

**Federal Energy Regulatory Commission  
Technical Conference on Demand Response in Wholesale Markets**

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Thank you for the opportunity to address the Commission on the important issue of demand response in the NYISO's market. I have submitted written answers to your questions and have copies of that document available in the back of this room. This morning I would like to share with you some highlights of the NYISO's demand response programs that will illustrate for you how those programs have enhanced the efficiency of the NYISO markets.

This conference focuses on the integration of demand response into the wholesale electric markets. The NYISO's Board of Directors and its stakeholders recognized from the formation of the NYISO in 1999 the value of integrating demand response into our markets.

Since 2000, the NYISO staff has worked with its stakeholders to develop what many regard as the most advanced markets for demand

resources in the U.S. and a model for others to adopt. During peak demand periods, the NYISO's demand response programs have proven to be a major contributor to maintaining grid reliability and to the stability of our markets. We have called upon them on 17 occasions for 111 hours since 2001 to meet peak load or address voltage issues.

New York State saw the benefit of our continued commitment to demand response in the demonstrated success of our programs by their contribution during last summer. The summer of 2006 tested New York's bulk electric system and we were able to meet the challenge. Demand response played a very important role in this effort by providing voluntary load reductions on six occasions, five of them to address concerns in the New York City area.

On August 2<sup>nd</sup> our peak load was 33,939 MW -- 33 percent more than our peak load just ten years ago and the actual peak was 5.8 percent greater than 2005. Not only did the NYISO serve its own load, we were able to make emergency energy available to our neighbors. Between 12:30 and 5:30 in the afternoon of August 2, the NYISO supplied as much as 1300

MW to ISO-NE. The NYISO's demand response programs, both emergency and market based, supplied almost 1000 MW of load reduction for five hours that day. That amount of load reduction is just under three percent of the peak load in the entire state and is equal to approximately two medium sized generating plants. Over the course of the 2006 summer, demand response provided nearly 16,500 MW hours of load reduction – more than in any previous summer.

Currently the NYISO offers two programs which use demand side response to avoid short-term reliability problems and a third that offers loads the opportunity to economically offer their load reduction into the Day Ahead Market for energy. The NYISO is currently developing further enhancements which will allow demand response to participate in its ancillary services markets. That enhancement is planned to be implemented by the end of this year.

There are two programs that pay customers to curtail usage or operate distributed generation during times when reliability of the electric grid could be in jeopardy. The Emergency Demand Response Program, which is

strictly voluntary, compensates participants for verified energy reductions. Customers that participate in our Installed Capacity Market as Special Case Resources are obligated to reduce load for a specified contract period when called. They receive monthly capacity payments as well as the LBMP-based energy price when they respond.

Between May 2001 and March 2007, the NYISO's reliability-based demand response programs grew from approximately 200 MW to 1615 MW. The number of end-use customers participating in these programs increased from about 200 in March 2002, to over 2500 today. Roughly one-half of these customers, representing one-third of the total MW load reduction potential, are located in New York City.

The success of demand response programs in New York has been greatly facilitated by the collaborative relationship between the NYISO and New York's state agencies. From the beginning, the New York Public Service Commission has been instrumental in the programs' success by encouraging utilities to offer retail demand side management programs consistent with the NYISO's wholesale program designs. In addition, the

New York State Energy Research and Development Authority, NYSERDA, has offered innovative programs to assist participants with load reduction strategies such as interval metering and emergency generator tune-up and emissions testing.

The NYISO has a unique structure of true shared governance in which stakeholders work to develop equitable and effective market rules that facilitate demand response participation. A working group dedicated to issues of importance to demand response providers develops proposals in this subject area for approval by the NYISO's stakeholder committees and the NYISO Board.

In addition to work on facilitating demand response to be able to provide ancillary services, this group is actively examining initiatives that include automating the registration, performance analysis and settlement of demand response resources, and implementing targeted demand response solutions to address local reliability issues in New York City.

The growing number of aggregators that are marketing demand response services indicates that demand response is a viable business model in New York.

The NYISO's FERC approved Comprehensive Planning Process provides a level playing field for demand response so that it is evaluated on an equal basis with transmission and generation to maintain reliability.

We believe that the NYISO with the support of the New York PSC has led the State to the forefront of the national effort to open wholesale markets to demand reduction. We have done this both because it makes economic sense and because these resources are needed to ensure reliability on peak load days – especially in New York City.

I would be happy to answer any questions you may have.

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