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February 15, 2008

VIA HAND DELIVERY

Honorable Jaclyn A. Brillling  
Secretary  
State of New York  
Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

Re: Case 07-E-0392 – Tariff filing of Consolidated Edison Company of New York, Inc. to Modify Rider U - Distribution Load Relief Program.

Dear Secretary Brillling:

The Commission's June 21, 2007 Order in the above referenced matter requires that Consolidated Edison Company of New York, Inc. perform an independent assessment of its Rider U distribution load relief program. The report was required to include an assessment of the effectiveness of the program changes ultimately adopted on increasing the level of participation and any recommended tariff changes for implementation prior to the summer 2008 capability period. The Company contracted with Nexant, Inc. to conduct the independent assessment. At the request of the Company, the filing date was subsequently extended from January 31, 2008 to February 15, 2008.

Enclosed please find an original and five copies of the interim Nexant report and the Company's response to the report. Nexant has not yet completed the customer surveys and will complete a final report by March 1, 2008, but Nexant states that it does not anticipate substantial material changes to the report contents in the final report. The Company will file the final report with the Commission. The Company has also simultaneously filed today proposed tariff changes that reflect the Company's responses to the Nexant report.

Please contact me if you have any questions regarding this matter.

Very truly yours,

/s

Richard B. Miller

**CASE 07-E-0392**  
**Consolidated Edison Company**  
**of New York, Inc.**

**Company's Response to Recommendations**  
**in Nexant Inc. DLRP Program Evaluation Interim**  
**Report**

February 15, 2008

## **I. Introduction**

Consolidated Edison Company of New York (Con Edison or the Company) proposed changes to revise its Distribution Load Relief Program (DLRP) by implementing both a mandatory option for participation, as well as continuing the voluntary option for participation, and including participation by load aggregators. The Commission approved the Company's program with modification in an order (Order) issued on June 21, 2007.<sup>1</sup> Pursuant to the Order, the Company conducted an evaluation of the Rider U Program and its changes, including program processes<sup>2</sup>.

Pursuant to the Order, Con Edison hired Nexant Inc. (Nexant) to prepare an independent evaluation of the DLRP.<sup>3</sup>

## **II. Recommendations**

**Set forth below are Nexant's recommendations (DLRP Program Evaluation, Interim Report, Section 7), and Con Edison's responses and discussion where appropriate.**

### **1) Program Design**

#### **Nexant's Recommendation:**

*Develop a focused program logic model with short term and long term goals. These goals should include MW enrollment goals for the overall program, for the voluntary and mandatory program options, and desired participation by network.*

#### **Con Edison's Response:**

Con Edison agrees that a process model should be developed and used to analyze and improve the program. The Company is currently in the process of developing a Program Process Model to help plan and analyze program processes.

### **Estimated completion date – June 2008**

With respect to goals, the Company's objective is to maximize cost-effective participation in distribution load relief. Con Edison does not

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<sup>1</sup> Case 07-E-0392 – Tariff filing of Consolidated Edison Company of New York, Inc. to Modify Rider U - Distribution Load Relief Program, Memorandum Order (June 21, 2007).

<sup>2</sup> The evaluation result was originally to have been submitted on January 31, 2008. Order at 21. On January 17, 2008, this date was extended to February 15, 2008 by the Secretary.

<sup>3</sup> This is an interim report. Nexant was unable to complete its interviews, but Nexant states that it does not anticipate substantial material changes to the report contents for the final report.

believe that a MW goal is appropriate except for a general goal to increase participation, similar to the 20% increase target that it previously adopted. The Company does not believe that at this time network specific goals are appropriate for DLRP. Con Edison has hired a vendor to perform a Demand Response Market Potential Study (Callable Load Study). This study, due to be completed April 2008, is undertaking a comprehensive study of callable load potential for the Company's service territory. The study will explore this capability across an array of markets and customer segments and evaluate the technical, economic and market potential. The results of this study will be a key component in determining marketing efforts, including target markets, if appropriate. The Company does believe that a general goal to increase overall DLRP participation is appropriate. This goal setting process will be included in the Program Process Model.

### **Estimated completion date – June 2008**

#### **Nexant's Recommendation:**

*Develop a detailed program manual so that all program rules, procedures, and definitions are included in one place and CECONY staff, aggregators, and customers will have a source for program information. The development of this manual will also require formalizing and refining some program procedures and operations, including:*

- *Establishing specific timeframe for DLRP staff to process applications*
- *Specific event notification procedures*
- *Clear description of baseline, capacity reduction, and energy savings calculation methodologies*
- *Information describing the frequency, duration, and procedures involved in test events.*
- *Procedure for using test data and DLRP event data to apply a "performance adjustment" to customer load commitment*
- *Timeframe for customers to receive incentive payments at the end of the summer capability period*

#### **Con Edison's Response:**

The Company agrees with the recommendation and will prepare a DLRP manual in an effort in accordance with above recommendations.

**Estimated completion date – April 1, 2008**

**2) Program Marketing**

**Nexant's Recommendation:**

*The DLRP developed a marketing plan in 2007. Some of the action items in the plan have been accomplished already and others are under development. CECONY should update this marketing plan with progress to date on the previous action items, and should incorporate the short and long term goals developed as part of the program logic model into additional action items. CECONY should also continue to assess marketing performance and update the marketing plan annually.*

**Con Edison's Response:**

Con Edison is reviewing and updating its current marketing plan, which will be completed after the Callable Load Study is completed.

**Estimated completion date – June 2008**

**Nexant's Recommendation:**

*The DLRP has been in place for seven years, and so the easiest to reach and most willing participants are most likely already enrolled. Marketing efforts going forward will therefore need to have more specific focus, including the following:*

- *Development of industry-specific marketing materials, including case studies and information designed to address the needs and specific curtailment methods applicable to a particular type of facility.*
- *Marketing materials and information that focuses on the specific methods used for curtailment, such as generation versus load shedding.*

**Con Edison's Response:**

As discussed above, Con Edison has hired a vendor to perform a Callable Load Study. The results of this study will be a key component in

determining marketing efforts, including target markets, going forward. Based in part on the results of the study, the Company may decide to develop industry-specific marketing materials.

**Estimated completion date – June 2008**

To enhance program understanding and guidance, the Company has hired a contractor to redesign the Demand Response web page, which will have case studies and frequently asked questions (FAQs) on methods of curtailment, including emergency generation versus load shedding options. The website will also provide access to information and regulations on emergency generation.

**Estimated completion date – April 15, 2008**

**Nexant's Recommendation:**

*Marketing efforts should also be developed that have a specific focus on each of the following: recruiting customers not currently in the DLRP, recruiting DLRP voluntary customers into the mandatory program, and retaining existing DLRP participants.*

*Along with setting program goals as part of the program logic model for participation in the voluntary and mandatory programs, formalize the strategy that is currently used by Account Executives to enroll new customers in the voluntary program, get them comfortable with their curtailment capabilities, then after a couple of years, try to get them to switch to the mandatory program.*

**Con Edison's Response:**

As previously noted, Con Edison has hired a vendor to perform a Callable Load Study. This study is due to be completed in April 2008. The results of this study will be a key component in determining marketing efforts, including target markets, going forward. The Company's objective is to maximize cost-effective participation in distribution load relief. The Company believes that there is opportunity for recruiting customers not currently in the DLRP mandatory and voluntary programs, and retaining existing DLRP participants. The Company will continue to work closely with the aggregators and Account Executives to understand barriers for participants. An updated marketing plan will be created based on the Callable Load Study. A checklist for participant enrollment will be created for Account Executives by April 2008.

The Company does not believe that recruiting voluntary customers into the mandatory program would necessarily increase achieved MW reductions.

The Company does however believe that further educating voluntary participants on the benefits of DLRP could increase achieved MW reductions and will include this component in its updated marketing plan.

**Estimated completion date – Ongoing**

**Nexant's Recommendation:**

*Minimize the confusion that currently exists for both CECONY staff and customers over the use of on-site generation in the DLRP. The first step is for DLRP staff to clearly inform Account Executives that generators can be used for load curtailment in DLRP, and for both DLRP staff and Account Executives to develop a general understanding of the NYSDEC permitting requirements. Once DLRP staff and Account Executives have a general understanding of the permitting issues for generators, they will be able to explain to customers that generators can be used in the program, inform them that environmental permitting requirements are currently applicable, and provide them with contact information for their regional NYSDEC permitting office.*

**Con Edison's Response:**

The Company agrees and will educate its Account Executives and other Energy Efficiency staff so that they know that DG can participate in the program, a DEC permit is required, and that customers participating with DG should contact DEC to learn about specific permitting requirements. The Company will provide customers with the appropriate contact information.

**Estimated completion date – Ongoing**

The Company's enhanced web page will include links to the DEC web site for access to information and regulations on emergency generation.

**Estimated completion date – April 15, 2008**

**Nexant's Recommendation:**

*The 2007 marketing plan included updating the DLRP website, and the website currently has accurate information about the program. However, CECONY should expand the DLRP website to include the following:*

- *More detailed description of program rules and procedures, including a link to program manual when it's developed, and a link to the Rider U tariff.*
- *The website should include a side-by-side comparison of DLRP and NYISO programs to clarify differences and similarities making sure to clearly state that customers are eligible to participate in multiple programs.*
- *CECONY should develop the option of an online application that is accessible on the website to expedite customer enrollment.*
- *Currently to get to the DLRP website from the CECONY homepage, the links to follow reference either "demand side management" or "energy management." CECONY's website should be modified to list "demand response" as a link to the DLRP website for customers more familiar with that terminology.*

**Con Edison's Response:**

Con Edison concurs and is in the process of redesigning the website, with all recommended items.

**Estimated completion date – April 15, 2008**

**Nexant's Recommendation:**

*While larger customers have CECONY Account Executives, and typically have an engineering staff or energy manager, smaller customers, such as those in the 300 kW to 800 kW range, may not have a designated Account Executive or the personnel to understand the rules of a demand response program or identify and quantify their load curtailment opportunities. CECONY should develop a marketing plan to address the needs of smaller customers and offer information sessions for customers to inform and answer questions about the program, facility auditing services, and assistance with load calculations and program enrollment.*

**Con Edison's Response:**

Con Edison generally supports this recommendation, with the caveat noted below, and to focus on the customers whose demand is between 300 and 800 kW, Con Edison will provide information sessions or coordinate with load aggregators, or both, to aide aggregators with their targeted marketing for this customer segment. Con Edison



expects that the Callable Load Study will provide additional information and Con Edison may modify this response after that study has been reviewed. An updated marketing plan will be created based on the Callable Load Study.

**Estimated completion date –June 2008**

**Nexant’s Recommendation:**

*More actively market the program in conjunction with the NYISO EDRP and ICAP SCR programs, recognizing that the aggregation of incentives drives participation most effectively. Demonstrate to customers the combined financial benefit of curtailing load for both network-related and distribution system-related events. The greater combined benefits have a better chance of overcoming initial transaction costs than either program alone. This is particularly notable with the summer capacity value for the ICAP SCR program in Zone J being approximately four times the DLRP Tier 1 summer reservation payment.*

**Con Edison’s Response:**

The Company will expand its marketing practice with the NYISO in order to promote DLRP, including working with the NYISO to provide links from its website, and presenting at NYISO Demand Response functions. Toward this end, Con Edison will show the financial benefits of participation in all demand response programs in its marketing materials.

**Estimated completion date – Ongoing**

**Nexant’s Recommendation:**

*Continue to seek partnerships in marketing opportunities with NYSERDA and NYISO, including exploring options of links from their websites to the DLRP website. Neither website currently includes any information on the DLRP.*

**Con Edison’s Response:**

The Company will continue to work with NYSERDA and the NYISO to promote programs and to develop a link from their websites to Con Edison’s demand response web page.

## **Estimated completion date – Ongoing**

### **3) Processes**

#### **Nexant's Recommendation:**

*Develop a checklist for Account Executives and Energy Services to follow a customer's enrollment process from start to finish, including; identification of demand response options at the facility, calculation of baseline load and curtailment amount and completing the DLRP application, guidance on contacting NYSDEC to obtain the appropriate permitting for their generators, assistance and follow-up with interval meter installation, including making sure it's connected and running.*

#### **Con Edison's Response:**

Demand Response staff will enhance its checklist for the Account Executives and Energy Services staff to facilitate the customers' enrollment process.

Energy Services will no longer be involved in the process of meter installation. The process has been centralized within the Meter Shop.

## **Estimated completion date – April 1, 2008**

#### **Nexant's Recommendation:**

*Consider offering an incentive that would cover the remaining cost, after the NYSEDA incentive, of purchasing and installing an interval meter, with the requirement that the customer must remain in the program for two years. If the customer leaves before that time, the meter cost has to be paid for by the customer on a pro-rated basis. Several demand response programs in California offer this type of incentive, and it serves as an effective tool to increase participation from smaller customers (<1,500 kW) who may not be willing, or not able to get budgetary approval, to purchase the interval meter. Additionally, the program in 2007 allowed shadow meters, and CECONY speculated that some customers installed shadow meters rather than interval meters because they are less expensive. By implementing this recommendation, the interval meter will be the less expensive alternative for customers, and the DLRP would receive a two-year commitment from customers.*

**Con Edison's Response:**

The Company believes at this time that the current NYSERDA metering incentives are sufficient. We will work with NYSERDA to include registration for Con Edison's demand response programs as a prerequisite for obtaining the NYSERDA interval meter incentive.

**Estimated completion date – Ongoing**

**Nexant's Recommendation:**

*Simplify the process for mandatory customers to re-enroll in the program after their first year of participation. Currently, mandatory customers are required to re-enroll each year, which includes completing an entirely new program application. The program should develop a simplified procedure for re-enrolling, particularly if the load commitment is unchanged. In these cases, the only new information the program currently would need is the most recent year's baseline peak monthly data for calculating the APMD baseline.*

**Con Edison's Response:**

The Company agrees with this recommendation and will streamline the re-enrollment process.

**Estimated completion date – May 2008**

**Nexant's Recommendation:**

*Develop a procedure for conducting annual test events. Nexant recommends that the test event be conducted at least once per year, at the beginning of the summer capability period. Similar to the ICAP SCR program, participation in the test event would be used to determine a "performance adjustment" for each customer that is applied to their load commitment when calculating the summer reservation payment. The performance adjustment would be calculated by dividing the actual performance during the test event by the customer's load commitment, with a maximum value of 1.0. The summer reservation payment is then calculated by multiplying the load commitment by the performance adjustment by the incentive rate (\$3/kW for Tier 1 networks and \$4.50/kW for Tier 2 networks). This test protocol and performance adjustment will accurately assess the magnitude of the DLRP mandatory resource and protect rate payers from reservation payments which are overvalued.*

- *Test events should also include customer incentives for participation at the same rates as actual DLRP-called events,*

*and CECONY should continue to seek cost recovery for incentives paid for test events. The incentive will provide additional motivation for customer participation and allow the DLRP to effectively use test events for the dual purpose of determining the DLRP resource performance and maintaining customers' operational readiness.*

- *Voluntary customers should be included in the test events. Based on the very small number of DLRP events called in the program to date, voluntary customers very rarely have the opportunity to implement their curtailment procedures. Conducting annual tests would allow voluntary customers to remain up to date on the DLRP notification procedures, ensure that their curtailment methods are still viable, keep their staff aware of how to implement their curtailment activities, and if incentives are offered as previously recommended, provide at least one opportunity per year to earn a financial incentive from the program. CECONY would benefit by analyzing the voluntary customer participation levels to develop general estimates of expected participation in future events.*

**Con Edison's Response:**

The Company concurs with the recommendation for testing mandatory participants once during the capability period. The Company accordingly proposed a test that will include payment in its tariff filing made on February 15, 2008. A proposal to provide compensation for such tests is included in the Company's tariff filing.

Con Edison will not test voluntary participants because voluntary participation does not have a penalty associated with it and therefore would not provide valuable test results.

**Estimated completion date – The Company has proposed the tariff changes.**

**Nexant's Recommendation:**

*Expand the methods that the DLRP uses to notify customers of an event and allow customer to choose the best notification method. Customers should also be informed that once the notification is sent via their preferred method, receipt of the notification and curtailing their committed load is their responsibility. CECONY indicated that they are currently developing more advanced notification procedures, which will include telephone calls as well as text messages that can be sent to email addresses, fax machines, phones, and pagers. CECONY should also target notification protocols and two-way communications media that confirm receipt of the notification message.*

**Con Edison's Response:**

Con Edison is working with a vendor to automate and enhance notifications. The customers will continue to be given a choice of notification methods. The notification will detail event information and the system will track notification times.

