

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 The service fee will be applied to ISO expenses and may be superseded by a future provision in the Transmission, Markets and Services Tariff.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 Load 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 Real-Time program at a time. A program participant in any of the Real-Time programs also has the option of participating in the Day-Ahead Load 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 29, 2008; 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 offer 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 Load 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 Load 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 IBCS.

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

The Day-Ahead Load Response Program provides a Day-Ahead aspect to the Real-Time programs. The Day-Ahead Load Response Program allows Real-Time program participants to make energy reduction offers concurrent with the Day-Ahead Energy Market. The Day-Ahead Load 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 Load 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 Load 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 an offer concurrent with the Day-Ahead Energy Market on behalf of a Demand Resource in increments of 100 kW or more. Resources may be aggregated to reach the 100 kW minimum. The minimum offer

shall be \$50/MWh and the maximum shall be \$1,000/MWh. Demand Resources participating in the Day-Ahead Load Response Program are eligible to qualify as an ICAP Resource only if the Demand Resource is in either the Real-Time Demand Response Program or the Real-Time Profiled Response Program.

III.E.2.3 Payment. Demand Resource offers that clear concurrent with the Day-Ahead Energy Market will be paid the applicable Day-Ahead Zonal Price. To the extent a program participant's offer clears (is accepted), and the participant's Real-Time load 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.

III.E.8 Demand Response Reserve Pilot Program

III.E.8.1 Demand Response Pilot Program Objectives. The objectives of the Demand Response Reserve (“DRR”) Pilot program are: (1) to demonstrate based on actual response data whether Demand Resources and Settlement Only Resources (collectively referred to in this Section III.E.8 as “DR Resources”) can reliably provide reserve services, specifically 10-minute and 30-minute Operating Reserve services; (2) to determine the requirements for the level and type of control room communications, dispatch, metering, and telemetry sufficient for DR Resources providing reserve services; and (3) to identify and evaluate lower cost communications and telemetry solutions that meet the requirements and are more suitable for DR Resources to provide reserve services.

III.E.8.2 DRR Pilot Program Description.

III.E.8.2.1 DRR Pilot Program Duration. The DRR Pilot program will commence on a date to be determined by the ISO in consultation with market participants. The ISO will provide at least two weeks advance notice of the commencement of the DRR Pilot program. Such notice will be provided to the Commission and posted on the ISO’s website.

The performance evaluation phase of the DRR Pilot program shall be one year; provided, however that the DRR Pilot program shall terminate prior to the end of the initial one-year performance evaluation phase if the evaluation of the performance of all DR Resources in providing reserve services shows unacceptable performance. If the performance evaluation phase demonstrates that one or more categories of DR Resources should be permitted to provide reserve services, the DRR Pilot program will continue after its initial one-year performance evaluation phase for an interim period until such DR Resources have been integrated into markets for such services (including, without limitation, the implementation of accepted alternative two-way communications and telemetry solutions, to the extent appropriate alternatives are identified); provided, however, that such interim period shall expire after twelve months. During the interim period, except as provided below with respect to selection and availability criteria, the DRR Pilot program will continue to be governed by the rules relating to DRR Pilot program size and DR Resource enrollment, selection process, availability, dispatch, metering and communication, payments to participating DR Resources, performance penalties, enrollment and ICAP credit, and program cost allocation as set forth in Sections III.E.8.2.2 through III.E.8.6.2 below. For the interim period, the ISO may modify the selection and availability criteria to take into account the performance exhibited by different DR Resource categories during the performance evaluation phase. The ISO will report at least quarterly to the Markets Committee on the status of the DRR Pilot program including the anticipated termination date.

III.E.8.2.2 DRR Pilot Program Size and DR Resource Enrollment. A total of up to 50 MW will be enrolled in the DRR Pilot program from the following categories of DR Resources:

- (i) customers with back-up generation or Settlement Only Resources;
- (ii) customers with back-up generation and weather-dependent load;
- (iii) weather-independent load reduction Resources; and
- (iv) weather-dependent load reduction Resources.

