



July 13, 2005

Electronically

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

**Re: Amended Bi-Annual Compliance Report in Docket No. ER01-3001-012
by the New York Independent System Operator, Inc.
Regarding Status of Demand Response Programs and the Addition of New
Generation in New York**

Dear Ms. Salas:

On June 2, 2005, the New York Independent System Operator, Inc. ("NYISO"), by counsel, submitted a bi-annual report (the "June 2 Report") to the Commission regarding the status of demand response programs and the addition of new generation in the New York Control Area ("NYCA"), as required by Ordering Paragraph "(B)" of the October 25, 2001 Order in this proceeding (the "Initial Order"),¹ Ordering Paragraph "(C)" of the July 19, 2002 Order in this proceeding (the "July 19, 2002 Order"),² paragraph 5 of the September 3, 2002 letter order in this proceeding (the "September 3, 2002 Order"),³ and paragraph 7 of the October 24, 2003 Order in this Proceeding (the "October 24, 2003 Order")⁴.

Subsequent to its June 2, 2005 submission, Commission Staff requested the NYISO to provide additional information regarding participation levels in the NYISO's Day-Ahead Demand Response Program ("DADRP"). The information requested by Staff has been included in the NYISO's prior bi-annual reports. As a result of the NYISO's February 1, 2005, implementation of its new real-time scheduling software, the necessary DADRP information was not accessible to NYISO staff at the time of the June 2 Report. The accessibility of DADRP billing information has since been resolved and the NYISO hereby submits an Amended Bi-Annual Compliance Report On Demand Response Programs – June 1, 2005 ("Amended Report").

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

² *New York Independent System Operator, Inc.*, 100 FERC ¶ 61, 081 (2002).

³ *New York Independent System Operator, Inc.*, 100 FERC ¶ 61,243 (2002).

⁴ *New York Independent System Operator, Inc.*, 105 FERC ¶ 61,115 (2003).

The Honorable Magalie R. Salas, Secretary
July 13, 2005
Page 2 of 3

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter; and,
2. A report entitled “Amended Bi-Annual Compliance Report on Demand Response Programs – June 1, 2005” (“Attachment I”).

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel and Secretary
Elaine Robinson, Director of Regulatory Affairs
Gerald R. Deaver, Senior Attorney
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III. Service List

The NYISO respectfully requests a waiver of the requirements of Rule 2010 so that it may use electronic service methods. The NYISO will electronically serve a copy of this filing on the official representative of each of its Market Participants, on each participant in its stakeholder governance committees, on the New York Public Service Commission, and on the New Jersey Board of Public Utilities. The NYISO will provide the Pennsylvania Public Utility Commission with a hard copy of this filing, as requested by that agency. The use of this procedure has been convenient for both the NYISO and for the recipients of this form of service, and to date, the procedure has engendered no complaints. Finally, allowing the use of electronic service would be consistent with the spirit of the Commission’s recent Notice of Proposed Rulemaking regarding service and notification procedures.⁵

⁵ *Electronic Notification of Commission Issuances, Notice of Proposed rulemaking*, 107 FERC ¶ 61,311 (2004).

The Honorable Magalie R. Salas, Secretary
July 13, 2005
Page 3 of 3

IV. Description of Amendment to Compliance Report

The additional information in the Amended Report begins with the last paragraph on page 4, which states that the number of registrations in the DADRP, 18 Market Participants registering 477 MW of potential economic demand reduction, remains steady with the similar value reported in the NYISO's June 1, 2004 compliance report. Page 5 of the Amended Report includes two new graphs that indicate, respectively, the MWh of DADRP resources that have been offered and accepted in the Day-Ahead Energy market thus far during 2005, and the associated offered prices and market clearing Locational Based Marginal Prices for those DADRP resources. Collectively, this new information in the Amended Report is intended to respond to FERC Staff's request for additional information. With the exception of this new information, the Amended Report reflects no other changes from the NYISO's original June 2, 2005 report.

Respectfully submitted,

/s/ Gerald R. Deaver

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Counsel for
New York Independent System Operator, Inc.

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cc: Daniel L. Larcamp
Anna V. Cochrane
Connie Caldwell
Michael A. Bardee

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person on the official service list in Docket Nos. ER01-3001-012 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2004). Copies of the filing were also served 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, and also upon the electric utility regulatory agencies in New York, New Jersey and Pennsylvania.

Dated at Albany, N.Y., this 13th day of July, 2005.

Gerald R. Deaver
Counsel for New York Independent
System Operator, Inc.
290 Washington Ave. Extension
Albany, New York 12203

ATTACHMENT I

New York Independent System Operator, Inc.
Docket No. ER01-3001-012

Attachment I – Amended Bi-Annual Compliance Report
On Demand Response Programs
June 1, 2005

I. Summary of Programs

Currently, the New York Independent System Operator, Inc. (“NYISO”) offers three demand response programs:

- ICAP Special Case Resources⁶ (“SCR”)
- Emergency Demand Response program (“EDRP”)
- Day-Ahead Demand Response program (“DADRP”)

The ICAP SCR program pays retail electricity customers to provide their load reduction capability for a specified contract period. Program participants receive payments in exchange for an agreement to curtail a prescribed amount of load during times when the electric grid could be in jeopardy. Based upon system condition forecasts, participants are notified to curtail this claimed “capacity,” either through the use of on-site generation and/or reducing electricity consumption to a firm power level. Customers register for the program through Responsible Interface Parties (“RIPs”). RIPs are provided with an ICAP credit value, in MWs, which they may sell or use to offset their own ICAP obligation. In addition, when called upon, RIPs will be paid for verified load reduction at the rate of the Real-Time zonal locational-based marginal price (“LBMP”), or a self-submitted strike price between \$0 and \$500/MWh, whichever is greater

EDRP allows participants to be paid for reducing their energy consumption upon notice from the NYISO that an operating reserves deficiency or major emergency exists. The program is open to interruptible loads or local “behind-the-fence” generation greater than or equal to 100 kW per Load Zone. Loads register for the program through Curtailment Service Providers (“CSPs”). When called upon, CSPs will be paid for verified load reduction at the greater of \$500/MWhr or the Real-Time LBMP.

DADRP allows loads, through their Load Serving Entities (“LSEs”) or through third-party Demand Reduction Providers (“DRPs”), to bid load reduction into the Day-Ahead energy market. Load 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, DRPs are paid Day-Ahead LBMPs for the scheduled demand reduction, the LSE of the participating load is also paid an incentive (equal to the Day-Ahead LBMP for the scheduled

⁶ Capitalized terms that are not otherwise defined in this Attachment I are intended to have the same meaning as is set forth for any such terms in Article 2 of the NYISO’s Market Administration and Control Area Services Tariff.

demand reduction). The load also avoids the retail rate that would otherwise be paid for the actual load reduction provided in real time. If the full scheduled load reduction is not provided in real time, the DRP must settle the imbalance amount at the greater of Day-Ahead or Real-Time LBMP.

II. Program Changes to EDRP/SCR for 2004 and 2005

A. EDRP Changes

There were no significant changes to the EDRP program in 2004.

However, as the program is currently scheduled to sunset on October 31, 2005, the NYISO plans to present its Market Participants with a proposal to eliminate the sunset date and make EDRP a permanent part of the NYISO market structure. In keeping with the Commission's prior directives, the NYISO will prepare an assessment that demonstrates the cost effectiveness of this proposal.

B. SCR Changes

The NYISO made no significant changes to the SCR program in 2004.

For 2005, minor changes concerning the frequency and timing of SCR tests, as well as allowable metering configurations for load reductions backed by distributed generation are contemplated and are in the early stages of discussions with Market Participants. To the extent that such changes require approvals by Market Participant and/or the Commission, they will be brought forward through the normal NYISO governance process.

C. DADRP Changes

The NYISO proposed a number of changes to the DADRP during 2004. The most significant of these was the proposal, approved unanimously by Market Participants (with abstentions) to remove the October 31, 2004 sunset date from the program, effectively making it a permanent feature of the NYISO markets. The Commission rejected this proposal, however, and directed the NYISO to provide additional information and support before it would consider whether the program should be made permanent.⁷ Instead, the Commission approved a one-year extension of the program, until October 31, 2005. The NYISO is currently in the process of developing the supporting information ordered by the Commission and plans to again submit its request to eliminate the DADRP sunset date later this (2005) summer, following review and approval by Market Participants.

⁷ *New York Independent System Operator, Inc.*, 109 FERC ¶ 61,101 (2004).

III. Preparations for Summer 2005 Capability Period

As part of the NYISO's outreach to RIPs, CSPs, DRPs and end-use customers, the NYISO collaborated with the PSC and the New York State Energy Research & Development Authority ("NYSERDA") to present three workshops on demand response programs. Workshops were held in March 2005 in New York City, and in April 2005 in Albany and Rochester, to acquaint participants with the NYISO's three demand response programs and NYSERDA's associated program opportunities. The workshops were extremely successful and attracted a total attendance of over 550 persons.