**Estimated completion date – April 2008**

**Nexant's Recommendation:**

*As noted in the best practices review, customers prefer to be notified of energy and demand savings and incentive amount soon after an event. Additionally, several CECONY Account Executives indicated that the late incentives payments sent by the program in recent years frequently do not reach the customer until after the end of their fiscal year. Accordingly, the DLRP should provide follow-up information, including savings and incentive amounts on events in a timely manner, such as by the end of the month of the event, or within 30 days.*

**Con Edison's Response:**

Con Edison will work towards streamlining payments internally and with our settlements vendor to send payments as quickly as administratively possible as the information is made available.

**Estimated completion date –June 2008**

**Nexant's Recommendation:**

*Consider using CBL method for all baseline calculations to more accurately determine energy savings and capacity reduction. The CBL method more accurately measures what the peak load reduction is in real time by estimating what the load would have been without the action of the customer. This more directly reflects the load reduction on the distribution system.*

*With the APMD method, if facility is not at its average peak load when the event is called, there is the potential for free ridership in the capacity reduction, i.e. they may reach their firm service level without having to meet their committed reduction amount. The potential also exists for the penalties to be assessed for non-performance when the facility actually implemented their curtailment activities and achieved their required load reduction, but because at the time of the event they were operating at a higher baseline load than their APMD baseline. Note that the APMD*

*method does not account for changes to equipment or occupancy that may have occurred in the past year. Therefore, marketers may also select customers based on factors other than the potential to actually reduce load during an actual event. Although the APMD may be appropriate for annual system capacity planning by the NYISO, a distribution emergency requires real time changes in load.*

*Currently CECONY uses the CBL method to calculate energy savings, and reports both energy (kWh) reduction and capacity (kW) reductions, as shown previously in the test event data in Table 8 and 2007 DLRP event data in Table 5. Therefore the use of this method represents a change in program policy more than capability, with the exception of including a weather correlation calculation.*

**Con Edison's Response:**

At this time, Con Edison does not believe it is appropriate to change the payment methodology to one that would be different from the NYISO. The Company believes this would cause customer confusion and could reduce participation. However, Con Edison does believe that the CBL does deserve further review, analysis, and discussion with the NYISO.

**Estimated completion date – Ongoing**

**Nexant's Recommendation:**

*Continue to offer the option for customers to weather adjust their CBL, however, this option should be a suggestion by the customer, with CECONY making the final determination. Some facilities have loads that are much more weather-dependent than others. Therefore, it is more appropriate to weather adjust load data for some facilities than others. CECONY should verify the customer preference for weather adjustments by determining if the facility has a statistically significant correlation to weather data. Facilities that show a high correlation should be weather adjusted, and those without any correlation should be based simply on the 10-day average, as stated in the CBL method.*

**Con Edison's Response:**

The Company will continue to give the customer a choice of weather adjusting the baseline calculation for its facility. Going forward, the Company plans to determine whether using a weather-adjustment factor is statistically significant. The Company will need to use its outside contractor, Itron, to perform this analysis, and will recover the costs through its monthly adjustment clause.

**Estimated completion date – Ongoing**

**4) Program Evaluation**

**Nexant’s Recommendation:**

*CECONY conducted a cost-effectiveness calculation in developing the incentive rate for the summer reservation payment that was approved by the PSC, although the incentive rate was adjusted prior to approval. However, DLRP currently does not have procedures or metrics used to evaluate program performance that incorporate all program costs (i.e. administrative and marketing costs). Nexant recommends that DLRP develop a protocol for evaluating performance and cost effectiveness of the program, and conduct cost an annual evaluation of the program’s cost effectiveness. Due to the emergency nature of the program, and its use as a procedure for addressing network contingencies and to mitigate power outages and alleviate equipment failure, the program should not be held to the same economic requirements as a typical DSM program. However, without some kind of evaluation of program performance, proper allocation of resources and evaluation of the correlation between program activities and program goals outlined in the program design is extremely difficult. We note that other states are grappling with similar issues; California, for example, is in the midst of a rulemaking proceeding to assess, among other things, policies and protocols for demand response load impact estimates and cost-effectiveness methodologies*

**Con Edison’s Response:**

Con Edison concurs that there should be a cost effectiveness test to evaluate program performance. The PSC adopted, with modifications, our initial methodology for calculating the reservation payment, which was based on the cost of mobilizing generators. Furthermore, to ensure accurate metrics are being used, the Company recommends that DLRP participants only be permitted to use revenue grade interval meters, with which the Company is able to verify program data. We will continually assess our cost analysis, including updating mobile generator costs and working to keep abreast of Demand Response costs analysis in the industry.

