

SECTION III

MARKET RULE 1

APPENDIX E

LOAD RESPONSE PROGRAM

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APPENDIX E LOAD RESPONSE PROGRAM

III.E.1. Introduction

III.E.1.1 Goal. The purpose of the Load Response Program (“LRP”) is to facilitate load response during periods of peak electricity demand by providing appropriate incentives. Load Response Program incentives are available to any Market Participant or Non-Market Participant which, consistent with the requirements set forth herein, enrolls itself and/or one or more retail customers (“Demand Resources”) to provide a reduction in their electricity consumption in the New England Control Area during peak demand periods. Non-Market Participants and End User Participants that participate as Governance Only Members that wish to participate in the Load Response Program and have satisfied the applicable financial assurance criteria will be charged an annual service fee of \$500. The service fee will be applied to ISO expenses and may be superseded by a future provision in the Transmission, Markets and Services Tariff.

III.E.1.2 Eligibility. The overall Load Response Program comprises the following individual components:

- Day-Ahead Demand Response Program
- Real-Time 30 Minute Demand Response Program
- Real-Time 2 Hour Demand Response Program
- Real-Time Price Response Program
- Real-Time Profiled Response Program

These programs are further defined in this Appendix E and the ISO New England Manuals.

Demand Resources are only eligible to participate in one program at a time, except that a Demand Resource participating in the Day-Ahead Demand Response Program whose offer is not accepted in the Day-Ahead Energy Market, may participate in the Real-Time Price Response Program. Generating Resources that are already qualified as generating assets are not eligible to participate in the Load Response Program.

Any Demand Resource that is eligible to qualify as an ICAP Resource must be available, at a minimum, for the summer period (May 1 through September 30).

III.E.1.3 Effectiveness. The Load Response Program will be effective from the Operations Date through February 28, 2006; except as provided in Section III.E.2.1

III.E.1.4 Allocation of Costs. The costs of Real-Time Load Response Programs will be allocated to the applicable Real-Time Load Obligation on a system wide basis, except for the costs associated with the Internet-based Communication System (IBCS) as provided in Section III.E.7. Until the Day-Ahead program is implemented, Real-Time program costs will be allocated to Real-Time Load Obligation on a system wide basis (calculated by summing the Real-Time Load Obligation in each Load Zone). Commencing on the date that the Day-Ahead program is implemented, the allocation of the Load Response Program costs (except for IBCS costs provided in Section III.E.7.) will change from Load Obligation to Network Load on a system wide basis. To the extent that a program participant's bid in the Day-Ahead Demand Response Program clears (is accepted), any charges or credits associated with such deviations will be allocated to the program participant. The balancing credit or charge will be allocated to Network Load on a system wide basis. As stated in Section III.E.2.1, the effective date for the Day-Ahead Demand Response Program will be the date specified by the ISO and posted on its website. Such date will be at least two weeks after the ISO has given the Commission written notice and has posted on its website that the ISO New England System Rules and computer

programs necessary to implement the Day-Ahead Demand Response Program are fully in place and functional.

III.E.1.5 General Requirements. A Demand Resource cannot span multiple Load Zones. A Price Response customer cannot span multiple Load Zones. All programs, require interval metering or an approved Measurement and Verification Plan (“M&V Plan”). With the exception of the Profiled Response Program and “Super” Low-Tech option of the Real-Time Price Response Program, meters are read at least daily and some will require an Internet-based Communication System.

III.E.2. Day-Ahead Demand Response Program

Demand Resources that require more than 2 hours advance notice in order to curtail consumption may participate in the Day-Ahead Demand Response Program. Demand Resources with response times less than 2 hours may also participate in the Day-Ahead Demand Response Program. The Day-Ahead Demand Response Program is not intended to pay for load reductions that would have been scheduled in any event, such as facility shut-downs.

III.E.2.1 Effective Date. The Day-Ahead Demand Response Program will be effective as soon as practicable. The effective date for this program will be the date specified by the ISO and posted on its website. Such date will be at least two weeks after the ISO has given the Commission written notice that the ISO New England System Rules and computer programs necessary to implement the Day-Ahead Demand Response Program are fully in place and functional and the ISO will post the date on its website at the time that the ISO makes such notice to the Commission.