DR Resources will be selected in accordance with Section III.E.8.2.3 so as to represent the population of DR Resources that would likely participate in a competitive reserve services market.

Resources that are 5 MW or larger may be eligible to participate in the DRR Pilot program, subject to approval by the ISO. For Resources participating in the DRR Pilot program, aggregation of DR Resources in the same Load Zone will be allowed. Any aggregation of DR Resources must have a measurement and verification plan approved by the ISO. Once DR Resources have been integrated into reserve markets, however, aggregation of Resources participating in the reserve markets will be governed by the applicable reserve market requirements.

The DRR Pilot program will not affect the quantity or the applicable 10-Minute or 30-Minute Forward Reserve Clearing Prices for Resources acquired through the Forward Reserve Auction. A DR Resource may not simultaneously participate in the DRR Pilot program and the Forward Reserve Auction.

III.E.8.2.3 Selection Process. Separate DR Resource selections will be conducted for the winter and summer seasons consistent with the Forward Reserve Service Periods. The ISO will work with the national laboratories (assigned to work with the ISO to assist in the design of the DRR Pilot program) to determine the number and amount of DR Resources from each category listed in Section III.E.8.2.2 that will be necessary to yield unbiased and statistically meaningful results during the performance evaluation phase of the DRR Pilot program.

The selection process for the DRR Pilot program will consist of the following steps: (1) the DRR Pilot program will be advertised through a request for proposals or other means to eligible participants; (2) concurrent with the period during which Forward Reserve Auction Offers are being solicited, Enrolling Participants will be permitted to offer DR Resources to the ISO for consideration to be permitted to participate in the DRR Pilot program; and (3) the ISO will select DR Resources so that the amount of load reduction capacity reflects the load reduction goals for each category of DR Resource listed in Section III.E.8.2.2. In the event that participation in the DRR Pilot program exceeds the limits defined for a category of DR Resources, the ISO will conduct a random drawing by DR Resource category to determine the final participants for the period. If a DR Resource category is not fully subscribed for the period,

then the ISO will have the option of selecting other DR Resources that were not initially selected to participate in the DRR Pilot program. Once a DR Resource is selected and the Enrolling Participant agrees to participate, there will be no substitution of DR Resources during that Forward Reserve Service Period. The ISO can vary the asset selection process as necessary in order to produce unbiased, statistically meaningful results, and will maintain sole discretion over the selection of assets to participate in the DRR Pilot program.

An Enrolling Participant will be given an opportunity to opt selected DR Resources out of the DRR Pilot program should it deem the payments to participating DR Resources (described in Section III.E.8.3) to be insufficient. Any DR Resource that is selected to participate in the DRR Pilot program and that does not opt out after being given an opportunity to do so will be eligible for DRR Availability Payments and DRR Performance Payments and will be subject to DRR Replacement Energy Cost Penalties (described in Section III.E.8.4).

III.E.8.2.4 Availability. DR Resources participating in the DRR Pilot program will be required to meet the availability requirements of the Real-Time 30-Minute Demand Response Program, and will be required to make the DRR Contract Amount (defined in Section III.E.8.3.1 below) available for dispatch as described in Section III.E.8.2.5 below. In addition, for research purposes, the ISO may investigate certain subsets of hours surrounding

seasonal daily peak hours. In connection with any such investigation, the ISO may request that a certain category of DR Resource make itself available to respond to ISO dispatch instructions during such conditions. Any change to availability requirements will be made in consultation with the Enrolling Participants, and sufficient notice will be provided to participating DR Resources before any such change.

III.E.8.2.5 Dispatch. DR Resources participating in the DRR Pilot program will be dispatched during system disturbances in the New England Control Area involving losses of load, generation, or transmission facilities which equal or exceed the following criteria: actual net (interchange) tie line flow deviations equal to or greater than 500 MW; loss of generation or load equal to or greater than 500 MW; or system frequency deviations equal to or greater than 0.03 Hz (collectively, “DRR Reportable Events”). In addition, the ISO may dispatch DR Resources at additional times if DRR Reportable Events do not provide sufficient data for the ISO to evaluate DR Resources across all pre-defined test conditions, including dispatch frequency, duration of load reduction, and season.

