

Attachment B

“Proceeding on Motion of the Commission to Consider
Demand Response Initiatives”

Case Number: 09-E-0115

February 17, 2009

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on February 12, 2009

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
Robert E. Curry, Jr.
James L. Larocca

CASE 09-E-0115 - Proceeding on Motion of the Commission to
Consider Demand Response Initiatives.

ORDER INSTITUTING PROCEEDING

(Issued and Effective February 17, 2009)

BY THE COMMISSION:

INTRODUCTION

In our Order instituting the Energy Efficiency Portfolio Standard (EEPS) proceeding, we required consideration of "demand response technology and utility rate incentives to encourage customers to shift usage and reduce peak loads."¹

Under the auspices of that proceeding, a working group of parties was convened, including 90 participants, 12 of whom were demand response providers. The working group met ten times between July 23, 2008 and October 17, 2008, and issued a report to the Administrative Law Judges on October 17, 2008.

Informed by the efforts of the working group, by this Order we initiate a new proceeding to examine potential initiatives to promote demand response in the parts of the state

¹ Case 07-M-0548 Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Instituting Proceeding (issued May 16, 2007), at 7.

where peak load reduction would provide the greatest benefits. In order to focus more precisely on the issues individually, following the issuance of this Order, demand response programs will no longer be within the purview of the EEPS proceeding.

Discussion

Demand response measures are used to reduce peak loads. Reducing peak loads offers numerous potential benefits, including: deferring the need for new generating capacity; deferring the need for new delivery infrastructure; reducing the need to operate older peaking generation facilities, thus improving overall generator efficiency and reducing emissions; and reducing energy and capacity costs for consumers.

This proceeding will focus demand response efforts in the New York Independent System Operator (NYISO) Zone J where demand response is expected to be the most cost-effective. NYISO Zone J, served by Consolidated Edison Company of New York, Inc. (the Company), experiences the greatest rate of peak load growth and the highest wholesale energy and capacity costs. NYISO Zone J also relies on numerous peaking generation units, some of which are relatively inefficient and produce high emissions. For these reasons, the initial scope of this proceeding will be limited to NYISO Zone J.

Several demand response programs are already in place in Zone J. These include programs administered by the NYISO and approved by the Federal Energy Regulatory Commission (FERC), programs administered by the New York Power Authority (NYPA), and programs administered by the Company and approved by us. This proceeding will examine the possibility of enhancing existing utility-administered programs or initiating new peak load reduction programs. The proceeding should also examine the potential use of competitive providers within the context of utility-administered programs.

One recommendation of the Demand Response Working Group in the EEPS proceeding was that delivery of demand response programs should be integrated with delivery of energy efficiency programs to the extent possible, to reduce the need for multiple customer contacts. For example, an energy efficiency program that results in the installation of new air conditioning equipment might also be used as an opportunity to recruit customers for a direct load control program. This order establishes a procedural track for demand response programs that diverges from the procedural track for energy efficiency. Nevertheless, it will be important in designing demand response programs to consider the extent to which they can be made more cost effective by integrating the customer recruitment and program delivery functions with energy efficiency programs.

A significant percentage of the load in Zone J is served by NYPA. NYPA rates are generally lower and less time-sensitive than the Company's rates. Although NYPA offers demand response programs, some demand response opportunities that would be cost-effective from a system standpoint may be unavailable because of the NYPA pricing structure to its end-use customers. This proceeding should examine the extent to which a cooperative approach with NYPA may enable the Company or NYPA to take advantage of more cost-effective demand response measures.

Within 90 days of the issuance of this Order, Consolidated Edison of New York, Inc. is directed to file a report with the Secretary to the Commission. The report should include the following as related to the Company's service territory, particularly that which is comprised of NYISO Zone J:

1. An assessment of the potential for cost-effective demand response, and a proposed demand response goal for Summer 2015 and goals for intervening years (all incremental to current EEPS proceeding related goals).

2. Identification and description of proposed cost-effective demand response programs, including but not limited to programs that could be targeted to reduce a) system coincident peak, b) individual network peaks, and c) operation of generating units in environmental justice areas.
3. Assessment of how the use of competitive providers can be integrated into the proposed demand response programs.²
4. A proposed funding source for demand response programs.
5. Assessment of whether, and how, demand response program delivery and customer recruitment could be integrated with energy efficiency programs (including programs not administered by the Company).
6. Evaluation, measurement and verification methods applicable to each demand response program identified.
7. Discussion of the extent to which demand response programs can be coordinated with NYPA's demand response programs to increase opportunities for cost-effective demand response measures.

At a minimum, a demonstration of cost-effectiveness will include the results of a Total Resource Cost analysis, and an analysis of environmental impacts and benefits, including any impacts on environmental justice areas that might result from reduced reliance on peak generation units. The Company may report other measures of cost-effectiveness, in consultation with Department Staff and taking into consideration applicable co-benefits as defined in the Screening Criteria adopted by the Commission in Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs, Appendix 3 (issued and effective June 23, 2008).

² Our expectation is that the Company will entertain reasonable proposals from demand response providers and adopt a least-cost approach. Providers making proposals to the Company may file copies of their proposals with the Secretary.

The Commission orders:

1. A proceeding is instituted under the guidance of the Director of the Office of Electricity, Gas and Water to examine the potential for enhanced demand response programs in the NYISO Zone J area.

2. Within 90 days of the issuance of this Order, Consolidated Edison of New York, Inc. shall file a report with the Secretary consistent with the direction contained in the body of this Order.

3. The Secretary may modify dates specified in these ordering clauses upon a showing of need.

4. This proceeding is continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary