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December 4, 2001

FILE NO: 55430..000044

BYHAND

The Honorable David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

New York Independent System Operator, Inc.
Compliance Report in Docket No. ER01-3001-000

Dear Mr. Boergers:

Pursuant to Ordering Paragraph “(B)” of the Commission’s October 25, 2001 Order in this proceeding (the “October 25 Order”),¹ the New York Independent System Operator, Inc. (“NYISO”), by counsel, hereby submits this report on: (i) its demand response programs; (ii) the status of mechanisms permitting customers’ response to prices in real-time; and, (iii) the addition of new generation resources in the New York Control Area (“NYCA”).² In addition to this initial report, the October 25 Order directed the NYISO to submit similar reports every six months hereafter.

I. List of Documents Submitted

The NYISO submits the following documents:

1. this filing letter;
2. Tables presenting information concerning the performance of the NYISO’s Emergency Demand Response Program from August 7 through August 10, 2001 (“Attachment I”);

¹ *New York Independent System Operator, Inc.*, 97 FERC ¶ 61, 095 (October 25, 2001).

² 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.

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3. Tables summarizing the load and capacity outlook for the entire New York Control Area, New York City and Long Island (“Attachment II”);
4. A table listing proposed new interconnections in the New York Control Area (“Attachment III”);
5. A table, prepared by the New York State Department of Public Service, listing proposed new power plant projects currently under review pursuant to New York State’s “Article X” process (“Attachment IV”).
6. 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
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III. Service List

The NYISO has 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. Compliance Report

In the October 25 Order, the Commission extended the effectiveness of the NYISO’s current Temporary Extraordinary Procedures Authority (“TEP”) and the \$1,000 MWh bid cap on certain types of bids into the NYISO-administered energy markets (“Bid Cap”) until a Northeastern RTO is established and operating pursuant to standard market rules. Among the

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reasons for extending the TEP and the Bid Cap, the Commission found that the electric energy supply situation in New York remains tight. The Commission further noted that loads remain unable to reduce purchases in response to dramatic price increases and that experience with the NYISO's recently implemented demand response programs is insufficient to justify lifting the Bid Caps.³ Accordingly, the NYISO was directed to file bi-annual reports with the Commission, beginning December 1, 2001, on the progress of the NYISO's demand response programs and the development of mechanisms to permit customer load response to real time prices, and on the progress of generation additions in New York.⁴

A. Status of Demand Side Management Programs

1. 2001 Demand Response Program Performance Summary

The NYISO views the development of a demand side response capability to be an essential component of the New York wholesale electricity markets. To facilitate demand side response programs and products for the market, the NYISO Business Issues Committee established a Price-Responsive Load Working Group ("PRLWG") in August 2000. Through a collaborative effort of the various New York market sectors, the PRLWG created two programs that expand the role of demand side resources in the day-ahead energy market and during system emergency conditions: the Emergency Demand Response Program ("EDRP"); and, the Day-Ahead Demand Response Program ("DADRP").

This report summarizes the performance of the two programs during the Summer 2001 Capability Period (*i.e.*, from May 1, 2001 through October 31, 2001). A thorough evaluation of both programs was underway prior to the October 25 Order, and the NYISO plans to complete a comprehensive report of its findings by the end of December 2001.

Under the EDRP participants are paid for reducing their energy consumption upon notice from the NYISO that an operating reserve deficiency or major emergency exists. The Commission authorized the implementation of the EDRP in its April 27, 2001 Order in Docket No. ER01-1520-000.⁵

³ Id. at p. 8.

⁴ Id. at p. 9.

⁵ *New York Independent System Operator, Inc.*, 95 FERC ¶ 61, 136 (April 27, 2001).

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The DADRP allows loads in New York to bid demand reductions, through their host Load-Serving Entity (“LSE”), into the day-ahead energy market. Demand reduction bids are evaluated along with generation supplier bids as part of the NYISO’s Security Constrained Unit Commitment (“SCUC”) program. If scheduled through SCUC, a load is paid the day-ahead LBMP for the scheduled demand reduction, and is also paid an incentive (at the day-ahead LBMP) for the actual demand reduction provided in real time. The Commission authorized the DADRP in its May 16, 2001 Order in Docket Nos. ER01-1740-000 and –001.⁶

Both the EDRP and the DADRP were implemented for the Summer 2001 capability period peak load season. The EDRP began accepting registrations in mid-May; as of the end of August, a total of 24 Curtailment Service Providers (“CSPs”) had registered for the program, bringing a total of 290 end-use resources to the program. The end use resources registered, classified by NYISO Load Zone and by demand reduction type are shown in Table I.

TABLE I – EDRP RESOURCES REGISTERED IN 2001

Zone	TOTAL MW	Interruptible Load	On-Site Generation	Load + Generation
All (A-K)	679.1	520.6	120.5	38
A	295.3	294.8	0.5	0
B	12.7	12.2	0.5	0
C	77.2	68.9	3.9	4.4
D	0.7	0.5	0	0.2
E0	41.2	37.3	3.9	0
F	98.9	76.3	3.9	18.7
G	25.4	18.7	6.4	0.3
H	6.8	1.8	5	0
I	12.4	1.4	6.3	4.7
J	83.3	8.7	65.4	9.2
K	25.3	0	24.8	0.5

During the week of August 6, 2001, the New York Control Area experienced a heat wave that resulted in record demand levels. During the three days of August 7 through August 9, 2001, the New York electricity grid established three new historical peak loads, culminating on August 9, when a peak hourly demand of 30,983 MW was measured. Prior to

⁶ *New York Independent System Operator, Inc.*, 95 FERC ¶ 61, 223 (May 16, 2001).

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August 7, 2001, the previous record of 30,311 MW was set in 1999. Figures 1 and 2 summarize the verified load reduction provided through the EDRP program on each of the four days activated. Total payments to CSPs for this period were approximately \$4.5 million. The data used in creating Figures 1 and 2 are included herewith as Attachment I.

Figure 1 – EDRP Participation by Location

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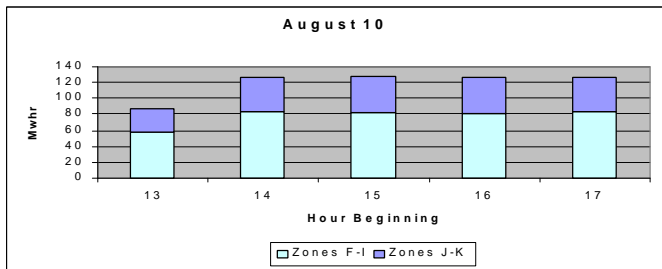
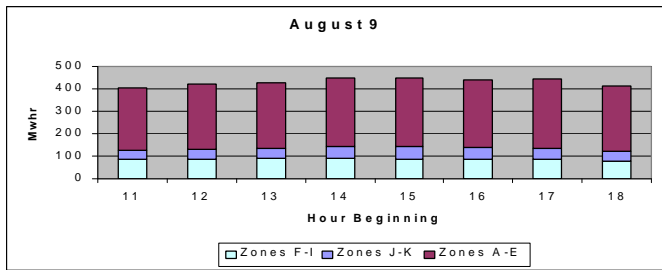
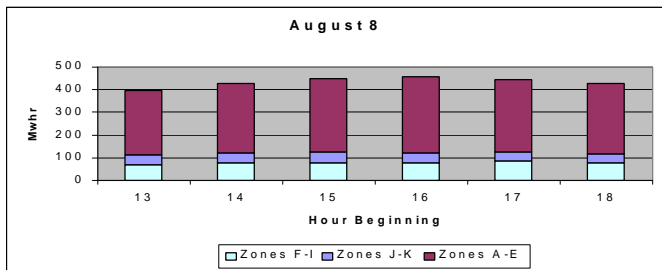
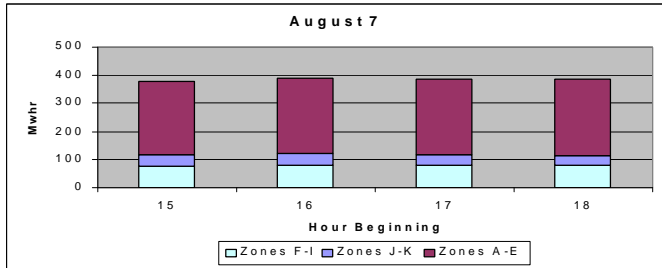
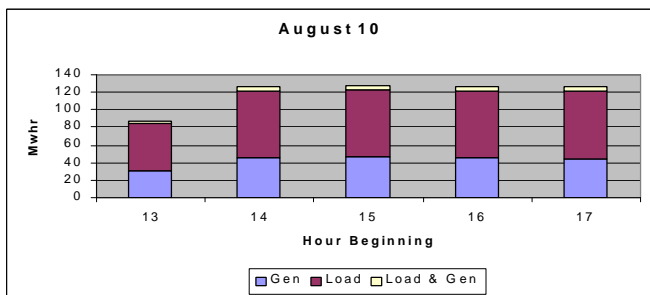
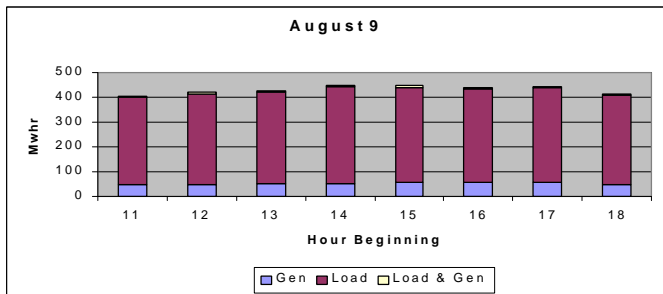
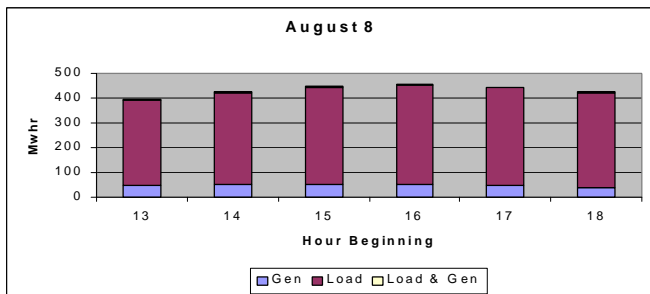
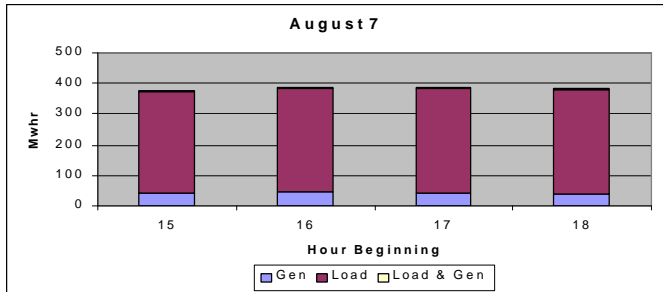


Figure 2 – EDRP Participation by Resource Type



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The DADRP became operative in mid-July with a total of 24 participants sponsored by LSEs. In most cases, participants were large (5-100 MW) industrial loads. Figure 3 plots the daily MWhr scheduled through DADRP. Figure 4 shows the peak coincident megawatts scheduled through the day-ahead program. Of the 24 program registrants, fewer than half were actively submitting bids in the Day-Ahead Market during the period July through September. Participation may have been affected by many factors, including program complexity, insufficient time to market the program at the retail level, and the relatively low wholesale energy prices seen during portions of the period.

Figure 3 – Demand Side Resource Energy Scheduled

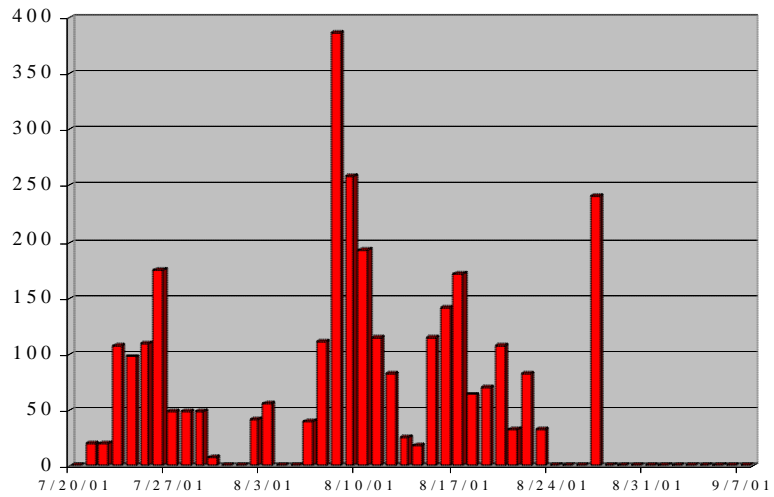
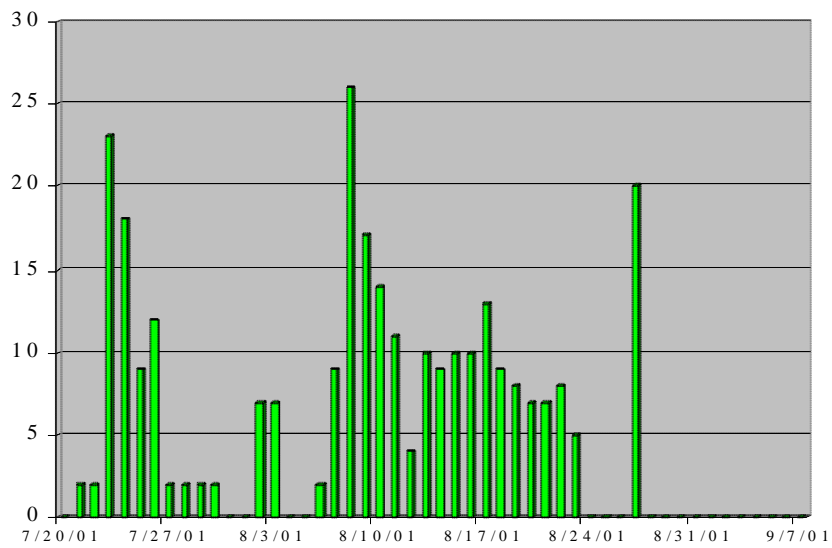


