

# THE E CUBED COMPANY, L.L.C.

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Providers of  
Strategic Energy  
Services At  
The Exponential  
Interface Among

- Energy
- Economics and
- Environment

Ruben S. Brown,  
M.A., M.A.L.D.,  
President

October 15, 2005

Hon. Jaclyn Brilling, Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

Re: Comments by National Association of Energy Service Companies (NAESCO)  
and The Joint Supporters due October 17, 2005 on the DPS Staff Proposal  
regarding SBC III

Dear Secretary Brilling:

In response to request for public comment NAESCO and the Joint Supporters are  
pleased to submit the attached supportive comments with qualifications.<sup>1</sup>

Thank you for the opportunity to comment.

Very Truly Yours,



Ruben S. Brown, M.A.L.D.  
President, The E Cubed Company,  
LLC  
On behalf of NAESCO and The Joint  
Supporters

Cc: Donald Gilligan, NAESCO

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<sup>1</sup> Both NAESCO and the Joint Supporters are voluntary associations which have been active in policy planning and reviews before the New York Public Service Commission of the Systems Benefit Charge program since inception and indeed both negotiated the creation the SBC program in a series of cases between 1996 and 1998. NAESCO involves more than 85 organizations in the energy efficiency industry. Joint Supporters managed by The E Cubed Company, LLC, involves more that twenty-five providers and consumers of services, equipment, and fuel, significantly focusing on Load Management/Demand Response, and Distributed Generation. A few companies are members of both.





**STATE OF NEW YORK**  
**PUBLIC SERVICE COMMISSION**

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

**STATEMENT OF NAESCO AND JOINT SUPPORTERS**  
**October 16, 2005**

**OVERVIEW**

NAESCO and the Joint Supporters offer several comments on the “STAFF PROPOSAL FOR THE EXTENSION OF THE SYSTEMS BENEFIT CHARGE (SBC) AND THE SBC-FUNDED PUBLIC BENEFIT PROGRAMS,” dated August 30, 2005. These comments are offered from the perspective of the companies who deliver the SBC-funded energy efficiency, load management and distributed energy programs in order to help the Commission make these programs as cost-effective as possible. The Joint Supporters also include various types of end-users who participate in the SBC programs. We support a shared agenda on these points.

The Commission should accept the Staff’s recommendations that programs targeted at business (commercial, industrial and institutional) customers be consolidated and coordinated (staff at 16-18).

The Commission should ensure that the SBC III programs are coordinated with the supplemental demand-side programs that will be offered in the ConEd service territory as part of the recent ConEd rate case settlement. Without substantial coordination, the programs are likely to confuse both customers and providers, and end up diminishing, rather than accelerating the market adoption of DSM.

The Commission should ensure that the Transmission and Distribution elements of the proposed SBC III priority programs lead the way to more effective consideration and deployment of demand resources in T&D planning and implementation.

The Commission should encourage NYSEERDA in designing SBC III programs to seek opportunities to address Energy Security issues related to preparedness for emergencies, such as natural or human-caused disasters.

The Commission should consider the Staff’s funding proposal an interim minimum working level and then set the appropriate funding levels after it sets the goals for the SBC III Programs, rather than setting the funding level before it sets the goals.

The reasoning for our comments is given below.

## I.

**The Commission should accept the Staff's recommendations that programs targeted at business (commercial, industrial and institutional) customers be consolidated and coordinated (staff at 16-18).**

NYSERDA currently operates a number of programs designed to help business customers learn about and adopt DSM technologies. These programs are presented to the customer as separate entities. Some programs provide technical assistance. Others provide fixed-price incentives or rebates on a unit basis for particular technologies (*e.g.*, \$x for a particular type of lighting fixture retrofit). Others provide incentives for total energy or demand savings from a comprehensive, multi-technology energy efficiency project. Still others provide incentives for the customer to adopt new technologies – renewables or distributed generation or demand response.

A customer or provider is thus faced with trying to understand the incentives, rules and application procedures for multiple programs. Some of the programs are open-ended, standard offers, available to all customers and providers. Other programs are restricted to a set of providers or customers selected during an annual bidding process.

From the standpoint of the customers and many of the providers (particularly the NAESCO member ESCOs) the DSM world should not be presented as a series of separate programs. Many of the available technologies span multiple programs and can be used to meet several policy objectives. For example, a dimmable T-5 lighting system can provide significant energy savings plus significant demand response capabilities. The customer is interested in understanding the full range of available DSM approaches and technologies, which it usually sees as a continuous spectrum, and implementing those that make sense for its facility. The ESCO is interested in responding to the customer's needs – presenting the full range of DSM offerings and implementing what the customer wants.

The NYSERDA programs should thus face the customer the way any other major vendor faces that customer, not with a handful of separate product offerings, but with an attempt to understand the customer's requirements. It is then the job of NYSERDA, again similar to the job of other vendors, to relate the customer's requirements to the available NYSERDA product and service offerings, and to present the customer with a package of technical assistance and technologies that meet the customer's requirements.

Some of NYSERDA's interface will be directly with customers, but much of it will be through intermediaries, such as ESCOs, with whom the customer chooses to work. Either type of interface will mean that NYSERDA will have to reorient its staff from a purely program-centric to a more inclusive customer-centric focus. Instead of assigning staff to manage a particular program, such as commercial/industrial motors, NYSED RDA would assign staff to a customer segment, such as large office buildings, or provider segment

acting on behalf of customers, such as ESCOs. The single NYSERDA staffer would be able to talk to the customer (or the ESCO) about the full range of DSM opportunities, and offer the customer (or the ESCO) the full range of assistance and incentives that meet its requirements.

