

95 FERC ¶ 61,223
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;
William L. Massey, and Linda Breathitt.

New York Independent System Operator, Inc. Docket Nos. ER01-1740-000 and
ER01-1740-001

ORDER ON TARIFF FILING

(Issued May 16, 2001)

In this order, we accept for filing, subject to modification, revised tariff sheets submitted by New York Independent System Operator, Inc. (NYISO) to implement an Incentivized Day-Ahead Economic Load Curtailment Program (Program). Under the Program, participants will be permitted to submit day-ahead demand reduction bids, which will be treated as a functional equivalent of bids by suppliers to sell energy. We also grant NYISO's request for waiver of the 60-day prior notice requirement to permit the tariff sheets to become effective May 1, 2001.

I. Filing

On April 5, 2001, as corrected on April 13, 2001, NYISO filed with the Commission revisions to its Market Administration and Control Area Services Tariff (Services Tariff) implementing the Program, to be administered from May 1, 2001 through October 31, 2003. Under the Program, qualified demand reduction providers will be permitted to submit bids signaling their willingness to reduce demand at certain price levels. Demand reduction will be achieved by either curtailing load or activating local generators. Demand reduction bids will be treated as a functional equivalent of bids by suppliers to sell energy, *i.e.*, they will be subject to similar bidding requirements and will be fully incorporated into the day-ahead analysis conducted by NYISO's Security Constrained Unit Commitment software. Demand reduction providers that are selected will be paid the greater of the day-ahead hourly Locational Based Marginal Price (LBMP)¹

¹ LBMP is a pricing methodology under which the price of energy at each location in the New York transmission system is equivalent to the cost to supply the next increment

(continued...)

or their demand reduction bid including their curtailment initiation costs.² Demand reduction providers that actually curtail their load will be paid the day-ahead LBMP for the amount of demand they reduced, but not for more demand than they scheduled day-ahead. The costs of LBMP payments under the Program will be allocated in the same manner as the costs of paying other energy suppliers. In addition, some participants will receive incentive payments that are equal to the product of (a) the day-ahead hourly LBMP at the applicable demand reduction bus, and (b) the lesser of the actual demand reduction or the day-ahead scheduled hourly demand reduction in megawatts. Incentive payments will not be available to program participants that reduce demand by activating local generators.

The Program is one of three demand-side response mechanisms that the NYISO intends to implement by Summer 2001, which include an emergency demand response program and zonal price-capped load bidding.³

NYISO requests waiver of the 60-day notice requirement provided for in 18 C.F.R. § 35.3 (2000) in order to make this filing effective on May 1, 2001. NYISO argues that it is highly desirable to have the Program in effect on the first day of the Summer 2001 capability period, *i.e.*, May 1, as it is designed to aid efficiency and reliability in NYISO's markets this summer.

II. Notice, Intervention, and Comments

Notice of the filing was published in the Federal Register, 66 Fed. Reg. 22,544 (2001), with comments, protests, or interventions due on or before May 10, 2001. Timely motions to intervene were filed by entities listed in Appendix to this order. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2000), the filing of a timely motion to intervene that has not been opposed makes the

¹(...continued)
of load at that location.

² Curtailment initiation cost is a fixed payment that a demand reduction provider must receive in order to recover the costs of reducing its demand.

³ The Commission has approved NYISO's Emergency Demand Response Program. See New York Independent System Operator, Inc., 95 FERC ¶ 61,136 (2001). NYISO intends to introduce the zonal price-capped load bidding under its existing tariff authority. See New York Independent System Operator, Inc.'s Report on Implementation of Virtual Bidding and Zonal Price-Capped Load Bidding, Docket No. EL00-90-000 (February 2, 2001).

movant a party to the proceeding. An answer filed by NYISO in this proceeding is not permitted pursuant to Rule 213(a)(2) of the Commission's Rules and Regulations, 18 C.F.R. § 385.213(a)(2) (2000).

Entities that filed comments in this proceeding generally support the immediate implementation of the Program. In particular, Multiple Intervenors, National Energy Marketers Association, and New York Public Service Commission urge the Commission to accept the filing. Distributed Power Coalition of America (DPCA) also supports the immediate implementation of the Program, but requests that the Commission address various issues related to the next phase of the development of side-demand programs by Northeastern ISOs.⁴

Member Systems also support Commission acceptance of the Program without delay, but request that the Commission require NYISO to submit supplemental information with respect to: (1) the whole MW requirement⁵ and treatment of demand resources on a fractionalized MW basis, and related scheduling, balancing and payment issues; (2) allocation and NYISO's recovery of supplemental payments, including incentives; and (3) registration and verification processes of the Program with respect to demand reduction providers that are activated by a local generator.

