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Stephen Fernands
Consultant
Customized Energy Solutions
AES NewEnergy Inc. representative

Introduction

This is in no way meant to be construed as anything but a blatant adulteration of PJM's load responsive emergency procedures with liberal modifications made to address some of the PJM and NYISO participant's concerns.

Overview

- The program is voluntary (no penalties or availability/ capacity payments).
- End Use customers can be aggregated by any NYISO LSE (not just their own) or customers that are serving as their own LSE to participate in the program.
- Customers must have appropriate interval metering (clarified in more detail below).
- The program is limited to periods where the ISO feels that an emergency will be imminently called if not for the use of this program.
- The price customers will be paid for load response is the higher of \$500 MWh or LBMP.
- The quantity compensated for would equal difference between the hour before consumption and the consumption after response plus losses.
- Customers participating in this program should have the expectation that they can reduce 100kw and be able to respond within one hour of the emergency notification.
- There will be a \$25 service charge per customer per activation for all submitted accounts that participated in the program.
- The participant can not already be under a contract that limits their ability to curtail energy consumption or gives that right to another party.

Detailed Description of Pilot Program

The proposed Pilot Program is similar to the load response programs recently approved by the Commission in California Independent System Operator Corp., Docket No. ER00-2208, 91 FERC ¶ 61,256 (June 14, 2000) (“California”) and New England Power Pool, 91 FERC ¶ 61,203 (2000) (“New England”) and is modeled after the PJM Interconnection filing Docket No. ER00-3090-000. Moreover, as explained below, the Pilot Program fits within the category of filings the Commission encouraged in the Supplemental Notice. In that notice, the Commission “encourages ISOs to take advantage of on-site generation and load management programs to facilitate reliability.” Supplemental Notice, slip op. at 4.

Participant Qualification

To participate in the Pilot Program, an entity must be an LSE that has contracted with loads that either have the ability to completely disconnect from the local distribution system and supply required load via local generators¹ or to reduce a measurable and verifiable portion of its load. Furthermore, the participant (1) must be capable of reducing at least 100 kW of load; (2) have the ability to participate for a total of at least 10 hours over the operating period of the Pilot Program; (3) be capable of achieving full reduction within one hour of the LSE’s request to reduce; (4) meet certain metering requirements. (5) participants also must be members of the NYISO and licensed Load Serving Entities by the NY PSC. Additionally, Special Case Resources will be able to participate in this program.

¹ These generators either can be non-synchronized to the grid or synchronized to the grid with no net export to the grid while serving load.

Customers under any other specific pre-existing contractual obligations to reduce load can not participate in the Pilot Program. The NYISO Pilot Program is intended not to interfere with existing contractual obligations under other load management programs. Accordingly, NYISO will confirm with the appropriate load serving entity and Electric Distribution Company that the load to be reduced is not under any other specific contractual obligation that would prevent participation in the Pilot Program.

The entities participating in the Pilot Program will contribute to the reliable and efficient operation of the NYISO energy market during emergency conditions. Entities with on-site generation can sell their generation at wholesale into the market, but only if they can readily synchronize with the grid. Alternatively, under the Pilot Program, such entities will now be able to reduce load and use their on-site generation to serve what otherwise would be NYISO load, thereby reducing the total NYISO load in emergencies. This has the same reliability impact as selling the generation into the NYISO energy market. Similarly, the Pilot Program enables other entities that do not have generation, as well as load serving entities, to manage their load and assist both the reliability and efficiency of the energy market. During an emergency, such entities will be able to reduce their loads and be compensated rationally for such reduction at real-time, locational prices.

This program promotes the reliable and efficient working of the NYISO energy market that the Commission has approved. As the Commission has recently recognized on several occasions, “[t]he ability to rely on demand side responses better allows the market to resolve demand and supply imbalances.” New England, 91 FERC at 61,713; see also California, 91 FERC slip op. at 6; ISO New England, Inc., Docket Nos. EL00-62 et al., 91 FERC ¶ 61,311, slip op. at 15 (June 28, 2000) (“The proposals by ISO New England and the California ISO that we

recently approved to pay customers for curtailing load are examples of how demand side of the market can be given an increased role . . . markets would benefit by more participation by the demand side.”)

