

**Email from Larry DeWitt to Business issues Committee:**

Date: 11/21/2000 03:56 PM  
From : Larry DeWitt - <dewitt@nycap.rr.com>  
To: BIC  
Subject: Background material for BIC Meeting on 11/30/00

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Attached is a DRAFT description of the NYISO Summer Emergency Capacity Program that is being worked on by the Price Responsive Load Working Group. It is a work in progress. We may have a chance to discuss it at the BIC Meeting on November 30, 2000, if time permits. In any case, it is expected that the BIC will vote on this at its December 12th meeting. Thanks.

Larry DeWitt

November 18, 2000

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## **Overview**

1. Customers can be accommodated through one of four types of Curtailment Services Providers (CSP):
  - through an LSE, either that currently serving the load or another LSE
  - through NYISO-approved Aggregators
  - as a Customer of the NYISO
  - as a Curtailment Program Customer (reduced membership requirements for only this program)

*These CSPs are referred to as Pilot Participants.*

2. The program will be effective beginning May 1, 2001 and will continue through the end of 2002. At the end of each capability period, the program will be evaluated and changes recommended as necessary.
3. Participation is voluntary – no penalties are incurred if the load does not perform as requested.
4. Existing LSE curtailment program participants would be entitled to participate in the program as long as customers do not sign up with more than one emergency curtailment provider.
5. Initial program settlement will be based upon existing ISO-LSE meter data reporting requirements.
6. Customers will be required to record appropriate hourly interval metering to validate performance.
7. Actual load reduction will be verified by the NYISO through data submitted by the CSP within 45 days of the load reduction event.
8. Program is limited to NYISO Major Emergency situations – called in conjunction with Special Case Resources.
9. Each CSP will designate a contact person responsible for interfacing between the NYISO and the CSP. The NYISO will contact this individual to initiate a curtailment within the program. The CSP will be responsible for establishing procedures to communicate with load reduction customers.

10. Payments will be the greater of the real-time zonal LBMP or \$500/Mwhr, paid directly to the CSPs.
11. Customers should be able to provide load reduction of at least 100 kW and be able to respond with two hours emergency notification.
12. Customers must have the ability to participate for a minimum of 10 hours cumulatively over the operating period of the program.
13. Customers under a contract that limits their ability to curtail energy are prohibited from participating in the program.
14. The program is intended to support the New York State power system during emergency periods. As such, NYISO reserves the right to call upon whatever ECP resources are needed to relieve system emergencies. The costs to administer this program will be allocated on a system-wide basis to purchasers of energy in proportion to their net energy purchases during the hours requested.
15. Emergency procedures not initiated by the NYISO invoked by the LSEs in response to a local problem are not subject to this program.
16. Customers participating in the ECP may also participate in the NYISO's Special Case Resources Program.

### **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 either; an LSE, that currently serving the curtailable customer’s load or another LSE, through NYISO-approved Aggregators, as a Customer of the NYISO, or as a Curtailment Program Customer that has contracted with loads or Direct Customer of the NY ISO that either has the ability to completely disconnect from the local distribution system and supply required load via local generators<sup>1</sup> or to reduce a measurable and verifiable portion of its load (collectively “Pilot Participant”). Furthermore, the Pilot 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 two hours of the LSE, Aggregator or Direct Customer’s request to reduce; (4) meet certain metering requirements and; (5) be a member of the NY ISO. Additionally, Customers who are qualified as Special Case Resources as defined in the NYISO Installed Capacity Manual will be able to participate in this program.

The NYISO Pilot Program is not intended to interfere with existing contractual obligations under other load management programs. Accordingly, NYISO will confirm with the appropriate LSE 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.

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<sup>1</sup> 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.

However, where such other obligation is not inconsistent with participation herein, such participation will be permitted.

The entities participating in the Pilot Program will contribute to the reliable and efficient operation of the NYISO energy market during emergency conditions. Pilot Participants 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). 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, 2002) 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's average load for the same time period and day-type as the reduction and comparing these values to the actual usage during the curtailment period.. Pilot Program participants will be compensated for the difference between [Bernie Neenan's small group's value and the usage in each hour during the event plus any losses normally added to their load requirement.

#### Implementation

The NYISO will implement the Pilot program as part of its emergency procedures either coincident with the activation of special case resources, if the emergency is foreseeable on a day ahead basis, or on a real time basis with a two hour advanced notice. Each event will be called upon for a minimum of a two hour duration.

It is generally intended that NYISO will rely on the 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 LBMP for load reductions as proposed (see 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.<sup>2</sup>

#### 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 per the default metering verification

procedure being developed by Bernie Neenan's small group]. Failure to so provide such data will result in a Pilot Participant not receiving payment for its participation in the Pilot Program. The Pilot 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.

### 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 real-time zonal locational marginal price ("LMBP")<sup>3</sup> or \$500/MWh to the Pilot Participant that nominates the load. 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.

Where the cause of emergency is a statewide event all costs incurred under the Pilot Program will be allocated to purchasers of energy from the NYISO energy market, in an identifiable charge in proportion to their net purchases from the energy market during the hour. This pricing methodology is consistent 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 LBMP 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

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

<sup>3</sup> Because individual loads are not currently mapped to individual NYISO buses, the load-weighted average LBMP for a transmission zone will be applied.



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. Similarly, if this program is activated by the NYISO to respond to a zonal emergency the funds will be charged to all LSEs in the Zone.

**Effective Date**

The start date of the program is proposed to be May 1, 2001 and the termination of the program on December 31, 2002. Additionally, the program will be evaluated at the end of each Capability Period.