



HUNTON & WILLIAMS LLP
1900 K STREET, N.W.
WASHINGTON, D.C. 20006-1109

TEL 202 • 955 • 1500
FAX 202 • 778 • 2201

MICHAEL E. HADDAD
DIRECT DIAL: 202-955-1562
EMAIL: mhaddad@hunton.com

FILE NO: 55430.000043

May 4, 2007

By Hand Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*, Docket No. ER07-____-000
Filing to Revise the Market Administration and Control Area Services Tariff
to Clarify and Modify Provisions Governing Certain Demand Response
Programs, Request for Waiver of the Commission's 60-Day Notice Period,
and Request for Shortened Comment Period**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, the New York Independent System Operator, Inc. ("NYISO") submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") to clarify and modify provisions governing the NYISO's activation of its Special Case Resources ("SCR") program and Emergency Demand Response Program ("EDRP"). These clarifications and modifications will permit the NYISO to activate fewer than all EDRP participants in a Load Zone, clarify the circumstances under which the NYISO more precisely activates both the SCR and EDRP demand response programs and, when activating SCR resources in targeted areas inside Load Zone¹ J (*i.e.*, New York City), in response to a request for assistance from the Transmission Owner, exclude the SCR response from performance measures (*i.e.*, consider such response voluntary).

Currently, the Services Tariff provides that EDRP resources can be activated by the NYISO on a Load Zone-wide (or system-wide) basis, but does not permit the NYISO to make calls for demand reduction by EDRP resources on a more localized basis in response to a Transmission Owner request for assistance in reducing Load or to comply with Local Reliability Rules. The Services Tariff also provides that when the NYISO calls on SCR resources to reduce Load, their participation is essentially mandatory, regardless of whether they are activated on less than a Load Zone level, because they are subject to performance measurement requirements. The Services Tariff clarifications and modifications proposed by the NYISO will allow for

¹ Capitalized terms not otherwise defined have the meaning ascribed to them in the Services Tariff.



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targeted demand response calls that would more efficiently address local reliability issues in Load Zone J without reducing the effectiveness of these programs. The clarifications will also provide consistency throughout the provisions of the Services Tariff governing the SCR program and the EDRP. The NYISO believes that its proposal is consistent with the Commission's goal of integrating demand response resources into wholesale energy markets. The NYISO further believes that its proposal is consistent with its overall market design.

Because it wishes to implement its proposal for more efficient SCR and EDRP calls in Load Zone J in time for the peak of the summer season, the NYISO seeks waiver of the 60-day notice period, and asks for a shortened comment period, in order for the changes to become effective July 1, 2007. The NYISO's requests for waiver and a shortened comment period are discussed in Part V, below.

I. Documents Submitted

The NYISO submits the following documents:

1. This cover letter;
2. Clean Services Tariff sheets reflecting the changes proposed herein ("Attachment I"); and
3. Blacklined Services Tariff sheets reflecting the same ("Attachment II").

II. Correspondence and Communications

Robert E. Fernandez, General Counsel and Secretary
*Mollie Lampi, Assistant General Counsel
Elaine D. Robinson, Director of Regulatory Affairs
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, N.Y. 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandez@nyiso.com
mlampi@nyiso.com
erobinson@nyiso.com

*Ted J. Murphy
Michael E. Haddad
Hunton & Williams LLP
1900 K Street, NW
Suite 1200
Washington, D.C. 20006-1109
Tel: (202) 955-1500
Fax: (202) 778-2201
tmurphy@hunton.com
mhaddad@hunton.com

* - Persons designated to receive service.

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III. Description of Filing

The NYISO has consistently been an industry leader in integrating demand response resources into its energy markets. SCR and EDRP, two of the three existing demand response programs authorized by the NYISO's tariffs, were established specifically to support system reliability in the New York Control Area ("NYCA"). SCR allows qualifying customers to offer Unforced Capacity to Load Serving Entities ("LSEs").² These resources are obligated, if called upon by the NYISO, to curtail their Load, provided that they receive the requisite notice. SCR resources are paid for verified Load reductions in accordance with Section 5.12.11(a) of the Services Tariff. The EDRP is a voluntary program that allows demand response resources an opportunity to receive payment specified in Attachment G of the Services Tariff when they curtail their Load in response to NYISO instructions during emergency scenarios. As of the summer of 2006, these two programs had a combined total of nearly 2,600 participants providing a theoretical maximum of approximately 1,789.5 MW of demand response.³