Current Registration Status

Table 1 shows the registration, as of May 25, 2005, by Zone for the ICAP SCR program. There are currently a total of 27 active RIPs acting as intermediaries between the NYISO and end-use customers.

Table 1 – SCR Registration by Zone (as of 5/25/2005)

Zone	MW Registered	# Customers Registered
A	330.2	116
B	64.5	26
C	92.9	39
D	85.4	6
E	5.8	11
F	56.0	19
G	2.4	3
H	0.7	1
I	10.5	13
J	242.7	834
K	84.2	29
Total	975.4	1097

Similar information is provided for the EDRP program in Table 2; a total of 18 CSPs are currently registered of which 9 are active, with resources in the program as of May 25, 2005.

Table 2 – EDRP Registration by Zone (as of 5/25/2005)

Zone	MW Registered	# Customers Registered
A	34.5	24
B	6.1	10
C	28.3	81
D	105	13
E	50.1	46
F	41.7	42
G	36.4	25
H	6.1	7
I	2.1	2
J	114.7	67
K	1.8	1
Total	426.9	318

The registration process is ongoing, with roughly 300 MW of 2004 EDRP resources (primarily those located in Zone K) not confirmed in either program as of the date of this report.

Compared to figures reported in the NYISO's December 1, 2004 semi-annual report, the current registration numbers represent a significant increase in SCR participation and a slight decrease in EDRP registration, assuming that most 2004 EDRP resources not yet accounted for choose to remain in the program. This is not surprising given the fact that the EDRP program was not called in 2004 and, in light of current load and capacity balances, is unlikely to be called upon in 2005. The SCR program, with its revenues being available even when the program is not called, has become relatively more attractive.

[Additional Material Not Reflected in June 2 , 2005 Compliance Report]

Figures 1 and 2 plot the historical performance of participants in DADRP; these figures update those presented in Figures 3 and 4, respectively, included in the NYISO's 6/1/2004 FERC filing on demand response programs⁸. Registration in the DADRP program remains steady with 18 customers having registered 477 MW of potential economic demand reduction with the NYISO.

⁸ New York Independent System Operator, Inc. Bi-Annual Compliance Report on Demand Response Programs and the Addition of New Generation in Docket No. ER01-3001-00, June 1, 2004.

