

## **Extension of the EDRP Without Changes**

### **Introduction**

The EDRP as a demand response initiative is designed to reduce load during times of network emergencies and when there is insufficient supply to maintain a reliable system. The EDRP is not designed to provide market price signals and is not called when there is a workable and competitive market operating.

It is essential to maintain the simplicity of the EDRP for participants and offer a payment to induce load reduction when the normal market operations of the NYISO cannot reliably serve the needs of NY S. Also, the issue of scarcity pricing and whether it is reflected in the real time prices paid generators is being considered and will be corrected in another forum. Considering the isolated instances when the EDRP is called and the lack of a market when called there is a question whether it has materially harmed generators.

Based on all these factors the EDRP should not be changed from its current structure but should be extended as it is currently configured.

### **EDRP Doesn't Operate in a Competitive Market**

The EDRP is solely designed to provide quick and significant reduction in load when the ISO is facing a network emergency. It is restricted in operating only when there is operating reserve deficiency or a declared major emergency state. It is not called when there is peak demand and high energy prices as long as supply can reliably meet the system demand. Based on this, it is questionable that a competitive market is operating at times when an EDRP event occurs. For this reason the minimum payments under the EDRP can not be seen as another bid price submitted in the operation of a workably competitive real time market<sup>1</sup>.

### **The Need to Keep the EDRP Simple**

The EDRP was designed to be simple and easy for customers to understand and participate. Based on the results of the NYISO survey, a major selling point of the EDRP and its increased levels of participation were its minimum payment (\$500 per MWH) for performance and the simplicity of its terms to perform. This is especially evident when comparing it to the bidding requirements of the DADRP and its lack of significant participation. Changing the terms of participation for existing EDRP customers by requiring bidding presents a major change in the program that increases its complexity for customers. This could cause reduced participation in this new and fledgling program.

### **The EDRP and Real Time Market Scarcity Pricing**

There is a concern that real time energy prices have not adequately reflected the level of scarcity pricing and the EDRP has contributed to this problem. The larger issue of scarcity pricing is being considered in the S&P working group and a longer term solution under the RTS/RTD design in the Market Structures working group. These are the appropriate forums where scarcity pricing in a competitive market should be dealt with in a more comprehensive manner. If the scarcity pricing mechanisms are properly established through these working groups the EDRP \$500 per MWH minimum payment issue might well become moot.

### **Limited Use of the EDRP**

The EDRP has only been invoked 7 times since the beginning of the summer of 2001, a total of 41 hours. In several of these events the NYISO operators called specific zones to focus response only where needed. In each case there was a state of emergency requiring this response. Such a limited use of this emergency response program should not have a material financial impact on the operations of the generator market segment.

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<sup>1</sup> It is important to note that the PJM Emergency Load Response Program has the same \$500/MWH minimum payment provision yet does not reflect this payment level in their real time market pricing.