Under the currently effective EDRP provisions in the Services Tariff, the NYISO is authorized to activate these programs only on a Load Zone-wide basis.⁴ The SCR program provides that the NYISO "may request Special Case Resource performance from less than the total number of Special Case Resources within the NYCA or a Load Zone in accordance with ISO Procedures."⁵ The SCR program is essentially mandatory, because resources are currently subject to performance measurement. Failure to meet the required performance impacts the amount of Unforced Capacity these resources can offer in the Installed Capacity Market. The EDRP is voluntary; however, the existing tariff language does not authorize the NYISO to call on EDRP resources on a sub-zonal basis.

Several of the NYISO's Market Participants -- including Consolidated Edison Company of New York, Inc. ("ConEd"), whose Transmission District encompasses Load Zone J (*i.e.*, New York City) -- expressed interest in establishing targeted, sub-zonal demand response activations in Load Zones to increase the efficacy and efficiency of the SCR and EDRP programs while not paying to reduce load where such assistance was not necessary. The NYISO, which in 2006 had

² Consequently, these resources are paid consistent with the payments to other Installed Capacity Suppliers in the NYCA, as set forth in the Services Tariff.

³ Additional details regarding the NYISO's demand response programs, including SCR and EDRP, can be found in the NYISO's February 16, 2007 filing in Docket Nos. ER01-3001-016, et al., of a corrected report entitled "NYISO 2006 Demand Response Programs."

⁴ A Load Zone is defined as one of the eleven geographical areas within the NYCA that is bounded by one or more of the 14 New York State Interfaces. *See* Services Tariff at § 2.93.

⁵ Services Tariff at § 5.12.11(a).



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called on resources in, among others, Load Zone J, evaluated whether activating all of the SCR and EDRP resources in that Load Zone during the summer of 2006 had resulted in the most efficient or effective outcomes.

As a result of its evaluation, the NYISO concluded that it would be more efficient to revise the Services Tariff to permit it to implement a targeted demand response approach. This would require a tariff amendment to broaden EDRP response and new administrative programs to implement sub-zonal activations. Targeting demand response to the locations within Load Zones where reliability concerns exist more efficiently meets the reliability concern by limiting compensation to those resources whose demand response is needed.

In its discussions with Market Participants and previous experience, it became clear that SCR and EDRP resources in Load Zone J could be expected to be called in response to a Transmission Owner's request for assistance in connection with Load relief or to comply with the operation of a Local Reliability Rule more frequently than elsewhere. Load Zone J is comprised of a complex electrical network due to high population density, island geography, numerous high-rise buildings, and substantial mass transit needs. Load Zone J also contains specific load pockets. Nearly one-half of the total number of SCR and EDRP resources are located in New York City.⁶ Calling on all SCR and EDRP resources in Load Zone J to reduce Load would be inefficient if the underlying problem could be effectively addressed by a localized response. As a result, it was decided that, for the present time, to limit the sub-Load Zone activations of EDRP resources to sub-zonal areas of Load Zone J. In addition, the NYISO and its Market Participants felt that a SCR's response to these calls in Load Zone J should be voluntary and should not be counted when measuring the performance of the resource. In this manner, SCR resources with limited operating opportunities, because of environmental or fuel limitations, for instance, would be better able to manage their allowed hours of operation by eliminating their exposure to performance penalties that, but for these additional localized calls, would not have been incurred.

For these reasons, the NYISO has proposed revisions to Section 5.12.11(a) of the Services Tariff, which establishes the SCR program, and Attachment G to the Services Tariff, which describes the EDRP. The specific tariff revisions are discussed in Part IV. More generally, the revisions clarify when the NYISO may activate SCR and EDRP resources, and clarifies that the NYISO can call on SCR resources when it declares a Major Emergency State, just as it can for EDRP resources. In addition, the NYISO seeks to make more substantive changes to each of the programs, as generally described below.

⁶ See Testimony of Mark Lynch, President & CEO of the NYISO, at the April 23, 2007 Technical Conference on Demand Response in Wholesale Markets at p. 4.



