

# Day-Ahead Demand Reduction Program

## Cost Allocation

The day-ahead price responsive load program 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. These deficiencies will be offset to the extent the non-performance penalties exceed real-time LBMP.

The allocation of the costs associated under this program will be allocated back to Loads on a Zonal basis in proportion to the benefits received by each Zone. The theoretical distribution of these costs would be based on the reduction in LBMP and the load within each Zone. The complexity and manpower requirements to perform this analysis preclude its use on a daily basis. An alternative is to complete a single analysis of the capability of price responsive load to impact LBMP. This alternative also requires significant manpower to test the permutation of possibilities and the results would be significantly impacted by the base case utilized.

Recognizing these limitation, 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 will benefit from reductions within those locations.

The following cost allocation factors are a load weighted share, recognizing who will benefit based on where the reduction occurs. The ratios are based on the non-coincident peak zonal loads for the 2000 summer capability period.

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)	0.09	0.06	0.10	0.04	0.04	0.06	0.07	0.02	0.06	0.32	0.14
East of Total East (F/G/H/I/J/K)						0.09	0.11	0.03	0.08	0.48	0.21
Long Island (K)											1

## **Additional Documentation**

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

- 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