The transformation of NYSERDA into a more customer-centric role would better realize the Commission's goal of making Demand measures part of the regular commercial marketplace. SBC I and II made significant strides toward this goal by successfully introducing DSM technologies and Energy Star branding to a broad range of customers, and helping to build the foundation of a competitive energy services industry in New York. In today's marketplace, customers expect an integrated range of offerings that are tailored to their situations. By keeping its current program-centric focus, NYSERDA is limiting its ability to reach customers with convincing presentations.

## II.

**The Commission should ensure that the SBC III programs are coordinated with the supplemental demand-side programs that will be offered in the ConEd service territory as part of the recent ConEd rate case settlement. Without substantial coordination, the programs are likely to confuse both customers and providers, and end up diminishing, rather than accelerating the market adoption of DSM.**

NAESCO and the Joint Supporters have participated in the Collaboratives that are designing the DSM programs as part of the recent ConEd rate case settlement, and are very concerned about the potential divisive effects of these programs on the DSM marketplace. As it now stands, the objectives of the ConEd programs and the SBC programs appear to be different. The ConEd programs are resource acquisition, with a heavy emphasis on demand reductions in particular geographic regions. The SBC programs are a combination of resource acquisition and market transformation, with an emphasis on energy (kWh) reductions.

The current schedule would seem to have NYSERDA offering its ConEd System Wide Programs (SWP) for about nine months (January through September 2006), and then suspending those programs and implementing the SBC programs until the SBC III programs achieve 300 MW of savings, and then re-starting the SWP. Meanwhile, the ConEd Targeted Programs (both the 2003 and 2005 iterations) will be underway in parts of the ConEd service territory. Each of these programs (SWP, SBC and TP) will offer a different type of incentives, and will target many of the same customers and providers. The potential for customer confusion is thus quite significant.

NAESCO and the Joint Supporters therefore suggest that the Commission decision on SBC III explicitly address the issue of program coordination, and provide clear guidelines to NYSERDA, ConEd and the other market participants about how the Commission expects the programs to work. NAESCO and the Joint Supporters suggest that the programs should be complementary rather than competitive.

NYSERDA is proposing that the SWP consist of a subset of the full portfolio of SBC programs. As such, the incentives and rules for these programs should be consistent, no matter which pot (SWP or SBC) the money is coming from. The differences, except in the case of distributed generation, are relatively modest already, because the current SBC programs in the ConEd service territory offer special demand-reduction incentives similar to those being proposed by NYSERDA for SWP. We do not believe that the Commission has one set of DSM goals for the first three quarters of 2006 and another set of goals for the following three years. The consistency of programs will help protect against confusion, double-dipping and program gaming about which several members of the ConEd Collaboratives who represent consumers are worried.

We suggest that the Commission, after it has made the SBC III decision, delegate to the ConEd Collaborative the responsibility for the details of program coordination between SBC programs and SWP. The Collaboratives have representative and active participation of all segments of customers and providers, and thus would be able to work out program details quickly and fairly within the parameters of the Commission's guidelines.

### III.

**The Commission should ensure that the Transmission and Distribution elements of the proposed SBC III priority programs lead the way to more effective consideration and deployment of demand resources in T&D planning and implementation.**

We believe that the Staff proposal for applying some limited funding to focus T&D related R&D on reducing power delivery loss is laudable. Losses have great significance technically and in valuing demand resources. Critical information needs to be generated and deployed for utilization on the nature and value of power losses at different locations, times, and voltages. But this program should not become simply a convenient vehicle for funding utility RD&D from the SBC III and thus should not be used for basic science research on materials or transmission technologies.

We also suggest that the focus on losses does not address an equally important set of needs-- how demand resources enhance distribution and transmission resources. Effective information is needed to plan and incorporate the benefits of energy efficiency, load management, and distributed generation into the distribution system. NYSERDA should analyze the impact of demand resources upon ancillaries and avoided T&D investment, as well as the potential of technology options such as electricity storage, back-up generation and micro-grids to provide benefits to the T&D system. NYSERDA should also seek to demonstrate the values of demand resources as the so-called "smart grids" are deployed. The integration of Micro-CHP systems for the residential and small commercial level also merits attention.

### IV.

**The Commission should encourage NYSERDA in designing SBC III programs to seek opportunities to address Energy Security issues related to preparedness for emergencies, such as natural or human-caused disasters.**

Given the imminence of natural and human-caused disasters, as recently occasioned by the Gulf Coast Hurricanes, the 2003 Blackout in the Northeast, and the 9/11 tragedy, we recommend that the Commission provide guidance to NYSERDA that some measurable proportion of the SBC III spending across multiple programs be geared toward creating energy safe havens where people can be sheltered safely at the time of disaster, perhaps at key locations throughout the State.

## V.

**The Commission should consider the Staff's funding proposal an interim minimum working level and then set the appropriate funding levels after it sets the goals for the SBC III Programs, rather than setting the funding level before it sets the goals.**

NAESCO and the Joint Supporters support the funding levels proposed in the Staff report (Staff at 21) as a minimum level. We note that the Staff says that it "does not advocate increased funding at this time," but offers no detailed justification for this position. We respectfully suggest that the Commission should establish the funding level after it sets its goals for the SBC III programs, rather than setting the funding level before it sets the goals. NAESCO and the Joint Supporters believe that if SBC III is going to meet the needs of New York ratepayers for the next five years that will need significantly more than the funding level recommended by Staff. We recommend that the Commission accept the Staff's recommendation as an interim funding level, and then request the staff, in collaboration with the SBC Advisory Group, to review the funding level questions and report back to the Commission.