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With respect to the SCR program, the proposed revisions provide that if the NYISO calls on a subset of SCR resources in Load Zone J to reduce Load in response to the Transmission Owner's request for assistance for Load relief or to comply with the operation of a Local Reliability Rule, their participation would be voluntary. If the resources opted not to participate, it would not be taken into account for performance measurement requirements. The NYISO and its Market Participants agreed that the response of the SCR resources at the sub-zonal level should be voluntary at this time. After the NYISO and its Market Participants have gained experience with the approach proposed herein, it may seek to revise this proposal. Meanwhile, the financial incentives provided to the SCR resources would remain in place to encourage participation. The NYISO notes that if it calls on SCR resources on a zonal basis, their participation would continue to be mandatory.

In connection with the EDRP, the proposed tariff revisions state that the NYISO can call on a subset of EDRP resources located in Load Zone J at ConEd's request. This will be accomplished by establishing sub-zones within Load Zone J.⁷

As mentioned, because this program is new, and because experience has shown that ConEd has found Load Zone J demand resources useful in providing Load relief and meeting reliability needs, the NYISO proposes to limit locational calls for EDRP resources to only Load Zone J at this time. If the NYISO's experience demonstrates that the proposal should be expanded to include other Load Zones, it will make the appropriate Section 205 filing with the Commission.

In addition, the NYISO is not requesting in this filing any changes to the cost allocation requirements in connection with activating SCR and EDRP resources. The costs associated with local, sub-zonal activations will be allocated on a zonal basis. It is appropriate to allocate costs on this basis. The charge assessed to LSEs for this service is a wholesale charge, and LSEs' Load obligations are located throughout Load Zone J. Their Load is not confined to individual sub-zones. Thus, it would not be appropriate or practical to allocate the costs on a sub-zonal

⁷ ConEd had earlier proposed nine sub-zones within Load Zone J. These sub-zones will be identified on the NYISO's website. Under the Commission's "rule of reason" test, the NYISO is not identifying the individual sub-zones in the Services Tariff. *See, e.g., Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890 at P 1649, Docket Nos. RM05-25-000, et al. (Feb. 16, 2007) (affirming the "rule of reason" approach) ("Order No. 890"). The tariff provisions relate the general rules under which the NYISO will activate the demand response resources on a sub-zonal level. The identification of the individual sub-zones is at the level of granularity that is normally not included in filed tariffs. The information will be publicly available on the NYISO's website and, thus, any interested entity will be able to identify the individual sub-zones. The NYISO will comply with the rules developed by the Commission in Order No. 890 regarding the posting of rules, standards, and practices to its public website. *See* Order No. 890 at P 1652.



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basis. Again, should the NYISO and its stakeholders determine that the cost allocation rules should be modified, the NYISO will make the appropriate Section 205 filing.⁸

Finally, the NYISO has considered the Commission's policy regarding the integration of demand response programs in developing the revisions proposed herein. As is noted in numerous orders, the Commission is increasingly viewing demand response programs as a critical part of any organized market, and expects transmission providers to work to ensure that demand response resources are permitted to participate in the market to the maximum extent practicable.⁹ The NYISO's proposal is consistent with both Commission policy in this regard and the NYISO's overall market design, which is intended to encourage the development of resources where they are most needed. The NYISO also notes that the participation of SCR resources (as well as EDRP resources) under this proposal is wholly voluntary, thus removing a significant disincentive for demand response providers to participate in these programs in New York City.¹⁰

IV. Description of Proposed Tariff Revisions

A. Revisions to Section 5.12.11(a) of the Services Tariff

The NYISO proposes revisions to Section 5.12.11(a) of the Services Tariff, which covers the SCR program, to make certain clarifications and other modifications. These proposed changes are:

⁸ The NYISO further notes that it is not proposing to modify its existing scarcity pricing rules. These rules are not triggered when a Transmission Owner requests that the NYISO activate the SCR and EDRP programs for Load relief purposes or to comply with a Local Reliability Rule.

⁹ See, e.g., Order No. 890 at P 494 (“[W]e agree with commenters that customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate); *California Independent System Operator Corp.*, 116 FERC ¶ 61,274 at P 689 (2006) (“The lack of effective demand response programs in electricity markets can lead to greater price volatility in wholesale markets.... We believe that federal and state regulators need to work together to create more opportunities for demand response.”). See also Statement of Commissioner Jon Wellinghoff at the April 23, 2007 Demand Response in Wholesale Markets Technical Conference, Docket No. AD07-11-000 (“Demand resources can discipline peak market prices, provide a hedge against volatile fuel prices, and potentially be a cost-effective means to delay or defer transmission expansion or improve the efficiency of transmission upgrades.”).