III.E.2.2 Offer Parameters. A program participant may submit Supply Offers in the Day-Ahead Energy Market on behalf of a Demand Resource in increments of 1 MW or more. Resources may be aggregated to reach the 1 MW minimum. The minimum Supply Offer shall

be \$50/MWh and the maximum shall be \$1,000/MWh. Demand Resources that participate in the Day-Ahead Demand Response Program are eligible to qualify as an ICAP Resource subject to the performance criteria identified within the ISO New England Manuals.

III.E.2.3 Payment. Demand Resource Supply Offers that clear the Day-Ahead Energy Market will be paid the applicable Day-Ahead Zonal Price. To the extent a program participant's bid in Day-Ahead Demand Response Program clears (is accepted), and the participant's Real-Time bid response deviates from its nominated response, any charges or credits associated with such deviations will be allocated to the program participant. The balancing credit or charge will be allocated to Network Load on a system wide basis. Data for calculating actual performance, including the base line and actual reductions shall be provided on a daily basis with other meter reading data.

III.E.3. Real-Time Demand Response Programs

III.E.3.1 General Terms. The Load Response Program includes two components that provide payments for Demand Resources that are willing and capable of responding to Real-Time ISO instructions to interrupt load within a specific time period. The minimum, aggregated size to participate in these programs is 100 kW.

III.E.3.1.1 Technical Requirements. Both the 30-Minute Demand Response and the 2-hour Demand Response Programs require the use of an Internet-based Communication System.

III.E.3.1.2 Program Activation. The ISO may issue interruption instructions to Demand Resources on a zonal or system wide (implemented in blocks) basis. The ISO may issue interruption instructions in blocks and not just by zone, to allow for a controlled implementation. A block is a system wide slice of the Demand Resources (approximately 200 MW per block).

III.E.3.2 30 Minute Demand Response Program. The 30 Minute Demand Response Program requires a Demand Resource to respond within 30 minutes of the ISO's instructions to interrupt.

III.E.3.3 Payment - 30 Minute Demand Response Program. Program participants receive the higher of the applicable Real-Time Zonal Price for interrupted consumption (measured against the base line) or a guaranteed minimum payment of \$500/MWh for a minimum of 2 hours. Demand Resources that participate in the 30 Minute Demand Response Program are eligible to qualify as an ICAP Resource, subject to the performance criteria identified in the ISO New England Manuals.

III.E.3.4 2 Hour Demand Response Program. The 2 Hour Demand Response Program requires a Demand Resource to respond within 2 hours of the ISO's instructions to interrupt.

III.E.3.5 Payment - 2 Hour Demand Response Program. Program participants will receive the higher of the applicable Real-Time Zonal Price for interrupted consumption (measured against the base line) or a guaranteed minimum payment of \$350/MWh for a

minimum of 2 hours. Demand Resources that participate in the 2 Hour Demand Response Program are eligible to qualify as an ICAP Resource, subject to the performance criteria identified in the ISO New England Manuals.

III.E.4. Real-Time Price Response Program

III.E.4.1 Conditions for Price Response. Voluntary reductions will be allowed when the forecasted hourly Zonal Price produced by the Day-Ahead Energy Market or any day-ahead, or in day (based upon revised updates) Resource Adequacy analysis is greater than or equal to \$100/MW and the ISO has transmitted instructions that the eligibility period is open. Real-Time telemetering is not required, but interval metering or an approved M&V Plan is required.

III.E.4.2 Payment. Program participants in the Real-Time Price Response Program will receive the higher of the applicable Real-Time Zonal Price for interrupted consumption (measured against the base line) or a minimum payment of \$100/MWh when the eligibility period is opened. Since this program is voluntary, participants in the Price Response Program are not eligible to qualify as an ICAP Resource.

III.E.4.3 Communication That Eligibility Period Is Opened. Communication of opportunities to participate are made through the IBCS, e-mail notification and a posting on the ISO's web site.

III.E.4.4 Data Reporting.

III.E.4.4.1 Daily Reporting. The meter readings are submitted daily to the ISO on the same schedule as other meter data.

III.E.4.4.2 “Super” Low Tech. Under this reporting option the interval meter is not read daily nor is the meter reading supplied to the ISO within the following 36 hours. The ISO will resettle the Real-Time Market after approximately 90 days and will pay program participants at that time. Program participants in this option waive their ability to request resettlement with respect to billing for these program participants.