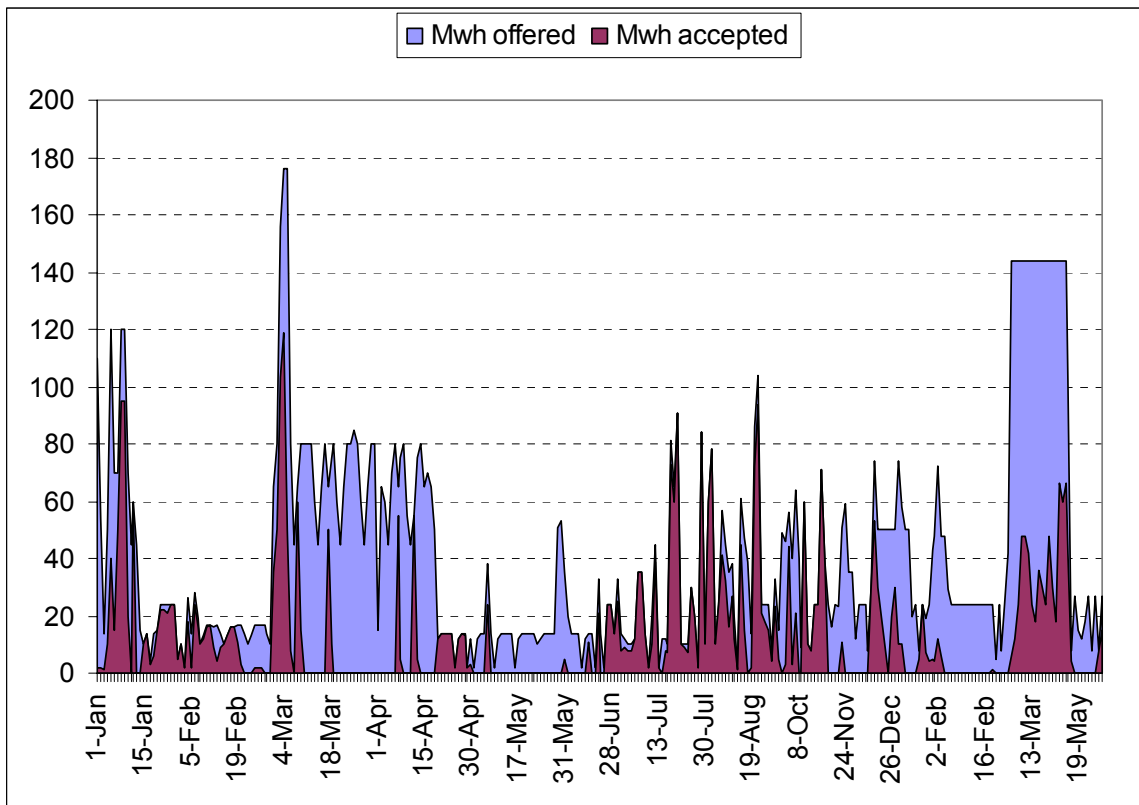


Figure 1 - DADRP Offered and Accepted MWh – 1/1/2004 – 6/23/2005

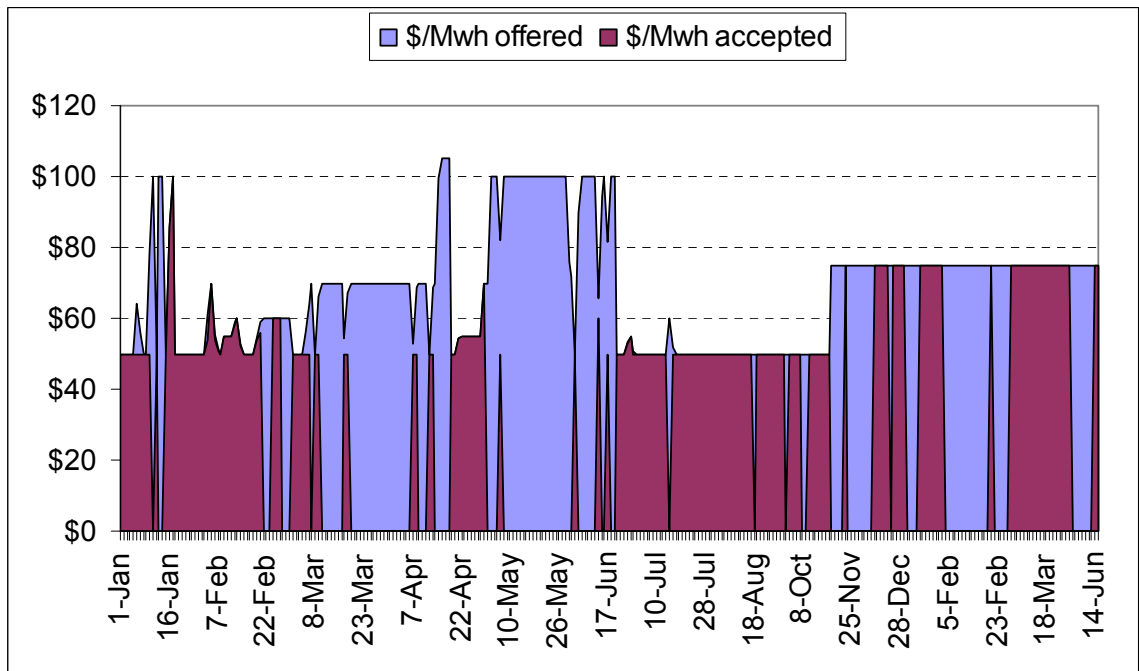


Figure 2 - DADRP Offered and Accepted Prices – 1/1/2004 – 6/23/2005

[End of Additional Material Not Reflected in June 2, 2005 Compliance Report]

IV. 2005 Demand Response Program Evaluation Efforts

As in the past, the NYISO plans to evaluate its demand response programs, as presently configured and deployed, during 2005. In addition, the NYISO will be working with Market Participants to develop options for demand response resources to participate in the reserves markets, as discussed above.

The NYISO's 2005 evaluation effort will expand upon the use of the registration database developed in 2003 to track participation and the migration of participants from one program to another, and will strive to identify, where possible, the reasons that customers join, switch, or leave the programs.

Evaluation efforts during 2005 will also continue the analyses of prior years, all of which have sought to provide estimates of the reliability and market impacts of demand response programs, including revising the estimated reliability benefits of EDRP and SCR, as well as the collateral and hedging benefits of DADRP.

Submission Contents

NYISO's Amended Bi-Annual Compliance Report - Status of Demand Response Programs and New Generation
NYISO_ER01-3001_012Amend.pdf..... 1-11