¹⁰ Moreover, the Mayor of New York City recently released an energy plan that addresses the need for demand response participation in the city. See “PlaNYC: A Greener, Greater New York” at 105 (April 22, 2007), available at <<http://www.nyc.gov/html/planyc2030/html/plan/download.shtml>>.

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- Sheet No. 140.01: The NYISO proposes to move language stating that it can call on SCR resources to perform due to a Forecast Reserve Shortage for purposes of maintaining a single location within Section 5.12.11(a) regarding the circumstances under which these resources are paid. As noted immediately below, the language has been moved to Sheet No. 140A.
- Sheet No. 140A: The NYISO proposes adding language clarifying all the instances where it is permitted to call on SCR resources to reduce their Load. These specified instances include: (1) as a result of a Forecast Reserve Shortage; (2) a Major Emergency State declared by the NYISO; or (3) or in response to a Transmission Owner request for Load relief or for compliance with the operation of a Local Reliability Rule. The purpose of this revision is to include all the instances when the NYISO can call on SCR resources in one place in Section 5.12.11(a), as well as to make it consistent with the similar provisions in Attachment G that provides that EDRP resources can be called upon in connection with a Major Emergency State declared by the NYISO.
- Sheet No. 141: The NYISO proposes to add language to this section to expressly provide that, within Load Zone J, when the NYISO calls upon a subset of SCR resources in response to a request from the Transmission Owner for Load relief purposes or in compliance with a Local Reliability Rule, the participation of those resources is voluntary. If an SCR resource in Load Zone J chooses not to participate in this circumstance, it will not be taken into account for performance measurement purposes. The proposed language is as follows:

Within Load Zone J, participation in response to an ISO request to perform made as a result of a request for assistance from a Transmission Owner for less than the total number of Special Case Resources, for Load relief purposes or as a result of a Local Reliability Rule, in accordance with ISO Procedures, shall be voluntary and the responsiveness of the SCR resource shall not be taken into account for performance measurement.

B. Revisions to Attachment G of the Services Tariff

The NYISO also proposes revisions to Attachment G of the Services Tariff, which governs the EDRP. These proposed changes are:

- Sheet No. 461: The NYISO proposes to add language in two places on this sheet to clarify that it may call upon EDRP resources in response to a Transmission

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Owner's request for assistance for Load relief purposes or for compliance with the operation of a Local Reliability Rule. Consistent with the similar revisions to Section 5.12.11(a), discussed above, the proposed additions simply clarify when the NYISO is able to call upon EDRP resources.

- Sheet No. 461: The NYISO proposes to make a third revision to Sheet No. 461 to expressly state that it "may call on the performance of fewer than all participants" in the program within Load Zone J "when responding to the request for assistance from the Transmission Owner." As explained above, the NYISO currently does not have authorization to call on a subset of EDRP resources within Load Zone J. This proposed modification would allow it to do so.
- Sheet No. 465: The NYISO proposes a minor change to Part XI of Attachment G, regarding cost allocation, to clarify that the program may be activated in response to a request by a Transmission Owner for "Load relief" or to meet a Local Reliability Rule within a Load Zone.¹¹ Consistent with the similar changes discussed above, this proposed change simply clarifies when the NYISO can call upon EDRP resources. As explained in Part III, the NYISO is not here proposing changes to the cost allocation rules themselves.

**V. Request for Waiver of the 60-Day Notice Period
and Request for Shortened Comment Period**

The NYISO requests an effective date of July 1, 2007. The NYISO respectfully submits that good cause exists for the Commission to grant waiver of its 60-day notice requirement to permit this effective date. As discussed above, the proposed revisions will help maintain system reliability in New York City, particularly during the peak summer season. Therefore, having these revisions in effect on July 1 will mean that the targeted demand response approach proposed here will be in place prior to the hottest summer days, when electricity usage will be at its peak and when load pockets can become particularly constrained.

In order to have these revisions in place by July 1, the NYISO also requests that the Commission provide for a shortened comment period. The proposed concept of targeted demand response calls on a sub-zonal basis in Load Zone J has already been vetted through the NYISO's stakeholder process (and, indeed, was endorsed unanimously, with abstentions, by the NYISO's Management Committee) and, therefore, stakeholders are aware and have had an opportunity to review the NYISO's proposal.

¹¹ The NYISO is also proposing to correct a typographical error in that section of Attachment G.



