

# Cooperative Coalition to Prevent Blackouts

c/o **The HDFC Council**

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October 17, 2005

Honorable Jaclyn A. Brillig  
Secretary to the Commission  
NYS Department of Public Service  
3 Empire State Plaza  
Albany, NY 12223-1350

Re: Case # 05-M-0090 – In the Matter of the SBC III

Dear Secretary Brillig:

It is a great pleasure to voice the support of the Cooperative Coalition to Prevent Blackouts (CCPB) and Energy Investment Systems, Inc. (EIS) for five years of renewed System Benefits Charge (SBC) funding to the New York State Energy Research and Development Authority (NYSERDA).

NYSERDA works to “push the envelope” on a host of groundbreaking issues and technologies. NYSEERDA has developed numerous programs to reduce energy usage and costs for New York State consumers. The agency’s support of renewable resources has helped the Governor fulfill his commitment to fill a quarter of the State’s power needs through sustainable sources. NYSEERDA’s substantial investment in wind farms, photovoltaics and biomass systems has advanced New York to the forefront of national energy research and implementation. Its current

work with the PSC to implement a new renewable portfolio standard for the next five years holds great promise. The recipient of many prestigious awards from the industry, not-for-profit groups and the U.S. Department of Energy, NYSEERDA’s important work should continue uninterrupted. Significant and substantive breakthroughs are on the horizon and NYSEERDA’s consistent and focused approach is needed to maximize future benefits and opportunities.

In addition to its emphasis on performance as a measure of success, NYSEERDA values original research. NYSEERDA recognizes that institutional issues are often as important as technical fixes. Support for the invention of energy efficient technologies is not an end in itself. There must also be a way to get them installed. This gives rise to an array of technical, economic, institutional, environmental and sociological concerns. Until these issues are addressed, we will never find the “sweet spots” that makes full-scale deployment both possible and justifiable. The CCPB and EIS grapple with these issues daily as we work to establish a time-sensitive electricity pricing paradigm that will radically change the way in which society perceives energy conservation. NYSEERDA understands the challenges well.

NYSERDA knows that small investments can create large changes. With the agency's support, we are working to implement Real Time Pricing (RTP) in New York City's multifamily building sector. To date we have placed four multi-family buildings on Con Edison's Rider M rate schedule, which was mandated by the PSC to enable consumers to purchase electricity based on the New York Independent System Operator's day ahead market (DAM) and encourage them to move electricity usage out of peak periods. Determining the most effective way to implement residential RTP and harness the collective power of consumers to reduce peak demand is, in part, a social experiment. Social experiments require percolation, and we are pleased to have NYSERDA assistance with our real-life urban laboratories.

Demand response offers the city's residential sector an enormous opportunity. We know from experience that escalated energy prices and limited supply can play havoc with the city's economy, its potential for growth and the well-being of all of its citizens. We can forestall the need for new power plants by stabilizing demand, even as the economy grows. We can build on our accomplishments to demonstrate that discretionary electric consumption can be harnessed to assure power reliability and mitigate the skyrocketing prices experienced this summer.

RTP and load curtailment promises to have a dramatic effect on New York City's electric infrastructure. According to the U.S. Energy Information Administration, the residential sector nationwide has surpassed the commercial and industrial sectors in electricity usage. The city's residential sector accounts for 35-40 percent of all consumption and may represent more than half of electric revenues. Residential reductions in peak demand when the electricity system is strained would effectively buttress available resources and lower prices for all electric consumers in New York City. Demand response could have enormous leverage on the market.