Except as provided below, total activations during the performance evaluation phase of the DRR Pilot program shall not exceed 50 times and shall not exceed 100 hours. If total activations approach the cap of 50 times or 100 hours, the ISO will notify participating DR

Resources that if the cap is reached, the ISO will permit participating DR Resources to opt out of the DRR Pilot program. DR Resources that exercise this opt-out right will no longer be eligible to receive DRR Availability Payments and DRR Performance Payments or subject to DRR Replacement Energy Cost Penalties and will no longer be required to respond to ISO dispatch instructions in response to DRR Reportable Events pursuant to the DRR Pilot program. Those not exercising this opt-out provision will continue to be obligated to respond to ISO dispatch instructions in response to DRR Reportable Events through the end of the then current Forward Reserve Service Period; such resources will continue to receive DRR Availability Payments and DRR Performance Payments, and will be subject to DRR Replacement Energy Cost Penalties. The ISO will continue to study the performance of DR Resources that choose to not exercise the opt-out provision.

III.E.8.2.6 Metering & Communication. The DRR Pilot program will use the existing Internet Based Communication System for activation of the participating DR Resources. Telemetry data, which is automatically transmitted from each DR Resource through their IBCS provider to the IBCS open solution every five minutes, will be transmitted by the IBCS open solution to the ISO. A separate sub-project will identify and evaluate lower-cost, two-way communication alternatives to the current combination of Supervisory Control and Data Acquisition (“SCADA”) and Remote Intelligent Gateway (“RIG”) technology that is presently required to connect dispatchable Resources to the ISO. This sub-project will evaluate the use of lower-cost dispatch and telemetering alternatives for use by DR Resources that are less than 5 MW in size. To support this evaluation, alternative dispatch and telemetering solutions may be used in the course of the DRR Pilot program if agreed to by the ISO and Enrolling Participants.

III.E.8.3 Payments To Participating DR Resources. Enrolling Participants whose DR Resources participate in the DRR Pilot program will be eligible to receive a DRR Availability Payment, based on the applicable 30-Minute Hourly Forward Reserve Clearing Price for the Load Zone within which the DR Resource is located, and a DRR Performance Payment. Such payments are intended to compensate DR Resources for the additional obligations and risks associated with participation in the DRR Pilot program.

III.E.8.3.1 DRR Availability Payment. Participating DR Resources will receive a DRR Availability Payment based upon the applicable 30-Minute Hourly Forward Reserve Clearing Price for the Load Zone within which the DR Resource is located. At the beginning of each Forward Reserve Service Period, DRR Availability Payments for participating DR Resources will be based on the amount that the Enrolling Participant agrees to provide within 30 minutes when called upon by the ISO (“DRR Contract Amount”). Each time a dispatch event occurs, the DRR Availability Payment from the event start time going forward will be based on the lower of the DRR Contract Amount or the actual performance of the DR Resource. The DRR Availability Payment between the last dispatch event and the end of the Forward Reserve Service Period will be based on the actual performance of the DR Resource in the last dispatch event, not to exceed the DRR Contract Amount.

Specifically, DRR Availability Payments to a DR Resource for each hour that the DR Resource is required to be available for dispatch will equal:

(applicable 30-Minute Hourly Forward Reserve Clearing Price) multiplied by
(the lower of the DRR Contract Amount or the actual performance of the DR Resource).

III.E.8.3.2 DRR Performance Payment. The DRR Performance Payment will be calculated as the product of the Amount Interrupted and the higher of the applicable Forward Reserve Strike Price or the appropriate Real-Time Zonal Price.