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VI. Service

The NYISO will electronically send a link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agencies of New Jersey and Pennsylvania. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one. To the extent necessary, the NYISO requests waiver of the requirements of Section 35.2(d) of the Commission's Regulations (18 C.F.R. § 35.2(d) (2006)) to permit it to provide service in this manner.

VII. Requisite Stakeholder Approvals

The NYISO's Management Committee unanimously approved (with abstentions) the NYISO's proposal at its March 20, 2007 meeting.

VIII. Conclusion

Wherefore, for the foregoing reasons, the NYISO respectfully requests that the Commission approve the tariff revisions proposed herein, grant the requested waivers, and grant the requested effective date of July 1, 2007.

Respectfully submitted,

Michael E. Haddad

Counsel for

New York Independent System Operator, Inc.

cc: Shelton M. Cannon
Larry Gasteiger
Connie Caldwell
Michael A. Bardee
Kathleen E. Nieman
Dean Wight
Lance Hinrichs

Attachment I

Special Case Resources must submit a Minimum Payment Nomination, in accordance with ISO Procedures. The ISO may request Special Case Resource performance from less than the total number of Special Case Resources within the NYCA or a Load Zone in accordance with ISO Procedures.

Distributed Generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures set forth in the ISO Procedures. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with the ISO Procedures.

Unforced Capacity supplied in a Bilateral Transaction by a Special Case Resource pursuant to this subsection may only be resold if the purchasing

entity or the Installed Capacity Marketer has agreed to comply with the ISO notification requirements for Special Case Resources. LSEs and Installed Capacity Marketers may aggregate Special Case Resources and sell the Unforced Capacity associated with them in an ISO-administered auction if they comply with ISO notification requirements for Special Case Resources.

The ISO shall pay Special Case Resources that cause a verified Load reduction, in response to an ISO request to perform due to a Forecast Reserve Shortage, an ISO declared Major Emergency State, or in response to an ISO request to perform made in response to a request for assistance for Load relief purposes or as a result of a Local Reliability Rule, for such Load reduction, in accordance with ISO Procedures. Subject to performance verification, Special Case Resources shall be paid the zonal Real-Time LBMP for the duration of their verified Load reduction or four (4) hours, whichever is greater, in accordance with ISO Procedures. In the event that a Special Case Resource's Minimum Payment Nomination for the number of hours of requested performance or the minimum four (4) hour period, whichever is greater, exceeds the LBMP revenue received, the Special Case Resource will be eligible for a Bid Production Cost Guarantee to make up the difference, in accordance with Section 4.23 of this Services Tariff and ISO Procedures.

Transmission Owners that require assistance from distributed Generators larger than 100 kW and Loads capable of being interrupted upon

demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section. Within Load Zone J, participation in response to an ISO request to perform made as a result of a request for assistance from a Transmission Owner for less than the total number of Special Case Resources, for Load relief purposes or as a result of a Local Reliability Rule, in accordance with ISO Procedures, shall be voluntary and the responsiveness of the Special Case Resource shall not be taken into account for performance measurement.

5.12.11 (b) Existing Municipally-Owned Generation

A municipal utility that owns existing generation in excess of its Unforced Capacity requirement, net of NYPA-provided Capacity, may offer the excess Capacity for sale as Installed Capacity provided that it is willing to operate the generation at the ISO's request, and provided that the Energy produced is deliverable to the New York State Power System. Such a municipal utility shall not be required to comply with the requirement of Section 5.12.7 of this Tariff that an Installed Capacity Supplier bid into the Energy market or enter into Bilateral Transactions. Municipal utilities shall, however, be required to submit their typical physical operating parameters, such as their start-up times, to the ISO. This subsection is only applicable to municipally-owned generation in service or under construction as of December 31, 1999.

with a Local Generator. Curtailment Services Providers must also comply with the metering requirements set forth below in Section IX, and in the ISO Procedures.

III. RELATIONSHIP OF THE EMERGENCY DEMAND RESPONSE PROGRAM TO OTHER DEMAND SIDE RESPONSE MEASURES

The Emergency Demand Response Program is intended to complement other demand-side response programs developed by the ISO, the PSC and LSEs. Curtailment Service Providers are free to participate in other demand response programs, to the extent that those programs allow, except as noted in Section V below, provided, however that the NYISO will pay under only one program for each MWh of delivered load reduction. This restriction is not intended to limit payment for installed capacity otherwise available to Curtailment Service Providers.