**Estimated completion date – Ongoing**

## 5) Programmatic and Tariff Recommendations

### **Nexant's Recommendation:**

*CECONY should continue to offer the mandatory program option. The mandatory option has been good for the program, both to the customer by providing a summer reservation payment for their load commitment, and to CECONY by providing a more reliable load resource than voluntary participation provides.*

### **Con Edison's Response:**

The Company will continue to offer the mandatory option.

**Estimated completion date – N/A**

### **Nexant's Recommendation:**

*The summer reservation payment, based on the committed load for mandatory customers is currently \$3/kW/month for Tier 1 networks and \$4.50/kW/month for Tier 2 networks. Based on the 48 MW of mandatory participation that enrolled in the program in just four months, the reservation payment amount appears sufficient to entice customers to enroll in the mandatory program.*

*In the future, if participation levels do not continue to increase annually despite improved marketing, outreach, and program support efforts, CECONY may consider increasing the reservation payment to drive greater participation, subject to cost-effectiveness considerations ... lists the estimated penetration curve calculated for the NYISO EDRP Program based on price. However, as shown in the figure, when determining the appropriate increase in incentives, the rates of participation are not directly proportional to the price increase.*

### **Con Edison's Response:**

The Company will continue its tiered reservation payment, which will only include the Long Island City network for the 2008 summer capability period. Con Edison will assess Nexant's recommendation that the Company should consider factors other than reliability in determining designation of Tier 2 networks following completion of the Callable Load Study.

**Estimated completion date – June 2008**



**Nexant's Recommendation:**

*Under the current program structure, the summer reservation payment is still subject to free ridership. Currently, the summer reservation payment is made based on the customer's enrolled load, without regard for performance during the test event and, while a penalty is assessed for actual performance during a DLRP called event, the customer or aggregator continues to receive the full summer reservation based on the original load commitment in subsequent months. To address the issue of free ridership, Nexant recommends that the DLRP implement the test event procedure described above, with a test event occurring at the beginning of each summer capability period, and the customer's performance will be used to calculate a "performance adjustment" which is applied to the calculation of the summer reservation payment. This performance adjustment would be updated based on the customer's performance in subsequent called events and test events.*

**Con Edison's Response:**

The Company agrees with Nexant's recommendation to test the customers at the beginning of the capability period. The procedure for the test will be outlined in the manual and is included in the proposed tariff changes.

**Estimated completion date – The Company proposed tariff changes on February 15 and the estimated completion date for the manual is April 1, 2008.**

**Nexant's Recommendation:**

*The tariff modification includes a penalty that is assessed to mandatory customers for non-performance during a called event. The penalty is 150% of the maximum demand reduction not achieved during the first four hours of the event. Aggregators and customers cited the penalty as one of the primary barriers to participation in the mandatory program. Nexant recommends that CECONY eliminate the penalty from the DLRP. However, the program needs to have a way to ensure mandatory customers participate in called events. Therefore, similar to the procedure described for test events, mandatory*

*customers' participation in DLRP-called events will be used to calculate a "performance adjustment" of their load commitment.*

*The performance adjustment is the ratio of load reduced to the load committed, with a maximum value of 1.0, and the summer reservation payment is calculated by multiplying the load commitment by the performance adjustment by the reservation payment amount. Customers that do not participate in an event would receive a performance adjustment of 0.0, which would mean they would not receive any reservation payments until the next event or test event in which they did participate (which would be equivalent to being a voluntary customer in the program). Under this methodology, the program would not continue to pay customers who do not perform or do not achieve their load commitment, but there is no actual "penalty" that is assessed to customers, just an adjustment, from 0% to 100%, of their reservation payment. Therefore, there is motivation to participate in events. While it is not a penalty; the performance adjustment has a larger potential effect on the summer reservation payments than a one-time penalty, as the customer's performance adjustment would remain in effect until either the next called event that year, or the test event at the beginning of the capability period in the following year. Additionally, the ICAP SCR uses a similar system to calculate the ratio of actual performance to the customers Contract Minimum Demand (CMD*

**Con Edison's Response:**

The Company concurs with the "performance adjustment" or de-rating after a test event to minimize free ridership. However, the Company needs assurance that program participants will perform during an event and therefore does not agree with the recommendation to eliminate the penalty, which was approved by the PSC.

