

*Comments to the State of New York Public Service Commission,  
in response to:*

**CASE 05-M-0090 - In the Matter of the System Benefits Charge III**

**NOTICE SOLICITING COMMENTS**

**(Issued January 28, 2005)**

*Submitted:*

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*Submitted by:*

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1. To what extent have the goals and objectives established by the Commission been achieved?

- Last year's evaluation of the results of the SBC program and NYSERDA's management was positive and indicated that the program is "making considerable progress in meeting its public policy goals."

However, as outlined further in question #11, we are concerned that the evaluation methods used to measure the effect of market transformation programs (not just in New York, but throughout the country) may not sufficiently account for the full range of long term benefits to markets, such as changing the ways that architects design and builders construct buildings, retailers advise consumers, or the effect on consumer buying habits that occurs from mass advertising awareness of the Energy Star brand.

For instance, the Alliance's 2003 consumer survey and focus group research found that New Yorkers have significantly higher awareness of the Energy Star label, and that they base purchase decisions on it more often than people in the rest of the country. We believe a key contributing factor in this heightened awareness was NYSERDA's television, radio and print media campaigns directing consumers to look for the Energy Star label.

2. Should the SBC program continue beyond its current expiration date of June 30, 2006? If so, for what duration should the SBC be extended and at what funding level?

- ☑ Given the positive SBC/NYSERDA program evaluation and our discussion with experts in the field, the Alliance recommends that the PSC continue the program and, increase the level of funding, especially in areas where there is a strong record of documented results or need. The Alliance suggests the PSC authorize the SBC for at least five years, but seriously consider a 10 year authorization, which will provide even more certainty to program planning.

We also recommend that funding for electricity programs be increased to \$200 million over five years, with a corresponding gas program funded at the \$50 million level. Even at these levels, spending on energy efficiency will still be lower than the amount New York's electric utilities were spending on DSM in 1993, and is less than New Jersey SBC-type program spends on a per capita basis.

3. Have conditions changed since the establishment of the SBC that would necessitate a change in the overall goals and objectives of the SBC? If so, what changes are recommended?

- ☑ Yes, the need for SBC energy efficiency investments is even greater today than when the program was created in 1998 because higher energy prices are hurting New York consumers and businesses. In addition, the Program has created a larger and more effective infrastructure to deliver energy efficiency, NYSEERDA's program design and implementation skills and experience are greater and new and better energy efficiency technologies have entered the marketplace as compared to 1998. Plus, the New York has put in place climate change mitigation goals and increased energy efficiency will play an important role in reaching them. So, New York ratepayers need the benefits of energy efficiency now more than ever.

Given the changing market, the Commission should make sure that several ideas are incorporated into the SBC goals and objectives, including:

- Ensure SBC programs and communications are designed to address the needs and maximize their penetration in minority and non-English speaking communities.
- Incorporate a broader and more specific goals and objectives to reference the new importance of have SBC programs target sectors and opportunities to meet New York's new climate change mitigation goals, especially to document the extend energy efficiency can cost effectively deal with the problem.
- Focus more attention on market transformation in public schools, including upgrading buildings, training maintenance staff and educating children about energy efficiency.

- Increase the emphasis on the creation of a sustainable energy efficiency infrastructure and job creation.

4. If assuming continuation of the SBC, how should programs be prioritized to meet those goals and objectives?

- ☑ One of the hallmarks of the NYSERDA's Program is its transparency and commitment to soliciting the views and recommendations of outside parties and stake-holders. Various Alliance staff have participated in many NYSERDA input forums for providing feedback and have found the staff open to sensible ideas and thoughtful criticism. While, we believe this process has led to the development of sound program priorities a good program prioritization and appropriate investment alignment, we recommend that NYSERDA consider the four issues we listed in the previous question.

5. How might the SBC programs be adjusted given the Commission's order, issued September 24, 2004, regarding a Renewable Portfolio Standard (Case No. 03-E-0188)?

- ☑ NYSERDA's research and development programs should be adjusted to address SBC and renewable technology industry needs. Given this expanded role, additional funding may be needed to avoid cannibalization of other valuable R&D programs.

6. In what ways might the current SBC fund collection and allocation process be improved?

- ☑ We don't have enough information or experience with the process to comment.

7. What specific program(s) should be eliminated, expanded or created?

- ☑ NYSERDA should continue to expand transformation programs in market segments that offer significant savings opportunities but historically have the largest market barriers. For instance, in the residential sector, homeowner's have very high hurdle rates to investment (as opposed to investment decision making in commercial building or industrial markets where decisions are based on more detailed and considered economic analysis) and the building industry has always been slow to adopt new ways of doing things. The Building Performance Program is very innovative and effective in improving the quality of the building upgrade industry which lowers consumer risks that hamper investment. The experience in the New York City air conditioner replacement program, where incentives and mass communication were combined to stimulate a market response, but were then phased out over time, offers a model for transforming other product markets. In addition, priority should be given to low income and elderly households because of the

negative economic and potential health impacts of higher energy prices on this segment of the population. These sectors are currently under funded and investment levels should be increased.

