



**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**CASE 07-M-0548 - EPS Proceeding**  
**Staff's Questions to the Parties**

**July 11, 2007**

**Energy Curtailment Specialists, Inc. Comments**

In accordance with the request for comments proposed by New York Public Service Commission ("NYPSC"), Energy Curtailment Specialists, Inc. ("ECS") respectfully files comments to some of the questions posed by Efficiency Portfolio Standard ("EPS") Proceeding Staff. This document serves as a forum for the upcoming meetings of the NYPSC EPS, and to obtain status as an interested and active party.

**I. INTRODUCTION**

ECS is one of the largest full-service and leading demand response providers in the United States, and the largest provider of load curtailment in the State of New York. Founded in 2001, to provide both wholesale markets and Investor Owned Utilities with reliable demand response resources, ECS is a registered Responsible Interface Party ("RIP") with the New York State Independent System Operator ("NYISO") in good standing. ECS' vast portfolio of customers include a wide range of resources, including the largest industrial loads, state schools, universities, healthcare providers, as well as property management and large commercial hotels. ECS customers include Alcoa, General Motors, Columbia University and many others and





geographically these resources span the entire state. ECS represents more MW of curtailment in highly constrained transmission zones than any other demand response provider in New York State. ECS has been at the forefront of the demand response markets for the past several years, and is considered a leader in the demand response field.

## **II. Goals**

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 the current market structure demand response resources sell into the Installed Capacity Market administered by the NYISO. As recognized in the Public Service Commission's 07028/06-M-1017 proceeding, changing markets and rules introduce risk and uncertainties for investors in demand side management (DSM) programs. As capacity additions create surpluses, installed capacity prices continue to decline leaving little incentive for investment in DSM. Even with adequate generation, transmission and distribution issues still arise. DSM is an effective tool for the state's wholesale market, providing the load reduction when called upon. DSM is another tool that grid operators have during times of transmission, distribution, or reserve shortages.

If DSM is set aside when generating capacity is adequate there will be little interest for participation in later years when generating capacity is short and DSM is once again needed. According to the NYISO 2007 Reliability Needs Assessment (RNA) analysis, there is a need for significant additions, including demand response, to meet capacity requirements in 2011 (southeastern New York) and Statewide requirements starting 2012. DSM programs need adequate price signals and assurance of longevity. This leads to the question of where New York





State's DSM programs will be in the near future. With capacity resources in surplus, and changing market rules, these risks lead to lower participation in these programs. One thing is clear, New York State is looked to as a leader in the DSM field and it must look for new and innovative ways to enhance and grow DSM programs for the future.

New York State's DSM programs will require additional market enhancements in order for New York to further increase DSM program enrollment. One way for New York to achieve further participation in DSM programs is to look at fixed market prices for DSM, or to put in place a supplemental DSM auction process. This DSM supplemental auction would require loads to procure a fixed percentage of their Installed Capacity Requirement from DSM.

Additionally, DSM resources that provide *pure* load curtailment, without the utilization of back-up generation, should be recognized as a renewable and clean environmental resource. Given the current state of environmental issues, such as Regional Greenhouse Gas Initiative ("RGGI"), it is even more important for New York State to look to their DSM programs for additional load curtailment.

Further enhancements such as recognizing DSM as a renewable resource, or as an environmental resource can assist the State in meeting not only their reliability criteria but the State's requirement of 25% Renewable Portfolio Standard by 2013, and increase the peak load reduction through additional DSM participation. The current peak load reduction percentage for New York State is around 3% of the load. There are several zonal locations within the state that have minimal participation due to inadequate financial incentives. If the state looks to increase DSM participation by an additional 3% this would decrease the peak load by an amount equal to 1,000 MW. DSM programs should have a goal of reaching a 10% peak load reduction by the year 2015, or 3,000 MW of load curtailment.





### **III. Program Elements**

Staff Question #12-What role should a) distributed generation, b) demand response, and c) combined heat and power play in reaching New York's energy efficiency goals?

As energy demand and usage continues to increase and grow in New York, one thing is clear, new capacity and transmission takes years to site and build, and has tremendous capital costs. As a society we consume more energy each year not thinking about the stress we place on our nation's power system. According to the Department of Energy (DOE), it is estimated that electricity demand is projected to grow by 39 percent from 2005 to 2030 in the residential sector, by 63 percent in the commercial sector, and by 17 percent in the industrial sector.<sup>1</sup> Our nation's power grids are being stretched to their limits, as generating plants reach maturity and are slated for retirement. In addition, transmission congestion and constraints are yet another issue facing New York's energy markets. Congestion on New York's electric grids continues to increase with little transmission investments to keep pace with growth in demand.

This increase in electric demand and lack of investment in transmission upgrades is exactly why Demand Response programs are needed. Even with adequate generation in place both transmission and congestion play a critical role in how and when electricity is delivered to the end use customer. To help alleviate transmission and generation limitations, Demand Response programs provide opportunities to assist and reduce the strains placed on power grids. Reliability based demand response programs provide New York's power grid with another tool to

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<sup>1</sup> Department of Energy, Energy Information Administration, Annual Energy Outlook 2007 with Projections to 2030, Report #:DOE/EIA-0383(2007) <http://www.eia.doe.gov/oiaf/aeo/electricity.html>



use during reserve shortage periods, and are viewed as contingency programs, used for emergency conditions.

We must not lose sight that the greatest benefits consumers reap from demand response programs comes in the form of reduced installation of peaking generation units. Because peaking units are only used a few hours each year to meet peak demands, consumers bare the costs associated with building these units that sit idle most of the year, and only run on peak load demand days. Demand Response programs have the ability to reduce the installation of peaking generation, which reduces the price of energy during peak demand days, and greatly reduces price volatility for consumers. In addition, demand response has the ability to lower emissions during peak periods of demand, and therefore should be viewed by consumers as an environmentally friendly energy tool.

ECS believes that demand response resources should play a critical role in reaching New York's energy efficiency goals. New York State's largest energy consumers, which are comprised of commercial and industrial loads, have the ability to reduce the peak load and reduce demand each year. In addition, DOE has projected a 63% growth rate from 2005 to 2030 coming from the commercial sector of the market. Through lowering of the peak load, reducing the demand and energy efficiency programs this will contribute to realizing Governor Spitzer's initiative to reduce electricity usage by 15 percent by the year 2015.

#### **IV. Conclusion**

In conclusion, ECS would like to thank the Commission and staff, for allowing us the opportunity to comment on what we believe are important issues for DSM programs in New





York. ECS respectfully submits that we would be willing to work with the Commission and staff (or even take the lead) in further development of program design for demand response topics. ECS firmly believes there is substantial room for growth in New York State's DSM programs and markets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marie Pieniazek", is written in a cursive style.

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## V. COMMUNICATIONS

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