

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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Proceeding on Motion of the  
Commission Regarding an Energy  
Efficiency Portfolio Standard

Case 07-M-0548

**RESPONSE OF CONSOLIDATED EDISON SOLUTIONS, INC. TO THE  
DEPARTMENT OF PUBLIC SERVICE STAFF'S QUESTIONS TO THE PARTIES**

In response to the specific questions raised by the Department of Public Service Staff in Case 07-M-0548 - EPS Proceeding, Consolidated Edison Solutions, Inc. ("CES") offers the following comments on integrating demand response into the New York electricity markets.

**CORPORATE BACKGROUND**

CES is a retail electricity and energy services provider serving more than 200,000 residential, commercial and industrial customers throughout the Northeast, including New York, as well as in the Mid-Atlantic region and Texas. In addition to retail electricity supply, CES offers its customers a number of energy-related services, including demand response and energy conservation services, renewable energy and other distributed energy products.

**GOALS:**

*Staff Question 1: What approaches hold the greatest potential to contribute to New York achieving the overall target of 15% electricity consumption reduction by 2015? Are there any energy consuming sectors and markets that are currently underserved by the existing available portfolio of energy efficiency programs and services in New York State? How should those deficiencies be addressed in implementation initiatives?*

**CES Response** – There is significant interest among larger commercial and industrial customers to manage their energy costs through energy efficiency investments. These customers typically work with traditional equipment vendors, energy services providers and/or their retail electricity supplier to identify and implement capital projects and/or operational strategies that are economically justifiable. While there are a number of financial incentives (both utility-based and through NYSERDA) available to support efficiency projects, the differences in how these incentives are administered for comparable projects can cause customer confusion and deter broader participation. Therefore, CES recommends that the Staff and market participants conduct a periodic review of the qualification rules with the goal of identifying areas where simplification and/or standardization of rules could make it easier to replicate energy efficiency projects across multiple customer locations throughout the State.

For smaller customers, the primary mechanism for energy efficiency incentives is through retail channels when purchasing lighting or other appliances.

**Staff Question 3:** *What are the most appropriate methods and processes for establishing program specific goals and for measuring progress towards long term goals (including program monitoring, measurement, and evaluation)?*

**CES Response** –Measurement and verification should be conducted in two parts, with the use of field audits to verify the installation of the energy efficient equipment and the application of coincidence factors derived from a statistical sampling of different types of installed equipment to translate the connected load reduction for specific equipment installations into a reduction of coincident load. This use of coincidence factors to evaluate dissimilar installations on a comparable basis is less burdensome to administer and, more importantly, easier for individual customers to understand than alternatives that involve detailed engineering calculations of each application. Similarly, CES would recommend adopting a statistical approach to monitoring the long-term progress of specific program elements in lieu of requiring long-term monitoring of all participating customers. CES is concerned that prolonged monitoring requirements are not an efficient use of resources and can deter some customers from proceeding with efficiency projects that would be economically justified but are perceived to potentially restrict future business plans.

**Staff Question 5:** *What other national, state, and municipal government and private initiatives would help New York meet the objectives of the EPS Proceeding? In what ways can we leverage the impact of these initiatives to help us meet the objectives of the EPS Proceeding? How should the impact of these initiatives be counted and measured?*

**CES Response** – As discussed in the response to Question 1 above, standardization of program rules (even when incentive levels differ) would help customers and energy service providers replicate projects across multiple locations. This is critical to those State and Federal agencies which are mandated to achieve specific energy efficiency goals.

### **PROGRAM ELEMENTS:**

**Staff Question 7:** *What role should building codes and appliance standards play in reaching New York's energy efficiency goals and should such standards vary by geographical area (i.e., metropolitan New York City versus upstate)?*

**CES Response** –Appliance standards should be consistent at least on a state-wide basis, if not regionally, to enable manufacturers and distributors of energy efficient appliances to lower costs through economies of scale and also to recognize the regional nature of our economy, especially near state borders where some residents may shop out of state. Furthermore, incentives can be designed to encourage new

construction and major renovations that achieve efficiency levels in excess of building code requirements (e.g. achieving LEED certification).