8. How can future SBC funded programs be more responsive to the needs of New York's energy consumers?

- As a national level organization with knowledge of all the SBC programs around the country, the Alliance believes the NYPSC/NYSERDA SBC Program is among the finest in the country in terms of reputation, innovation, collaboration and effectiveness. We suggest Program effectiveness with consumers can be improved by incorporating more efforts in the areas we have previously listed -- targeting minority and non English speaking communities, climate change, public schools, industry infrastructure and jobs. The program of special note is the Building Performance Program which is touching real people in ways that effective their lives for the better. The Alliance urges continued and increased support of the Program because it will respond to consumer needs as it has in the past.

9. How can SBC funded programs be marketed more effectively?

- The marketing of the NYSERDA deployment program is very strong. In many ways New York leads the nation. However, the research and development program, while technically good, would likely benefit from increased attention to marketing.

10. In what ways can NYSERDA improve its administration of the SBC?

- Based on the Alliance's experience, NYSERDA is somewhat hamstrung by a procurement process that evolved out of the organization's former role as a research and development engineering center. What appears to be missing is the flexibility to easily fund innovative ideas and partnerships based on the submission of unsolicited proposals. We would suggest that a special fund of SBC resources be established to provide nimble and leveraged support to innovative ideas, especially pilot tests of new approaches that have potential to address issues in a constantly changing technological and consumer demands.

11. Is the current NYSERDA program evaluation process adequate? How might it be improved?

- NYSERDA has worked hard to evaluate and provide metrics on their programs and they should be commended for their results.

In general, however, there is a lack of sound quantitative data on the effectiveness the general state of methods to evaluate market transformation are antiquated and inadequate. This is a nation problem that needs to be

addressed. Most program evaluation techniques were developed to consider rebate-oriented, demand-side management program in the late 1980s and early 1990s, before the advent of market transformation programs. Evaluators don't have the proper tools and best practices to account for the complex nature, less easily recognized, and harder to quantify outcomes of market transformation.

We recommend that the NYPSC and NYSEDA partner with other state commissions and SBC program administrators facing the same problem to develop market transformation best practice benchmarking for voluntary, nation-wide adoption. Such an effort would result in more accurate accounting of the long term market effect of programs, and would enable regulators to compare and benchmark SBC programs and results between states.

We also suggest that such a partnership include the input of organizations and people in areas of expertise not normally associated with program evaluation, such as involving experts from market research firms. The Alliance would be glad to assist in the creation of this type of collaborative.

12. Should SBC funds be extended to programs that encompass research and development into retail and/or wholesale electric market competitiveness issues, or transmission and/or distribution of the State's energy resources?

- No. The basis of the current SBC is that with the (restructuring of the electric industry caused specific stranded benefits - investments in low-income weatherization, research and development, renewable energy and energy efficiency programs -- that were valued by society and the SBC was created to ensure those benefits are not lost. Already, funding levels for the current range of energy efficiency efforts is less than optimal. As with RPS activities, if these new issues are to be addressed, there should be a separate SBC to fund them. Care also should be taken to make sure a SBC for market competitiveness and/or distribution not support activities or projects that will tend to increase the use of energy, as opposed to making the system more energy efficient.

13. Should the scope of the SBC program be expanded to include programs for natural gas customers? Yes If so:

- a. What kinds of programs would benefit New York's gas consumers?
  - o Programs that encourage the widespread installation of high efficiency gas furnaces and boilers, easy to use programmable thermostats, Energy Star branding, low income weatherization and residential building performance.

- b. Which classes of customers would be served most effectively by a

natural gas SBC program?

- Residential homeowners, renters, multifamily building owners and tenants, especially those from the low-income and elderly segments of the population.

c. How should a natural gas SBC program be funded and what annual level of funding might be considered reasonable? How might a natural gas SBC affects current electric SBC funding levels?

- Funds for a natural gas SBC should be based on a small charge on natural gas using LDC billing systems. The charge should be based on an estimate of what funding levels it would take to achieve natural gas reduction goals set by the commission's SBC process. A natural gas SBC should not affect the electric SBC because the charges address two different energy sources and energy efficiency markets. Gas SBC funds should be in addition to maintaining the electric SBC program level, however, NYSERDA should look for ways to leverage and package gas and electric market transformation and investment programs as many customers using both sources and economies of scale are possible. For instance, promotion of Energy Star products, which addresses equipment used in both markets, represents a cost-effective investment.

d. What should be the initial duration of a natural gas SBC, and should that term coincide with the extension of an electric SBC, if the electric SBC is extended?

- Gas reduction performance goals should be established and the gas SBC should continue until the goals are met, unless future analysis shows that higher goals are needed, or that it is no longer cost-effective to continue the program. The two programs should coincide in terms of operation.

e. How might a natural gas SBC be administered and evaluated and how should it differ from the administration of the electric SBC?

- On the surface, it would seem that a gas program would be very similar in administration and evaluation to an electric program.

14. Do you have any other suggestions for improving the overall SBC program that are not addressed by the above questions?

- Almost half the states now have an SBC, which typically use market transformation programs to accelerate market adoption of energy efficiency. Most of these programs have a large consumer communications element. It

may now be time for states to partner and pool their expertise and funding to create regional or national networks that leverage their investments. NYSERDA participation in the Alliance's recent public service campaign is one promising example. Television, radio and print Energy Star marketing messages would reach more people at lower cost with national advertising. For instance, no state could afford an Energy Star spot during the Super Bowl, but if twenty states pooled their resources, it might make the buy affordable. Multi-state collaboration on market transformation programs represents a potentially transformational SBC action.