

Day-Ahead Demand Reduction Program

Program Overview

Administration

For 2001, the program will be administered by the NYISO and host Load Serving Entities (LSEs) only, but will be open to Curtailment Service Providers (CSPs) including non-host LSEs after one year. Therefore, the term "LSE/CSP" used below refers to the host LSE for the first year of the program and to an LSE or CSP thereafter.

Bidding

The NYISO will accept Demand Reduction Bids wherein an LSE/CSP can bid on behalf of a Demand Reduction Provider for a specific MW curtailment (in minimum increments of 1 MW by Zone) in contiguous "strips" of one or more hours. A single bid will be limited to a strip of no more than eight hours. The Demand Reduction Bid would include the Day-Ahead LBMP above which the Load would not consume, and could also include a Curtailment Initiation Cost.

SCUC Objective Function

The objective function for SCUC will be to eliminate Demand Reduction Bids from Day-Ahead Bid Load when the total Bid Production Cost over the 24 hour Dispatch Day will be reduced compared to serving that Load, including consideration of paying the Demand Reduction Bid and any bid Curtailment Initiation Costs. Thus, curtailments will not be scheduled unless they reduced total Day-Ahead production costs.

Setting LBMP

Demand Reduction Bids can set Day-Ahead LBMP just as a comparably bid Generator. In cases in which no Supply Bids exist to be displaced by a curtailable load -- and therefore no reduction in total Bid Production Cost can occur -- Day-Ahead Loads subsequently selected for curtailment will not set LBMP.

Customer Baseline Load

A Demand Reduction Provider's Customer Baseline Load (CBL) will provide a reference to verify its compliance with a scheduled curtailment. The CBL is based upon the five highest energy consumption levels in comparable time periods over the past ten days. More information can be found in technical bulletin TB4 – Calculating Customer Baseline Load.

Determining the Amount of Load Reduction

The amount of actual Real-Time curtailment determined for an End-User will be equal to its CBL less its actual Real-Time consumption during the specified curtailment.

Payments

An LSE/CSP with an Demand Reduction Provider that curtails load (as scheduled Day-Ahead by the NYISO) will be paid by the NYISO the **higher** of the Demand Reduction Bid **or** Day-Ahead LBMP. This payment will include a supplemental payment, if needed, to allow full recovery of the Curtailment Initiation Cost.

Additionally, an LSE/CSP with a Demand Reduction Provider that curtails Load (as scheduled Day-Ahead by the NYISO) will be charged for its full Demand Reduction Bid at Day-Ahead LBMP, but then will receive a rebate from the NYISO as an Incentive (with the exception specified in the Section on Small Generator Eligibility below) for the curtailed amount of Load priced at Day-Ahead LBMP. Thus, through this Incentive, they will avoid Day-Ahead Energy charges as a result of the End-User curtailment.

An LSE/CSP that has Load selected for curtailment for which no supply bids exist to be displaced will be paid its Demand Reduction Bid including any supplemental payment to cover Curtailment Initiation Costs subject to the same price caps applied to Generators.

Payment Sharing

The payments under the Day-Ahead Demand Reduction Program will be made by the NYISO to the LSE/CSP. The portion that will be transferred from the LSE/CSP to the Demand Reduction Provider is outside the scope of the NYISO, and must be arranged between the LSP/CSP and the Demand Reduction Provider. Each Investor Owned Utility (IOU) Transmission Owner (excluding LIPA and NYPA) shall designate in its retail tariff the portion of the total payments that it will share with Demand Reduction Providers that curtail use under this program, and it will apply such portion in a non-discriminatory manner. LIPA and NYPA agree to implement the intent of the preceding sentence in a consistent manner.

Cost Allocation of Incentives and Uplift

The ISO shall recover supplemental payments to Demand Reduction Providers pursuant to Rate Schedule I of its Open Access Transmission Services Tariff. Cost recovery will be allocated to all Loads excluding exports and Wheels Through on a zonal basis in proportion to the benefits received after accounting for, pursuant to ISO Procedures, Demand Reduction imbalance charges paid by Demand Reduction Providers.

End-User Requirements

Demand Reduction Providers will be required to have interval billing metering, and will be responsible for any incremental metering and billing system implementation and administration costs in accordance with applicable retail tariffs.

Small Generator Eligibility

The program will be open to small "behind-the-fence" on-site generation (except diesel generators), provided that each generator has a separate interval meter (and other applicable requirements are met). The LSE/CSP in this case will be paid Day-Ahead LBMP and any supplemental payments for Load curtailed through self-supply. However, to the extent that an Demand Reduction Provider's curtailed Load is self-supplied, its LSE/CSP will not be eligible for the Incentive payment. The LSE/CSP will be charged for the full Day-Ahead Load, and will not receive a rebate from the NYISO as an Incentive payment for the curtailed amount of Load that is self-supplied.

Non-Performance Penalties

If an LSE/CSP has a Demand Reduction Provider scheduled for a curtailment that would have been eligible for the Incentive payment, but that subsequently fails to curtail, the LSE/CSP will be charged 110% of the higher of Day-Ahead or Real-Time LBMP for non-curtailed Load. The premium paid over Real-Time LBMP will be applied to reduce costs allocated to Loads for Incentive and supplemental payments (on the same Zonal basis).

A bidder must specify whether a Load Curtailment will result from:

- (a) an actual reduction in consumption (and therefore eligible for the Incentive, but also subject to the 110% Performance Penalty), or
- (b) a self-supplying on-site Generator (and therefore not eligible for the Incentive, and not subject to the 110% Performance Penalty, but simply charged Real-Time LBMP for non-curtailed Load).

ICAP Eligibility

Eligibility for program participants qualifying for ICAP and any associated rules will be determined and developed by the ICAP Working Group. This eligibility will be resolved as part of ICAP Stage 2 or October 1, 2001 whichever is sooner.

Sunset Clause

The Incentive portion of the Day-Ahead Demand Reduction Program will expire on October 31, 2003 unless the NYISO Management Committee affirmatively extends the program. The program will be re-evaluated every year for potential modifications and improvements.

Conversion to Economic Day-Ahead Program

If the Incentive portion of the Program is not continued past October 31, 2003, it will convert at that time to an Economic Day-Ahead Load Curtailment Program retaining the same rules and features as the Incentivized Program with the exceptions that:

- The Incentive payment will no longer be made by the NYISO.
- The non-performance penalty will no longer apply (i.e., Loads that fail to curtail will be charged Real-Time LBMP).

Thus, if the Incentive portion of the Program is discontinued, an Economic Day-Ahead Load Curtailment Program will continue such that an LSE/CSP with a Demand Reduction Provider that curtails Load (as scheduled Day-Ahead by the NYISO) will continue to be paid by the NYISO the higher of the Demand Reduction Load Bid or Day-Ahead LBMP.

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