Day-Ahead Demand Reduction Program

Cost Allocation

The DADRP will result in an under-collection of revenue by the NYISO. The revenue deficiency will be the combined result of:

(a) the load reduction bid guarantee, whereby the LBMP revenue will be supplemented to ensure the load reduction recovers their bid costs for the actual real-time MW reduction accomplished, and

(b) the rebate offered to the end-user's LSE/CSP for the real-time MW reduction accomplished at day-ahead LBMP, and

(c) penalty charges, which offset the revenue deficiency to the extent the non-performance penalties exceed real-time LBMP.

The distribution of cost associated with the price responsive program will need to be allocated using a rule-of-thumb methodology. In developing the allocation factors, the following assumption are made:

1. Load reduction programs will typically activate at high load and high price levels.
2. At these times, Central East and Long Island Import constraints are the dominant constraints.
3. Size of the reduction programs will reduce the severity of the dominant constraints but will not eliminate them.

The impact of these assumptions is that only those zones on the "downstream" side of the constraint, but "upstream" of the next constraint will benefit from reductions within those locations.

The following table identifies the locations which will incur program cost based on the location of the load reduction.

The cost will be distributed among the identified zones to all LSE's within those zones based on a load-ratio share on a daily basis.

Location Of Load Reduction Program	Payments for Program Allocated to:										
	A	B	C	D	E	F	G	H	I	J	K
West of Total East (A/B/C/D/E)	X	X	X	X	X						
East of Total East (F/G/H/I/J)						X	X	X	X	X	
Long Island (K)											X

Additional Documentation

Documentation on the Day-Ahead Demand Response Program can be found in the following technical bulletins:

TB0 – DADRP Definitions
TB1 - Program Overview
TB2 - Registration Procedures
TB3 - Bidding Instructions
TB4 - Calculating Customer Baseline Load
TB5 - Reporting and Verifying Customer Baseline Load and Meter Data
TB6 - Incentive Credits, Demand Reduction Payments and Non-Performance Penalties
TB7 - Performance and Payment Examples
TB8 - Day-Ahead Load Curtailment Program Cost Allocation