IV. PROHIBITION ON THE DOUBLE SUBSCRIPTION OF LOAD

Curtailment Service Providers may not offer to reduce NYCA Load in the Emergency Demand Response Program that has already been subscribed by another Curtailment Service Provider.

V. ISO ACTIVATION OF THE EMERGENCY DEMAND RESPONSE PROGRAM

The ISO shall have discretion to activate the Emergency Demand Response Program in response to: (i) a Real-Time Locational or statewide Operating Reserve shortage or an ISO peak forecast of a locational or system-wide Operating Reserve shortage; (ii) an ISO declared

Major Emergency State; or (iii) in response to a request for assistance from a Transmission Owner for Load relief purposes or as a result of a Local Reliability Rule. In the event that the NYISO instructs Special Case Resources to reduce their consumption of Energy, the ISO may activate the Emergency Demand Response Program. The ISO may use its discretion to call on the Emergency Demand Response Program to relieve NYCA or Zonal Emergencies and may call on the performance of fewer than all participants in the Emergency Demand Response Program within Load Zone J in accordance with ISO Procedures when responding to the request for assistance from the Transmission Owner.

VI. NOTIFICATION OF CURTAILMENT SERVICE PROVIDERS

The ISO shall attempt, whenever possible, to provide Curtailment Service Providers with day-ahead notice that it may activate the Emergency Demand Response Program. Providing day-ahead notice of possible activation does not commit the ISO to activate the Emergency Demand Response Program or to make payments. The ISO shall provide Curtailment Service Providers with at least two hours' notice of its activation of the Emergency Demand Response Program. The notice shall specify the time at which the ISO requests that demand reductions begin and shall, whenever possible, specify when the need for demand reductions will end. The ISO may call Curtailment Services Providers to provide Load reduction as soon as possible in the event of a Real-Time Locational or statewide Operating Reserve shortage, emergency, or in response to a Transmission Owner request for assistance for Load relief purposes or as a result of a Local Reliability Rule.

Curtailment Service Providers shall designate a contact person to receive the ISO's notification

activates the Emergency Demand Response Program in response to an Emergency or a Real-Time Locational Operating Reserve shortage or a peak forecast of an Operating Reserve shortage in a particular zone or zones, including Load relief or to meet a Local Reliability Rule within a Zone as requested by a Transmission Owner, the billing units for such charges will be based on the Actual Energy Withdrawals the affected zone(s) during the hours in which the Emergency Demand Response Program was activated.

LSEs shall also be required to pay the monthly charges calculated above for the Transmission Customers which the LSE serves as retail access customers.

Attachment II

~~Special Case Resources shall be paid for verified Load reductions in response to an ISO request to perform due to a Forecast Reserve Shortage, in accordance with ISO Procedures.~~ Special Case Resources must submit a Minimum Payment Nomination, in accordance with ISO Procedures. The ISO may request Special Case Resource performance from less than the total number of Special Case Resources within the NYCA or a Load Zone in accordance with ISO Procedures.

Distributed Generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures set forth in the ISO Procedures. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with the ISO Procedures.

Unforced Capacity supplied in a Bilateral Transaction by a Special Case Resource pursuant to this subsection may only be resold if the purchasing

entity or the Installed Capacity Marketer has agreed to comply with the ISO notification requirements for Special Case Resources. LSEs and Installed Capacity Marketers may aggregate Special Case Resources and sell the Unforced Capacity associated with them in an ISO-administered auction if they comply with ISO notification requirements for Special Case Resources.

The ISO shall pay Special Case Resources that cause a verified Load reduction, in response to an ISO request to perform due to a Forecast Reserve Shortage, an ISO declared Major Emergency State, or in response to an ISO request to perform made in response to a request for assistance for Load relief purposes or as a result of a Local Reliability Rule, for such Load reduction, in accordance with ISO Procedures. Subject to performance verification, Special Case Resources shall be paid the zonal Real-Time LBMP for the duration of their verified Load reduction or four (4) hours, whichever is greater, in accordance with ISO Procedures. In the event that a Special Case Resource's Minimum Payment Nomination for the number of hours of requested performance or the minimum four (4) hour period, whichever is greater, exceeds the LBMP revenue received, the Special Case Resource will be eligible for a Bid Production Cost Guarantee to make up the difference, in accordance with Section 4.23 of this Services Tariff and ISO Procedures.