Figure 4 – Demand Side Resource Coincident MW



2. Customer Response Mechanisms

The Commission has noted in its previous orders approving extensions of the Bid Cap that price spikes during periods of tight supply can be magnified when loads cannot respond in timely fashion to dramatic price increases. While the NYISO currently has no mechanisms in place that would enable real-time demand responses to price volatility, other than the EDRP, Market Participants have put together proposals for such mechanisms for review through the NYISO governance process. The NYISO's PRLWG will be reviewing these proposals and recommending the most effective mechanisms to the Business Issues Committee for eventual presentation to the NYISO Management Committee and ultimate filing with the Commission.

3. Demand Response Program Evaluation

In August 2001, the NYISO began a formal evaluation of the EDRP and DADRP programs, including extensive surveys of CSPs, end-use participants, and non-participant experts. The demand response evaluation project is intended to provide answers to the experts following questions:

- What impact do demand response programs have on market-clearing prices?
- What inducements do customers need to provide load curtailments when the NYISO needs them?
- How many demand response resources are required to mitigate price spikes? Who benefits from price spike mitigation? Who pays?
- What procedures and processes were put into place to facilitate subscribing customers to participate in programs and inducing them to curtail loads?
- How well did the curtailment service providers responsible for implementing the programs carry out these processes?
- What changes in the current programs designs are warranted in light of customer experiences from this summer's programs?

Preliminary results have focused on direct and indirect economic impact of the EDRP program. The economic impact of demand response has at least three distinct components:

1. direct market savings due to lowering of real-time prices,

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2. longer-term impact on bilateral prices, and
3. the impact of avoided outage costs.

As noted above, a report on this formal program evaluation is expected to be issued in December 2001 and will be submitted to the Commission for informational purposes.

B. Status of Addition of New Generation Resources

The current status of the addition of new generation resources in New York is presented in three tables of data contained in Attachment II. The first table presents preliminary forecasted load and capacity data for New York, by Load Zone, for the Summer 2002 Capability Period. The second table presents the new generating resources currently expected to be on line by June 2002, by name and MW rating for New York City. The third table of Attachment II presents the same data for Long Island.

Attachment III is a four-page table of proposed transmission system interconnections in the New York Control Area. While the proposed interconnections in Attachment III include some that are proposed transmission upgrades only, the majority of the proposed projects are new interconnections for generation additions. As indicated on the last page, 31,114 MW of the interconnection projects under review for New York are related to potential in-state additions of new generation.

For the Commission's information, also included is Attachment IV, which is a three-page table of applications for siting authority for new generation currently pending before the New York Department of Public Service ("NYPSC"). This table is reproduced from the NYPSC's website and a link to this table has also been added to the NYISO's website.

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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.

cc: Daniel L. Larcamp, Director Office of Markets, Tariffs and Rates, Room 8A-01,
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Alice M. Fernandez, Director Office of Markets, Tariffs and Rates -- East
Division, Room 71-31, Tel. (202) 208-0089
Andrea C. Wolfman, Lead Counsel for Market Oversight and Enforcement,
Room 9E-01, Tel. (202) 208-2097
Michael A. Bardee, Lead Counsel for Markets, Tariffs and Rates, Room 101-09,
Tel. (202) 208-2068
Stanley P. Wolf, Office of the General Counsel, Room 101-03,
Tel. (202) 208-0891

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.) Docket No. _____

NOTICE OF FILING

Take notice that on December 4, 2001, the New York Independent System Operator, Inc. (“NYISO”) submitted a report on the status of its demand side management programs and the status of the addition of new generation resources in New York State in compliance with the Commission’s October 25 Order in this 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, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385-214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining 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. Copies of this application are on file with the Commission and are available for public inspection.

David P. Boergers
Secretary

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 (20001).

Dated at Washington, D.C. this 4th day of December, 2001.

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ATTACHMENT I

ATTACHMENT II

ATTACHMENT III

ATTACHMENT IV

ATTACHMENT V