**Estimated completion date – N/A**

**Nexant's Recommendation:**

*Aggregators were included in the program as a provision in the updated Rider U, and they have enrolled 48 MW of load in just four months. They also provide an additional marketing channel for the program that is at no cost to CECONY. This change appears good for the program and Nexant recommends the DLRP continue to include aggregators.*

**Con Edison's Response:**

The Company believes that aggregators are beneficial to the program, however, it is critical that aggregators supply performance data that CECONY can verify, which is not currently the case, the Company will continue including aggregators in DLRP.

**Estimated completion date – N/A**

**Nexant's Recommendation:**

*The updated Rider U also created program tiers that provide increased incentives for networks that have been identified as of critical importance. Currently, the summer reservation payment in Tier 1 networks is \$3/kW/month, and in Tier 2 networks is \$4.50/kW/month. The DPS designated the LIC network as Tier 2, and it is the only network in that tier to date. The tariff states that it is up to CECONY to determine which networks should be designated as Tier 2. According to CECONY, Distribution Engineering staff are continually monitoring the reliability of their networks to ensure consistent reliability across all 58 networks, and employ specific engineering solutions during the winter, or off-peak season, to address reliability issues. However, CECONY staff stated that network reliability is a very complex issue and the appropriate and optimal demand response determination is accordingly necessarily complex and nuanced, i.e., there is no method for precisely determining which networks are necessarily "in need" of more demand response, making it difficult for the Company to provide customers with reasoned justifications as to why different levels of priority and, hence, different levels of incentives, have been assigned to specific networks. They stated that such assignments, if made, are likely to engender customer confusion and unwarranted concern over system reliability.*

*However, the definition of Tier 2 networks in Rider U states that they are "networks that the Company identifies to be of a higher priority than Tier 1 networks". Therefore, the higher priority may not be due solely to network reliability, but a variety of issues. If CECONY establishes specific MW enrollment goals for each network, then networks that are the farthest from achieving their goal could be deemed as having a "higher priority for demand response resources," or considered to primarily include hard to reach customers who need extra financial incentive to participate. Even if enrollment goals are not set by network, analysis of the DR resources in each network compared with the network's peak loading would provide a percentage of DR in each network. The networks with the lowest demand response resources could be designated as Tier 2.*

*CECONY should establish an upper limit on the number of Tier 2 networks, which could either be determined by networks that have achieved less than a pre-determined percentage of their MW goal, or the lowest 5% or 10% of networks by participation. Tier 2 networks may also change from year to year, so if a network responds to the additional financial incentive and participation increases, that network would go back to Tier 1, making the extra incentive of the Tier 2 network similar to a 'sign-up bonus' in the first year or years for customers who enroll from those networks.*

**Con Edison's Response:**

The Company will continue its tiered reservation payment, which will only include the Long Island City network for the 2008 summer capability period. Con Edison will assess Nexant's recommendation that the Company should consider factors other than reliability in determining designation of Tier 2 networks will be considered following completion of the Callable Load Study.

**Estimated completion date – June 2008**

**Nexant's Recommendation:**

*The program states that interval meters are required for enrollment. However, the tariff allowed facilities with shadow meters to participate during the 2007 capability period. CECONY is not in favor of allowing shadow meters in the program because they are currently unable to independently verify the data to verify that the meter is functioning correctly. The primary reason they are not able to verify the data is that aggregators are only required to provide enough data to calculate the CBL baseline (from the 10 previous days) and data from the DLRP event. Therefore, Nexant recommends that the program only allow metering from which CECONY is able to independently verify the accuracy. This would include either interval meters or shadow meters, however aggregators would be required to submit complete monthly data from the shadow meter, and CECONY can verify the consumption with their monthly kWh usage from their own meter.*

**Con Edison's Response:**

The Company agrees that only participants with data sources that can be independently verified should be allowed to participate in the program. To this end, the Company believes that only revenue grade

meters should be permitted for use in the DLRP. In the effort to aid participants in obtaining revenue grade meters, the Company has streamlined the metering installation and upgrade process and written an associated procedure. Ultimately, the process will be seamless with an on-line application.