Transmission Owners that require assistance from distributed Generators larger than 100 kW and Loads capable of being interrupted upon

demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section. Within Load Zone J, participation in response to an ISO request to perform made as a result of a request for assistance from a Transmission Owner for less than the total number of Special Case Resources, for Load relief purposes or as a result of a Local Reliability Rule, in accordance with ISO Procedures, shall be voluntary and the responsiveness of the Special Case Resource shall not be taken into account for performance measurement.

5.12.11 (b) Existing Municipally-Owned Generation

A municipal utility that owns existing generation in excess of its Unforced Capacity requirement, net of NYPA-provided Capacity, may offer the excess Capacity for sale as Installed Capacity provided that it is willing to operate the generation at the ISO's request, and provided that the Energy produced is deliverable to the New York State Power System. Such a municipal utility shall not be required to comply with the requirement of Section 5.12.7 of this Tariff that an Installed Capacity Supplier bid into the Energy market or enter into Bilateral Transactions. Municipal utilities shall, however, be required to submit their typical physical operating parameters, such as their start-up times, to the ISO. This subsection is only applicable to municipally-owned generation in service or under construction as of December 31, 1999.

with a Local Generator. Curtailment Services Providers must also comply with the metering requirements set forth below in Section IX, and in the ISO Procedures.

III. RELATIONSHIP OF THE EMERGENCY DEMAND RESPONSE PROGRAM TO OTHER DEMAND SIDE RESPONSE MEASURES

The Emergency Demand Response Program is intended to complement other demand-side response programs developed by the ISO, the PSC and LSEs. Curtailment Service Providers are free to participate in other demand response programs, to the extent that those programs allow, except as noted in Section V below, provided, however that the NYISO will pay under only one program for each MWh of delivered load reduction. This restriction is not intended to limit payment for installed capacity otherwise available to Curtailment Service Providers.

IV. PROHIBITION ON THE DOUBLE SUBSCRIPTION OF LOAD

Curtailment Service Providers may not offer to reduce NYCA Load in the Emergency Demand Response Program that has already been subscribed by another Curtailment Service Provider.

V. ISO ACTIVATION OF THE EMERGENCY DEMAND RESPONSE PROGRAM

The ISO shall have discretion to activate the Emergency Demand Response Program in response to: (i) a Real-Time Locational or statewide Operating Reserve shortage or an ISO peak forecast of a locational or system-wide Operating Reserve shortage; ~~or~~ (ii) an ISO declared

Major Emergency State; or (iii) in response to a request for assistance from a Transmission Owner for Load relief purposes or as a result of a Local Reliability Rule. In the event that the NYISO instructs Special Case Resources to reduce their consumption of Energy, the ISO may activate the Emergency Demand Response Program. The ISO may use its discretion to call on the Emergency Demand Response Program to relieve NYCA or Zonal Emergencies and may call on the performance of fewer than all participants in the Emergency Demand Response Program within Load Zone J in accordance with ISO Procedures when responding to the request for assistance from the Transmission Owner.

VI. NOTIFICATION OF CURTAILMENT SERVICE PROVIDERS

The ISO shall attempt, whenever possible, to provide Curtailment Service Providers with day-ahead notice that it may activate the Emergency Demand Response Program. Providing day-ahead notice of possible activation does not commit the ISO to activate the Emergency Demand Response Program or to make payments. The ISO shall provide Curtailment Service Providers with at least two hours' notice of its activation of the Emergency Demand Response Program. The notice shall specify the time at which the ISO requests that demand reductions begin and shall, whenever possible, specify when the need for demand reductions will end. The ISO may call Curtailment Services Providers to provide Load reduction as soon as possible in the event of a Real-Time Locational or statewide Operating Reserve shortage, ~~or emergency,~~ or in response to a Transmission Owner request for assistance for Load relief purposes or as a result of a Local Reliability Rule.

Curtailment Service Providers shall designate a contact person to receive the ISO's notification

activates the Emergency Demand Response Program in response to an Emergency or a Real-Time Locational Operating Reserve shortage or a peak forecast of an Operating Reserve shortage in a particular zone or zones, including Load relief or to meet a Local Reliability Rule within a Zone as requested by a Transmission Owner, the billing units for such charges will be based on the Actual Energy Withdrawals the affected zone(s) during the hours in which the Emergency Demand Response Program was activated.

LSEs shall also be required to pay the monthly charges calculated above for the Transmission Customers which the LSE serves as retail access customers.