Because the Commission regulates the NYISO energy market under its jurisdiction over wholesale energy markets and its jurisdiction over the ISOs that operate them, the Commission has jurisdiction over all rules that affect or relate to the market. See 16 U.S.C. § 824d(c) (“[E]very public utility shall file with the Commission . . . all rates and charges for any transmission or sale subject to the jurisdiction of the Commission, and the classifications, practices, and regulations affecting such rates and charges together with all contracts which in any manner affect or relate to such rates, charges, classifications, and services.”) (emphasis added). In today’s converging energy markets, it would make little sense to require a load reduction program like the Pilot Program, which directly impacts and relates to the Commission-approved NYISO energy market, to have to receive duplicative approvals from state regulatory commissions.² Because the Pilot Program “affects” and “relates to” the already approved wholesale rates, terms, and conditions in the energy market, the Pilot Program is also subject to the Commission’s jurisdiction. 16 U.S.C. § 824c. Particularly given the limited scope (emergencies only) and duration (through December 31, 2001) of the Pilot Program, the Commission can and should accept the Pilot Program as an amendment to the appropriate NYISO agreements, just as it accepted the similar program in the case of the California ISO. See California Independent System Operator Corp., 91 FERC ¶ 61,256 (2000) (approving a trial demand relief program for individuals or groups willing to reduce their load in order to support the reliability of the system this summer); see also Transmission Access Policy Study Group v.

FERC, 2000 U.S. App. LEXIS 15362 (D.C. Cir. June 30, 2000) (holding that the Commission may address retail stranded costs because it “is the byproduct of a legitimate exercise of FERC’s power” to regulate interstate transmission).

Metering Requirements

Pilot Program participants must have metering equipment that provides integrated hourly kWh values for market settlement purposes. These requirements can be met by using either: (1) metering capable of recording integrated hourly values for the actual net generation; or (2) metering that provides actual load change by measuring actual load before and after the reduction request, such that there is a valid integrated hourly value for the hour prior to the event and each hour during the event. Through this metering, the amount of load reduction will be determined either by measuring, if metered, the actual net generation (where there is on-site generation) or by measuring the customer load in megawatts before and after the reduction request. In the absence of meters capable of recording actual net generation, the metering will provide an integrated hourly load value for the hour prior to the event and each hour during the event. Pilot Program participants will be compensated for the difference between the amount of their load in the hour prior to the event and in each hour during the event.

Implementation

The NYISO will implement the Pilot program immediately preceding the declaration of Maximum Generation Emergency.

It is generally intended that NYISO will rely on Pilot Program load reductions before purchasing emergency energy from market participants and neighboring control areas. See California, slip op. at 2. By paying the prevailing LMP for load reductions, as proposed (see

² Moreover, no retail sale of electricity takes place under the Pilot Program; payments are

below), NYISO will avoid potentially higher cost purchases of emergency energy, to the benefit of the efficient, market-based operation of the energy market during emergencies.³

Verification

All load reduction metering data must be submitted to THE NYISO within 45 days of the load reduction event. Meter readings must be provided for the hour prior to the event, as well as every hour during the event. Failure to so provide such data will result in a participant not receiving payment for its participation in the Pilot Program. Id. at proposed Original Sheet No. 181U. The Pilot Program LSE participant will communicate the meter readings directly to the NYISO. The NYISO will forward the file to the appropriate Electric Distribution Company for optional review. In addition, all load reduction data are subject to NYISO market monitoring unit audit. Id.

Market Settlements

Under the Pilot Program, reimbursement for reducing load is based on the kWh of relief provided. NYISO will pay the higher of the appropriate zonal locational marginal price (“LMBP”)⁴ or \$500/MWh to the NYISO member that nominates the load. The NYISO member also is assessed a \$25 transaction fee per account for each event submitted. Id. NYISO’s proposed payments for reducing load are in line with those approved in New England, 91 FERC at 61,711. In that order, the Commission approved payments of \$500, \$750, and \$1,000 per MWh interrupted for load curtailments to fill blocks of interruptible load. Id.

simply made to members that agree to reduce loads.

³ Similar to California, the Pilot Program load reductions may be implemented prior to any ALM or other load reduction programs. See California, slip op. at 2-3.

⁴ Because individual loads are not currently mapped to individual NYISO buses, the load-weighted average LMP for a transmission zone will be applied.

All costs incurred under the Pilot Program will be allocated to purchasers of energy from the NYISO energy market, in proportion to their net purchases from the energy market during the hour. This pricing methodology is consistent, I believe, with NYISO's current method for allocating costs during emergency conditions under the NYISO Tariff. Under emergency conditions, costs for emergency purchases in excess of Locational Marginal Bus Prices are allocated among NYISO members in proportion to their net purchases from the NYISO energy market during the hour. Similarly, the costs of the Pilot Program are allocated to NYISO members in proportion to their net purchases from the NYISO energy market during the hour. This is appropriate in that the load reductions under the Pilot Program are in lieu of making more expensive emergency purchases. As in California, 91 FERC slip op. at 8, the allocation methodology for the Pilot Program "simply tracks" the existing method for allocating costs relating to emergency conditions already established under the Operating Agreement.

Effective Date

The start date of the program is proposed to be May 1, 2001 and the termination of the program on December 31, 2001.