The Company is strongly opposed to shadow meters whose data can not be verified and therefore is against the proposal of using monthly data from shadow meters as a substitute. However, in order to provide current customers without interval meters ample time to have revenue grade meters installed, CECONY proposes to allow the current “shadow meters” enrolled in the program to be grandfathered for the 2008 capability period.

**Estimated completion date – As discussed, the Company has completed the streamlining of its metering process and has proposed that use of shadow meters be allowed for the summer 2008 capability period only for those customers who were enrolled in 2007.**

**Nexant’s Recommendation:**

*The tariff states that DLRP may be activated when a network reaches a condition Yellow and after an 8% voltage drop, which means that the DLRP is near the end of the sequence of responses that CECONY implements to a network emergency. Nexant recommends that greater flexibility be given to CECONY in determining the appropriate conditions for calling a DLRP event. In some situations, activating load relief earlier could help mitigate latent damage to equipment that accrues during a heat emergency prior to a DLRP event. In 2007 there were three DLRP events and more may be advisable in order to reduce the statistical likelihood of equipment fatigue that often appears after a heat event. This may include the utilization of existing predictive tools that, based on weather data and network load data, could select at risk networks for advance activation of DLRP outside of the current definition of the pending loss of 15,000 customers.*

**Con Edison’s Response:**

The Company notes that Nexant’s recommendation misquotes the procedure. The current tariff language (emphasis added showing difference) for designating a load relief period is:

Designating a Load Relief Period: If the next contingency would result in a Condition Yellow, *or* if an eight percent voltage reduction has been ordered, the Company may designate such period as a Load Relief Period. The Company may designate specific networks, feeders or geographical areas in which load relief will be requested. A Condition Yellow exists when the next contingency (excluding breaker failure) either will result in an outage to more than 15,000 customers *or* will result in some equipment being loaded above emergency ratings.

The Company agrees with Nexant that it should have more flexibility in calling the program and has proposed tariff language that allows for a lower voltage reduction threshold of five percent or greater for calling an event.

**Estimated completion date – The Company proposed tariff changes on February 15.**

**Nexant’s Recommendation:**

*Aggregators have cited the DLRP’s 30-minute notification period as a primary barrier limiting participation, as both of the NYISO reliability DR programs offer a 2-hour notification. Additionally, CECONY staff have stated that they currently have more precise predictive tools that are used to determine when load relief will be needed, and they begin taking actions earlier in the sequence of emergency events than in previous years. Therefore, in coordination with the implementation of the previous recommendation, that CECONY have the flexibility to decide when to activate load relief, Nexant recommends that the program change its notification timeframe from 30 minutes to 2 hours. This recommendation is also based on CECONY being able to effectively utilize the advanced predictive tools to identify when load relief is needed so that customer activation within two hours would be adequate to alleviate the emergency situation.*

*If CECONY would prefer to continue having at least a portion of participants available to respond within 30 minutes, Nexant recommends that a tier systems, similar the existing system for networks with a specific need for demand response, be established for 30-minute responders. Customers that sign up to respond to a 30-min notification would receive an additional reservation payment under the same structure that is currently in place those that respond to more than six events per year or to events of greater than four hours, i.e. customers would receive an additional \$1.00/kW/month in their reservation payment. Because the incentive is offered as part of the*

*reservation payment, voluntary customers would not be eligible for the additional bonus. However, from the program's perspective, having mandatory customers as the primary 30-minute responders should provide greater reliability in the participation levels that will be attained during the initial critical response period when the event is called.*

*If this tiered system for response times is established, the program application should include an indication of which response time the customer selects, and when the event notifications are made the customer should be reminded of their committed response time.*

**Con Edison's Response:**

The Company has proposed tariff language that provides participants two hours notice before penalties would be charged for not reducing adequate load. Advance notice by the Company of a designated load relief period will be assumed to be made on the first quarter-hour following actual notice. If the Company provides less than two hours' advance notice, penalties will apply only to performance commencing two hours after advance notice was given. At present, penalties are based on performance during each of the first four hours of a designated period, even if only the minimum 30-minute advance notice has been given.

**Estimated completion date – The Company proposed tariff changes on February 15.**