

October 17, 2008

Honorable Jaclyn Brilling  
Secretary Public Service Commission  
Agency Building 3  
Albany, New York 12223

RE: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding  
and Energy Efficiency Portfolio Standard. Working Group VIII –  
Demand Response and Peak Reduction Report.

Dear Secretary Brilling:

On behalf of the participants in the deliberations of Working Group VIII and in compliance with the presiding administrative law judges' Ruling Revising Work Group Schedule, issued October 10, 2008, we, the undersigned conveners, respectfully submit an original and five copies of the Working Group VIII – Demand Response and Peak Reduction Report. The Report includes a summary of recommendations, a full discussion of the relevant issues with recommendations that enjoy widespread support, an appendix, letters representing alternative viewpoints or dissents, and a list of participants. This full transmittal will be distributed electronically in PDF format to all parties using the Energy Portfolio Standard-list serve, and we request that it be posted on the Commission's web site on the Case 07-M-0548 page.

Sincerely,

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New York State Department of  
Environmental Conservation

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Senior Manager of Regulatory  
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cc: Judges, List Serve Parties

Energy Efficiency Portfolio Standard  
Working Group VIII – Demand Response and Peak Reduction  
Summary of Recommendations  
October 17, 2008

The primary recommendations presented in Working Group VIII's report are outlined in the following seven sections. Unless otherwise noted, these recommendations represent the general consensus of WG VIII.

- A. Integration of Energy Efficiency (EE) and Demand Response (DR)
  - 1. Encourage the Program Administrators to develop cost effective combined DR and EE programs which complement their proposed EEPS Program offerings. Such integrated programs may then be submitted as supplements to their existing EEPS filings.
  - 2. Using the existing avoided cost models for EE as a starting point, incorporate a calculation of the avoided costs for DR and monetize other direct societal benefits (such as reduced wholesale prices) from a range of demand response programs and actions so that the programs and measures can be appropriately screened for possible inclusion in SBC or EEPS funded offerings.
- B. Commercial & Industrial (C&I) and Residential Demand Response Programs
  - 1. Program Administrators should be directed to consider supplementing their 90-day filings with additional C&I DR RFPs to address peak load, local constraint, or other needs, as appropriate to their individual situations. Following this RFP process, Program Administrators may enter into contracts to retain existing resources and attract such new resources as are required at a minimum to maintain or improve system load factors, as recommended by Staff in Phase I of this proceeding.
  - 2. The utilities should be directed to consider, consistent with competitive policies under retail commodity access rules, including in their compliance filings proposals to allow for co-marketing and co-branding opportunities with third party DR providers. These opportunities can be separate or a part of the long term RFP process recommended above. Alternative viewpoints or dissent submitted by: Con Edison Solutions, Constellation NewEnergy, Direct Energy, Hess Corporation
- C. Advanced Metering and Advanced Metering Infrastructure (AMI)
  - 1. WG VIII supports and encourages swift Commission and DPS action in their ongoing Advanced Metering Proceeding (Case #) We specifically support the cost-effective provision of advanced metering capabilities that foster greater penetration and MV&E confidence of energy efficiency, demand response, and dynamic pricing programs.
- D. Time Variant Tariff Rate Proposals
  - 1. The Commission should encourage Program Administrators to work jointly to test three dynamic pricing options: Time of use pricing that has a peak period that is narrowly focused to address the system peak; a voluntary residential Real Time Pricing (RTP) with prices based on real-time wholesale energy market prices; and a peak time rebate program that would give customers rebates for reducing their consumption during system peak.
  - 2. The Commission should continue to expand hourly pricing where it finds it to be beneficial. The Commission should encourage utilities to investigate changes to their MHP tariffs to recover capacity charges over fewer hours.
- E. Distributed Generation/Combined Heat & Power (DG/CHP)

1. Permit EEPS and SBC funds to be deployed for support of cost-effective, efficient DG/CHP installations, including Micro-CHP, that have lower net emissions than the average fossil-fuel central generation in New York State and encourage Program Administrators to include incentives as part of their current and future EEPS programs.
  2. Adopt an efficiency standard of 60% average annual efficiency and the ability to be dispatched during electric system peaks and or when called upon for reliability events for DG/CHP participating in EEPS programs, recognizing that micro-CHP installations and larger installations may merit distinct standards.
  3. Encourage Program Administrators jointly or individually to develop and implement programs for micro-CHP installations in 1-4 family homes, including low-income homes, and smaller commercial installations, and to propose intermediate-scale (1,000 + units) pilot demonstration projects if cost effective.
- Alternative viewpoints or dissent submitted by: Alliance for Clean Energy New York (ACENY)

F. Environmental Justice (EJ) Communities

1. As of October 17, 2008, WG VIII is not in a position to provide specific recommendations to the Commission regarding the EJ charges. After a technical study group completes work outlined in the WG VIII report, a steering committee will develop recommendations that will be submitted to ALJ Stein and ALJ Stegemoeller on December 1, 2008. The form of such recommendations could include further study, targeted demand side management incentives, a pilot program or other mechanisms that will reduce emissions and resulting health impacts to EJ communities.
- Alternative viewpoints or dissent submitted by: Independent Power Producers of New York, Inc. (IPPNY), New York Independent System Operator (NYISO)

- G. One overarching concern identified is a need for additional attention to measurement, verification and evaluation (MV&E) provisions and Benefit/Cost (B/C) approaches. We urge that these issues be addressed by the Evaluation Advisory Group (EAG) created as a result of the June 23, 2008 Commission Order.