

Cooperative Coalition to Prevent Blackouts

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03-E-0641

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January 19, 2006

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PUBLIC SERVICE COMMISSION
OFFICE OF COUNSEL

Honorable Jaclyn A. Brilling
Secretary to the Commission
NYS Department of Public Service
3 Empire State Plaza
Albany, NY 12223-1350

RE: - Case 03-E-0641 - Comments on the November 21, 2005 filing by
Con Edison in response to Proceeding on Motion of the Commission
Regarding Expedited Implementation of Mandatory Hourly Pricing for
Commodity Service

Dear Secretary Brilling:

The Cooperative Coalition to Prevent Blackouts (CCPB) is pleased to submit comments on the November 21, 2005 filing by Con Edison in response to the Commission Proceeding Regarding Expedited Implementation of Mandatory Hourly Pricing for Commodity Service. The CCPB was established in 2001 to facilitate demand response actions by the City's Cooperative and Condominium community which includes 500,000 apartments in multifamily buildings and over 2 million residents. To prevent power emergencies CCPB has established the City's first 3 Real Time Pricing demonstrations, each in a building where one of its founding members resides. The CCPB has worked closely with Commission and New York State Energy Research and Development Authority (NYSERDA) staff to promote Real Time Pricing rate structures, ISO Curtailment initiatives, interval meter and load shedding technologies and appropriate government incentives to facilitate action.

The CCPB includes members of the only class of customers which have taken service under Real Time Pricing ("RTP"), Rider M, in Con Edison's service territory – namely housing cooperatives and condominiums. Of the four Con Edison RTP customers ("RTP Customers") identified in the Con Edison filing, three are members of the CCPB and all have participated in RTP through the efforts of our technical consultant, Energy Investment Systems, Inc. ("EIS"). The PSC has sought to promote RTP initiatives for the past 5 years. We have been intimately involved in virtually every aspect of the process of installing required equipment and receiving RTP service. We have found effective deployment of RTP demonstration projects at these buildings to require specialized expertise and the resources to address the interrelationship between RTP and the building residents. Working with Con Edison has at times been difficult and problematic. For example, it took a period of several months for Con Edison to develop a billing protocol and to arrange for the appropriate installation of interval master meters. Access to interval data maintained by Con Edison was initially very difficult. Many of these start up problems have now been worked out as a result of our efforts.

Although we have found both through certain data and anecdotal information that RTP purchasing has distinct advantages and offers great potential, these demonstration projects are "works in progress" and the long term advantages of RTP need to be sufficiently quantified and demonstrated to apartment building managers to justify their taking service under Rider M. Given the manner in which the NYISO Day Ahead Market functions, the RTP Customers understand that factors such as hot and humid summer peak weather and proportionately high energy costs have the effect of significantly increasing RTP prices on a short term basis. Indeed, in light of that problem the CCPB applied to the PSC for, and received, a declaratory judgment that the rate cap applicable to submetered customers be considered over a twelve (12) month period for submetered residential cooperative and condominium buildings taking RTP redistribution rate service.

The type of event discussed above occurred this past summer since Con Edison electricity bills for certain summer months for the RTP Customers were higher than if they remained on Con Edison's full service SC 8 tariff. In light of this event it is necessary to carefully review the data in order to determine the interrelationship between the RTP tariff rate charged and the full service SC-8. EIS' initial review of this data has identified issues that must be analyzed and resolved in order to have successful RTP deployment.

The CCPB supports the efforts of the PSC to make RTP a working reality for demand response in New York City. For many years the only realistic alternatives were facility additions (and the commensurate additions to rate base burdening customer bills) or for customers to install energy conservation devices or to install distributed generation. The development of NYISO wholesale electricity markets enabled the development of rates for customers to participate in the potential to reduce on-peak usage and moving usage off-peak. RTP has great potential for improving electricity reliability and affordability for our members, and all consumers. It also addresses the key problem of peak demand. For years utilities have taken the position that they can best handle meeting peak demand and given limited consideration to other approaches. RTP has the advantage of requiring a significantly lower capital investment while providing incentives for customers to use electricity in a manner that levels the load curve. Essentially, RTP provides customers with the tools to manage their own electric costs – to the benefit of the entire system and themselves.

We see the mandatory RTP proceeding as a way to heighten the importance of RTP as an energy efficiency policy and effective alternative to master metered bulk rates. At the same time, we are concerned about the risks of mandating RTP without satisfactorily addressing the multiple issues which emerged from implementing and performing the four RTP Customer demonstration projects. Attracting customers to RTP as a choice requires that they receive information from demonstration projects regarding the benefits of RTP. Doing so requires pursuing demonstration projects in a manner that makes use of tools necessary to make them successful. As we continue with our demonstration projects we are determining, with the help of our consultants, what works and what doesn't. For example, working with EIS we are seeking to implement feedback devices, websites and further customer education programs. Since we are in the developing stages of RTP, it is essential that technical support be available to new customers on a continuous basis in order to give customers information and confidence regarding the fact that they will be protected from risks while being able to access opportunities.

