.gov, using the FERRIS link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, call (202) 502-8222 or TTY, (202) 208-1659. Protests and interventions may be filed electronically via the Internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's website under the "e-filing" link. The Commission strongly encourages electronic filings.

Comment Date:

**Magalie R. Salas
Secretary**