NYSERDA has begun this work with SBC funds. NYSERDA and the PSC have supported limited initiatives to date but larger-scale RTP demonstration projects are needed. With SBC III funds, NYSERDA would be able to extend its efforts to demonstrate and deploy RTP rates and load shedding systems in the New York City residential market, beginning with cooperative and condominium buildings. Initiatives should include but not necessarily be limited to:

1. Fund deployment of RTP technologies in at least 5,000 residential units over the next two years
2. Eliminate conflicts between demand and DAM price signals in the RTP tariff \*
3. Work with the Independent System Operator to fund aggregated curtailment incentive demonstration projects in New York City multifamily buildings
4. Experiment with new regulatory pathways by testing advanced RTP systems in the city's direct-metered rental apartment buildings, no matter the size, which constitute two million units, or two-thirds of the city's housing stock

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\* In New York City, DAM prices are highest from 3P.M. to 7 P.M., when systemwide electric usage peaks. Under the RTP tariff, a costly demand charge is levied on a building's maximum half-hour usage, which in multifamily buildings usually falls between 7:30 P.M. and 9:30 P.M. Rider M effectively penalizes these residential consumers for using electricity when systemwide prices are low.

5. Make it a priority to support local government initiatives to provide local subsidies for investment in an RTP residential infrastructure
6. Continued SBC support for NYSERDA's CEM program for advanced meter and load control deployment/experiments and demonstrations.

NYSERDA recognizes that initial accomplishments in establishing a time-sensitive electricity pricing paradigm could be negated if we do not stay the course. NYSERDA has facilitated the installation of some 15,000 advanced interval meters in multifamily buildings through its Comprehensive Energy Management program. The meters form a technological infrastructure for the application of time-sensitive pricing opportunities. A test of RTP and RTP curtailment-integration projects is underway in a diverse set of deployment experiments. Additional deployment experiments are an absolute must.

NYSERDA acknowledges new challenges. High oil and gas costs caused electricity prices to soar this summer, while record high temperatures ensured our continued dependence on the least efficient power plants. Everyone has suffered, but RTP customers have seen the largest increases in the short term. The industry takes a 12-month view of RTP prices, but consumers, for whom price is the essential motivation to switch to RTP service, are understandably leery. To encourage the adoption of RTP and load curtailment, efforts must be focused on strategies to counter price volatility and address risk factors such as hedging. At the same time, we recognize that risk factors cannot be entirely eliminated and in fact constitute a motivation for reducing peak demand.

The next five years are critical to the development of a demand response infrastructure for multifamily buildings that will benefit the entire city. Rick Gerardi's stewardship on this issue has been unwavering. His sustained leadership and the consistent efforts of NYSERDA colleagues and staff are needed for controlled deployment demonstrations that test applications of PSC and NYISO RTP and load curtailment policies.

*What could be the result?* ISO staff estimates that the last electric capacity bid on a hot day represents 20 or fewer megawatts of power.\* That means the price for the entire state during that hour could be reduced, if 20,000 apartments were to curtail one kilowatt each.

Our city is filled with public-minded individuals of all demographics. The CCPB is committed to identify building board members within the 500,000 cooperative and condominium units in the city who will invest time, effort and money in RTP programs for the greater public good. The PSC should assure NYSERDA that SBC resources are forthcoming to provide these pioneers the help they need. These efforts will establish a more competitive economic climate and a healthier and cleaner environment.

A cornerstone of NYSERDA's success is its ability to integrate new and emerging concepts, to think "outside the box." For example, the merger of photovoltaics with RTP and RTP curtailment promises substantially greater benefits than the sum of the components: Sunlight can replace grid power during the day when it is most costly under RTP, while RTP offers significantly lower prices at night when sunlight is not available. The ability to demonstrate

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\* The ISO's day ahead market bases hourly prices on the highest accepted bid for that hour.

concepts like these is a strength of NYSERDA's professional staff, which is well versed in implementation economics and unafraid to experiment when benefits are not readily apparent to the uninitiated.

In closing, New York City needs a strong and continuing partnership with NYSERDA and the PSC. It is necessary to leverage institutional know-how and human resources to realize the potential of a time-sensitive electricity paradigm. NYSERDA has developed the programs and shown the commitment to promote the PSC's RTP policies. As representatives of the housing and energy service sectors, we see it as the only entity equipped to meet the challenges of the next few years.

Given the energy and economic warning signs ahead, it is essential that the PSC award SBC III funding to NYSERDA at the level recommended in the PSC Staff Report.

Respectfully yours,

  
J. Reyes-Montblanc  
Chair  
Cooperative Coalition to Prevent Blackouts

Lewis M. Kwit  
President  
Energy Investments Systems