



Energy Curtailment Specialists, Inc. Comments on Motion #8

September 28, 2006

As the largest demand response provider in New York, Energy Curtailment Specialists, Inc. (ECS) provides several hundred MWs of curtailment to New York State's Bulk Power System during emergency events. ECS believes that market participants have rushed hastily to change the ICAP market without a complete and proper analysis. Given the potential implications to New York State's reliability by application of these changes, it is hard to think of a more appropriate time to perform all requisite analysis and consider all available alternatives. This accelerated change has had little or no analysis as to the implications for demand response resources. As indicated by others, "market participants are assuming that special case resources and emergency demand response resources do not require capacity payments at or above current clearing prices in order for these valuable resources to provide New York State with much needed reliability".

In the event that Motion #8 is passed, it would most certainly adversely affect future participation in NYISO's demand response programs, in particular the Special Case Resource program. It is counter-intuitive to implement a rule change that would precipitate an exodus of valuable, demand response resources from the market, at a time when the NYISO's Reliability Needs Assessment (RNA) indicates a future need to improve demand response programs; this would have a substantial impact on reliability within New York City. Market participants have apparently put no thought into how demand response participation would change if price signals decline in New York City. As In-City ICAP prices decline, this will

send clear signals to New York City businesses that demand response is unnecessary. Allowing market rule changes that would send this message to New York City businesses will without question result in less demand response at a time when the New York Public Service Commission (NYPSC) is requiring 300 MW of additional demand reduction in New York City¹.

ECS submits that the currently proposed market rule changes are in direct opposition to the notion of increased reliability; indeed, they will most certainly result in a massive loss of curtailable load due to Special Case Resources abandoning the program. The ICAP Working Group needs to conduct a full analysis regarding the In-City Capacity market issue and propose a market design that ensures maintaining reliability of New York State's Bulk Power System while sending the appropriate market signals for further electric expansion, and demand response resources.

Respectfully,

Glen E. Smith
President/CEO

¹ As reported in FERC's Assessment of Demand Response and Advance Metering Staff Report (Docket Number AD-06-2-000)