III.E.5. Real-Time Profiled Response Program

III.E.5.1 Requirements. The Real-Time Profiled Response Program is for participants with loads that are capable of being interrupted on demand. Program participants are willing and capable of responding in Real-Time to ISO instructions to interrupt load within a specified time period. The implementation of the interruption is under the direct control of the program participant. The type of Demand Resources that might participate in this program could include aggregated residential super-thermostat programs, pool pumps and distributed generation. A program participant aggregating Demand Resources for this program is required to provide a statistical response factor for the group. For example, an aggregated 10 MW Demand Resource having a 50% response rate would be credited for 5 MW of response when called.

III.E.5.2 Payments. The amount of interruption is statistically determined, not measured against a base line. Participating Demand Resources are paid the higher of the applicable Real-Time Zonal Price for interrupted consumption or a minimum payment of \$100/MWh for the statistically expected response quantity. Demand Resources that participate in the Real-Time Profiled Response Program are eligible to qualify as an ICAP Resource, subject to the performance criteria identified in the ISO New England Manuals.

III.E.5.3 Audits. Performance audits may be conducted on an annual basis at a time chosen by the ISO. The ISO may accept the statistical analysis instead of performing the audit. The program participant will be paid for an audit for the minimum guaranteed duration and at the minimum payment for the Load Response Program.

III.E.6. Metering and Settlement

Additional details concerning metering requirements and settlement procedures along with calculation of baseline quantities to be used to calculate the amount of interruption actually obtained are contained within the ISO New England Manuals.

III.E.7. Installation Cost of Internet-based Communication Systems

The cost of installation of the Internet based software of an ISO approved vendor (Internet-based Communications System) will be borne by the program participant that contracts for the Real-Time Demand Response Program or the Real-Time Price Response Program except:

III.E.7.1 For the first 1000 installations of Real-Time Price Response (reduced by the Type 6 Class 2 Interruptible Load installations already installed prior to the SMD Effective Date), up to 50% of the installation cost shall be borne by Market Participants. For these Customers, the Enrolling Participant will be paid by Market Participants for 50% of the installed hardware costs up to \$1,100 per Customer installation, or \$11 per enrolled kW per Customer installation, whichever is lower. For Customer installations without a Customer-supplied LAN, the reimbursement rate will be capped at \$1,400 or \$14 per enrolled kW per customer installation, whichever is lower. The minimum enrolled kW per Customer installation to be eligible for any reimbursement is 25kW. The share borne by Market Participants shall be allocated based on a percentage equal to each Market Participant's Real-Time Load Obligation in the appropriate Load Zone for the appropriate month divided by the sum of the Real-Time Load Obligations for the appropriate Load Zone for the appropriate month. The 50% share not

borne by Market Participants will be charged to the program participant that registered the Real-Time Price Response customer.

III.E.7.2 For the first 1000 installations of Real-Time Demand Response (reduced by the Type 6 Class 1 Interruptible Load installations already installed prior to March 1, 2003), will be reimbursed by the ISO for installation of the IBCS data collection equipment as follows. For these Customers, the Enrolling Participant will be paid by Market Participants for up to \$2,200 per Customer installation, or \$22 per enrolled kW per Customer installation, whichever is lower. For Customer installations without a Customer-supplied LAN, the reimbursement rate will be capped at \$2,800 or \$28 per enrolled kW per Customer installation, whichever is lower. The minimum enrolled kW per customer installation to be eligible for any reimbursement is 25kW. The IBCS hardware costs will be reimbursed until the limit of 1000 installations is reached and this cost will be charged back to Market Participants on a Load Zone basis, allocated among Market Participants in a percentage equal to each Market Participant's Real-Time Load Obligation.

III.E.7.3 For those Real-Time Demand Response installations within the first 1000 installations (reduced by the Type 6 Class 1 Interruptible Load already installed prior to March 1, 2003), that have 300kW or more of load available for interruption, Market Participants will bear \$100 of the monthly fee for the Internet-based Communication System. These costs will be allocated among Market Participants on a Load Zone basis and shall be allocated among Market Participants in a percentage equal to each Market Participant's Real-Time Load Obligation in the appropriate Load Zone for the appropriate month divided by the sum of the Real-Time Load Obligations for the appropriate Load Zone for the appropriate month.

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