For hours in which both a DRR Pilot program dispatch event and a Real-Time 30-Minute Demand Response Program event occur, DRR Pilot program participants will receive no DRR Performance Payment. At such times, DRR Pilot program participants will receive Real-Time hourly payments associated with the Real-Time 30-Minute Demand Response Program; provided, however that DRR Pilot program participants will still be subject to DRR Replacement Energy Cost Penalties as described in Section III.E.8.4. below.

III.E.8.3.3 Performance Measurement. DR Resource performance will be determined in the same manner as in the existing Real-Time 30-Minute Demand Response Program as described in the ISO New England Load Response Program Manual (including customer baseline adjustment for the two hours prior to the event). While performance measurement for settlement purposes will be based on the method described in the Load Response Program Manual (unless otherwise agreed to by the ISO and Enrolling Participants), the ISO may explore alternative customer baseline formulations for research purposes.

III.E.8.4 Performance Penalties

III.E.8.4.1 DRR Replacement Energy Cost Penalty. The DR Resources participating in the DRR Pilot program will not be subject to a failure to reserve penalty, since such DR Resources will not be bidding into the Day-Ahead or Real-Time Energy Markets, nor will they be dispatched based upon a price. However, the formula in Section III.E.8.3.1 will decrease the DRR Availability Payment by the portion of the DRR Contract Amount not provided.

DR Resources participating in the DRR Pilot program will be required to pay a failure to activate reserve penalty based on replacement energy costs (“DRR Replacement Energy Cost Penalty”), as defined below, when they provide less than the DRR Contract Amount in response to ISO dispatch instructions. Standard Load Response Program curtailment measurement (including customer baseline adjustment for the two hours prior to the event) is utilized to determine performance of DR Resources including any undelivered response. The Real-Time Zonal Price used in the formula shall be the hourly Real-Time Zonal Price for the Load Zone within which the DR Resource is located.

DRR Replacement Energy Cost Penalty =
(DRR Contract Amount – Amount Interrupted) multiplied by
(Real-Time Zonal Price).

III.E.8.5 Enrollment and ICAP Credit

III.E.8.5.1 Enrollment. DR Resources participating in the DRR Pilot program will be required to register in the Real-Time 30-Minute Demand Response Program. In addition to responding to DRR Pilot program events, DR Resources will be required to respond to the activation of the Real-Time 30-Minute Demand Response Program.

Settlement Only Resources participating in the DRR Pilot program must change their registration with the ISO to participate in the Real-Time 30-Minute Demand Response Program. Any Settlement Only Resource that elects to participate in the DRR Pilot program will be afforded the option at the end of the DRR Pilot program to return to “settlement only” status or to continue to participate in the Real-Time 30 Minute Demand Response Program.

III.E.8.5.2 ICAP Credit. DRR Pilot program participants will receive ICAP credit pursuant to the provisions of the Real-Time 30-Minute Demand Response Program. ICAP credit will be based on DR Resource performance in response to Real-Time 30-Minute Demand Response Program events only. No additional ICAP credit will be afforded a DR Resource for participation in the DRR Pilot program. To the extent that payments associated with the Forward Reserve Auction are modified in the future, DRR Availability Payments and ICAP credits for DR Resources participating in the DRR Pilot program will also be modified in a consistent manner.

III.E.8.6 Program Cost Allocation. There are two separately calculated charges for the DRR Pilot program: (1) payments associated with the DRR Availability Payment, and (2) payments associated with the DRR Performance Payment (net of DRR Replacement Energy Cost Penalties) when loads are called upon to interrupt.

III.E.8.6.1 DRR Availability Payment Allocation. The charge for the DRR Availability Payments will be allocated on a pro-rata basis based on each Market Participant's share of the aggregate charges under Schedules 1, 2, and 3 of Section IV.A (Recovery of ISO Administrative Expenses) of the ISO New England Transmission, Markets and Services Tariff from the previous month.

III.E.8.6.2 DRR Performance Payment Allocation. The charge for the DRR Performance Payment associated with the actual interruption (net of DRR Replacement Energy Cost Penalties) will be allocated to Real-Time Load Obligation Deviation in the Load Zone within which the DR Resource is located.

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