*Staff Question 8: What role should outreach and education play in an enhanced energy efficiency effort and what changes in approach should be made in various demographic or market segments from the methods now being used?*

**CES Response** - Education and outreach programs will be an essential part of achieving New York's energy efficiency goals. Furthermore, education efforts should include school programs in order to increase family awareness and participation and in recognition of the long term nature of the goals since many current students will be electricity customers in the future.

*Staff Question 9: What role could innovative rate design play in enabling greater penetration of energy efficiency and how might this vary by market segment? Should energy tariffs recognize and differentiate between the relative level of energy efficiency designed into new buildings?*

**CES Response** – Currently there are several low cost power programs that utilize a combination of tax incentives and lower cost power sources to further economic development purposes. One option might be to require recipients of the economic development power to achieve higher levels of energy efficiency, which would in turn free up some of the power for other customers.

*Staff Question 10: What role should a) distributed generation, b) demand response, and c) combined heat and power play in reaching New York's energy efficiency goals?*

**CES Response** – Distributed generation can play an important role in reducing the region's infrastructure requirements. If used in a peak clipping mode, it can reduce the operation of more expensive and potentially more polluting generation and, if implemented on a consistent basis, can defer or otherwise reduce the need for generation, transmission and distribution infrastructure. If used in a combined heat and power configuration, it can have the characteristics of permanent energy-efficiency measures. However, most customers with on-site generation still have some portion of their electric service supplied from the grid, including the backup supply when their generation is not available. Many customers will not completely isolate themselves because they need to have some form of back-up and the cost to install redundant equipment is prohibitive. Also, utility interconnection costs can significantly impact the economics of potential distributed generation projects.

### **IMPLEMENTATION:**

*Staff Question 14: What could be an appropriate role for utilities with respect to the delivery of energy efficiency programs within their service territories? How might that role vary by market segment?*

**CES Response** - Utilities should continue to promote "targeted" programs to address local T&D requirements but the structure of the "targeted" programs should mimic the state-wide programs to the

extent practicable. Such “targeted” programs should identify specific geographic areas and/or market sectors within the utility’s service territories with as much lead time as possible to increase the ability for efficiency programs to defer local infrastructure investments.

***Staff Question 15:** What role should key stakeholders play in an enhanced energy efficiency effort (e.g., Staff, Departments of State and Environmental Conservation, utilities, NYSERDA, Division of Housing and Community Renewal, NYPA, LIPA, NYISO and energy service companies), and how should they coordinate their efforts? What factors should be taken into account in determining how the implementation of various program elements should be managed and monitored?*

**CES Response** - The key, to achieving broad state-wide results, is to have products and offerings that can be replicated across the state. For this reason, CES recommends that program designs be standardized to the extent practical, so that when there are multiple programs and efforts, they work in a complementary instead of a competing fashion. Ultimately, confusion from competing programs is likely to reduce program participation and slow the State down on the road to efficiency.

***Staff Question 17:** Should utilities (or other entities) receive incentives for implementing successful energy efficiency programs? If so, what is the appropriate level and form that these incentives should take and should such incentives be performance based?*

**CES Response** –Incentive programs should be designed to be competitively neutral and available to all entities including traditional utilities.

***Staff Question 18:** What are the best methods for ensuring that low income customers have access to efficiency programs?*

**CES Response** – As a subset of the small customer population, low income customers are primarily exposed to energy efficiency products when they make retail purchases of lights and appliances. This group seems well suited for additional outreach and education programs from the utilities and/or social service programs and should be able to benefit from prescriptive programs that are straight-forward, simple and affordable.

Respectfully Submitted,

/s/ Stephen B. Wemple

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