The City of New York proposes to revise the proposed Section 4.16 of NYISO's Services Tariff to require that the market-clearing price be set by a demand reduction bid only when no other bids to supply energy from generators are available. The City of New York is concerned that when a demand reduction bid is needed to meet load after all other less expensive supply bids have been scheduled, total bid production cost would increase with acceptance of that demand reduction bid. It argues that NYISO's software must be set to determine whether the demand reduction bid reduces total bid cost.

We will address issues raised by Member Systems and the City of New York below.

III. Discussion

⁴ DPCA's comments will not be addressed in this order because it raises no substantive issues relevant to the instant filing. DPCA should work with other market participants through NYISO-established Committee process to examine the issues associated with future development and refining of demand-side programs.

⁵ Section 4.4. of NYISO's Market Administration and Control Area Services Tariff requires all transactions to be scheduled in whole megawatts.

Member Systems suggest that NYISO be required to provide more information on how demand reduction bids of less than 1 MW will be treated under the Program. Member Systems argue that the whole MW requirement fails to reflect the reality that customer demand is rarely reflected in whole MW. While we agree with Member Systems that providing market participants with the flexibility to submit fractionalized demand reduction bids may improve the Program and maximize participation in it, we do not think it is a reason for delaying the implementation of the Program. The whole MW requirement is consistent with NYISO's Commission-approved Services Tariff, which requires all transactions to be scheduled in whole MW.⁶ However, we encourage NYISO to develop a method for handling fractional MW amounts under the Program. Member Systems also request that NYISO be required to include in its tariff supplemental information on registration and verification procedures for local generators under the Program. We believe that this information does not need to be included in the tariff and is more appropriately set forth in NYISO's manuals.

Finally, Member Systems request that the Commission require NYISO to submit supplemental information with respect to the allocation of the costs of administering the Program, including incentive payments. Member Systems contend that the Program should be accepted for filing, subject to refund, pending Commission review of the Program's revisions addressing this issue.

We agree with Member Systems that the NYISO-proposed tariff language describing the cost allocation method under the Program is unclear. NYISO proposes to allocate costs on a zonal basis in proportion to benefits received. However, the tariff sheets fail to define a zone in the context of the Program and also do not provide for a process for verifying benefits received as a result of the demand reduction. For this reason, we direct NYISO to file, within 30 days of issuance of this order, tariff language describing in more detail the cost allocation method under the Program. However, we will not delay the implementation of the Program and will accept the filing, subject to this modification. We note that the meeting minutes, dated April 11, 2001, of Business Issues Committee's Price Responsive Load Working Group, posted on NYISO's web site,⁷ set forth the cost allocation methodology under the Program, which NYISO can use to formulate the required tariff revisions.

⁶ New York Independent System Operator, Inc.'s Market Administration and Control Area Services Tariff, Section 4.4.

⁷ See
<www.nyiso.com/services/documents/groups/bic_price_responsive_wg/meeting_materials.html>

We deny the City of New York's request that we order NYISO to require a market-clearing price to be set by a demand reduction bid only when no other bids to supply generation are available. NYISO is already committed to select the least-cost mix of energy suppliers and demand reduction resources. Under the Program, NYISO's software will consider all of the demand reduction bids and will select them only when doing so will reduce total bid production costs.⁸

For the above stated reasons, we accept for filing, subject to modification, the tariff sheets submitted by NYISO to implement the Program. NYISO is directed to file, within 30 days, tariff revisions describing the cost allocation method under the Program. We also grant NYISO's request for waiver of the 60-day notice requirement, provided for in 18 C.F.R. § 35.3 (2000), in order to make this filing effective May 1, 2001.⁹

The Commission orders:

(A) The tariff sheets filed in Docket Nos. ER01-1740-000 and ER01-1740-001 are hereby accepted for filing, subject to modification, effective May 1, 2001, to expire on October 31, 2003.

(B) NYISO is hereby directed to file with the Commission, within 30 days of issuance of this order, tariff revisions describing the cost allocation method under the Program, as discussed in the body of this order.

(C) Waiver of the 60-day notice requirement is hereby granted to permit NYISO's filing to become effective on May 1, 2001.

By the Commission.

(S E A L)

David P. Boergers,

⁸ NYISO's Transmittal Letter, Docket No. ER01-1740-000, at 5 (April 5, 2001); NYISO' Market Administration and Control Area Services Tariff, Section 4.9.

⁹ Central Hudson Gas & Electric Corporation, 60 FERC ¶ 61, 106, reh'g denied, 61 FERC ¶ 61,089 (1992).

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Secretary.

Appendix

City of New York*
Distributed Power Coalition of America*
Dynergy Power Marketing, Inc.
1st Rochdale Cooperative Group, Ltd. and Coordinated Housing Services, Inc.
Keyspan-Ravenswood, Inc.
Member Systems*

Morgan Stanley Capital Group Inc.
Multiple Intervenors
National Energy Marketers Association
Niagara Mohawk Energy Marketing, Inc.
Orion Power New York GP, Inc.
State of New York Department of Public Service

*protest/comments