



# **Proposed Changes to Day Ahead Demand Response Program**

**May 19, 2004 - Agenda 7**

**Business Issues  
Committee**

# DADRP – Proposed Changes

- Remove sunset date from the DADRP “incentive”
- Conduct annual reviews and recommend changes as appropriate
- Retain current Payment/Credit/Cost Recovery structure
  - DRPs paid as generators based on accepted DA schedules
  - Host LSE receives credit equal to DRP payment
  - Uplift costs allocated to all benefiting LSEs using existing congestion formula
- Amend the DADRP so as to settle deviations from Day-Ahead schedules at the RT LBMP, consistent with other NYISO markets
  - DRPs to be advised that DADRP is not to be used for virtual bidding, given reduced credit requirements
- Remove the requirement that PSC-certified MDSPs submit meter data.
  - DRPs must identify TO/MDSP supplying data
  - NYISO retains ability to audit meter data
  - Customer registrations must authorize NYISO to access original meter data
- Revise Floor Price
  - Charge MMP with reviewing/recommending changes to Floor
  - Move Floor Price from Tariff to DADRP Manual (Changes Require BIC Approval)
  - Increase Floor to \$75 beginning Winter 2004-2005 capability period
  - Explore implementation of different time-of-use (on-/off-peak) floor prices
- Continue to Limit Participation to Curtailable Loads
  - Avoid incenting NYISO-visible generators to go “behind the fence”
  - DG units can obtain LBMP by working with LSE using Price Capped Load Bidding
- All Changes to be effective October 31, 2004

# 2003 Estimated DADRP Welfare Effects

	DAM Reduction in Deadweight Losses	RTM Reduction in Deadweight Losses	Net Change in Social Welfare
West	\$1,049	\$168	-\$8,628
Hudson-Capital	\$29,323	\$18,335	-\$63,643

- Negative NSW change due to large number of bids scheduled in low-priced hours
- When the RTM LBMP < DADRP Strike Price, scheduled DADRP participants could buy through their contracts, if the non-compliance penalty were the RT price, since the deadweight loss would be negative and thereby improve NSW

# DADRP Free Rider Simulation Results

Bid Price	Penalty Rate	Hours Scheduled	MWh Scheduled	MWh Performed	DADRP Payment	DADRP Penalty	Net Participant Payment
\$0	110% of Higher of DAM/RTM	240	576	576	\$34,153	\$0	\$34,153
\$50	Higher of DAM/RTM	156	490	490	\$30,324	\$0	\$30,324
\$75	RTM LBMP	8	36	31	\$2,807	\$283	\$2,524

- At proposed \$75 floor and proposed RTM settlement participant payment for providing something it would have done anyway is reduced by a factor of almost 15

# Summer 2003 DADRP Scheduled Bids w/ Alternative Bid Floors

<b>Bid Floor (\$/MWh)</b>	<b># Hrs. Scheduled</b>	<b>Change in NSW (\$)</b>
50	610	-72,271
75	106	-15,673
100	27	-4,518
125	11	-1,180

- Increase in bid floor has affect of dramatically reducing opportunities for being scheduled, given 2003 LBMPs
- Above \$75 a point of diminishing returns is reached, NSW changes are small, while virtually no bids would be accepted discouraging any participation

# Impact of DADRP Floor Price on Net Social Welfare, # Hrs Scheduled