In that regard, it is essential to support continuing efforts to document and establish savings opportunities for RTP electric customers. Incentives, including those from NYSERDA, for participation and demand response need to be enhanced above current levels to assure greater and more successful participation in the PSC's Mandatory Hourly Pricing initiative. The Coalition also advocates rate structure designs that encourages participation and provides transparency in how utility tariff charges are developed (such as the MSC) in order to permit accurate analysis. It is critical to have data transparency if we are to evaluate the merits of the

mandatory hourly pricing and to provide vital feedback to the PSC on how we believe, based upon our experience, that RTP should be advanced through voluntary applications. The Coalition is also planning to establish new City incentives to promote RTP, load curtailment and related demand response activities.

We have also found that professional expertise is necessary to help us address PSC consumer protection issues while deploying RTP programs. For RTP to be effective in stimulating demand response, price signals must be passed through to residents on an appropriate uniform building-wide basis. It is essential to develop procedures and rates that enable residential time variable rates consistent with protecting consumers against high rate spikes. Administrative procedures are also needed to enable building representatives to comply with the new PSC HEFPA procedures within the context of mandatory hourly pricing processes. Thus as mandatory hourly pricing is phased in, support for effective administrative procedures is important to identify and ameliorate institutional and economic problems. A consumer oriented residential education program is integral to realizing successful RTP projects.

We have elected, on our own time and expense, far in excess of any incentives we have received, to engage in demonstration projects that hold great potential benefits for ratepayers in New York State, particularly in congested areas such as New York City. Our experiences are unique and we believe that the PSC should accord them considerable weight and encourage us to continue.

We have requested EIS to also prepare comments that are attached hereto as Appendix A.

Respectfully yours,

A handwritten signature in black ink, appearing to read "J. Reyes-Montblanc". The signature is fluid and cursive, with a large initial "J" and a stylized "R".

J. Reyes-Montblanc
Chair

Cooperative Coalition to Prevent Blackouts

Appendix A

Comments of Energy Investment Systems, Inc. (EIS)

Honorable Jaclyn A. Brillling
Secretary to the Commission
NYS Department of Public Service
3 Empire State Plaza
Albany, NY 12223-1350

RE: - Case 03-E-0641 - Comments on the November 21, 2005
filing by Con Edison in response to Proceeding on Motion of the
Commission Regarding Expedited Implementation of Mandatory
Hourly Pricing for Commodity Service

Dear Secretary Brillling:

Energy Investment Systems (EIS) has implemented the first four RTP projects in the Con Edison service territory. Based on this experience we are pleased to submit comments on the PSC's Mandatory Hourly Pricing for Commodity Service Order.

The Cooperative Coalition to Prevent Blackouts (CCPB) has asked us to evaluate the merits of the Con Edison proposal and present substantive recommendations to the PSC. In the context of Con Edison's proposal, EIS can best advance RTP and the interests of CCPB members through its contract with NYSERDA to develop Time Sensitive Pricing Demonstrations. Presently we have not established a business model for broad RTP applications and look to the PSC's adoption of mandatory RTP to advance the learning curve and enhance the "State of the Art." The following are our recommendations based upon our original research in RTP and related demand/response issues:

- 1) RTP – MSC energy supply cost true-ups to wholesale market costs: Price volatility in The Independent System Operator's wholesale Day Ahead Market (DAM) last summer drove RTP prices higher than MSC monthly rates. MSC adjustments have

yet to catch up to RTP costs. There is no clear mechanism to make sure that RTP costs are not higher than conventional MSC costs even given favorable load profiles of multifamily buildings which receive strong price signals to use less power when the DAM is high. Without such a mechanism RTP is handicapped. As the comparative costs of RTP and the MSC are influenced by daily and seasonal consumer load curves, rate correlation using voluntary demonstration projects need to be maintained and more established so that a firm foundation for RTP prevails. Developing a viable RTP rate through Mandatory Hourly Pricing has the advantage of addressing related consumer protection issues.

- 2) Demand response price signals from RTP energy supply should be consistent with demand charge price signals for Transmission and Distribution (T&D) to be effective. RTP seeks to reduce system peak demand for electricity. These peaks primarily occur in summer weekday afternoons and early evenings. Residential demand charges generally occur later in the evening. Thus residents are subjected to conflicting price signals that dilute their effectiveness. Demonstrations are necessary to reveal a greater level of demand response through consistent price signals.
- 3) Mandating RTP for buildings must be consistent with PSC consumer protection policies. Effective demand response in apartment buildings requires a way of passing variable rate price signals to apartments in a fair, effective manner. A declaratory ruling from the PSC approved the CCPB proposed methodology for building-wide averaging of submeter TOU costs to satisfy the direct metered rate cap requirement of the submetering regulations. In its ruling the PSC added a requirement for resident consent to TOU rates. As this requirement would enable high peak price users to opt out, it could undermine program effectiveness limiting price signals to end users, the apartment occupants. We have requested a time extension for the CCPB to formulate an appropriate response in light of this present Mandatory RTP proceeding.
- 4) Use of term "Hourly Pricing" instead of "Real Time Pricing." We recommend keeping the term "Real Time Pricing" as it conveys a connection to time variable wholesale market costs. While it is not purely "real time" it is far more so than present flat monthly rates. RTP is substantially different from Con Ed TOU rates and should be so distinguished from them. This is consistent with the PSC's original

definition of RTP that required utilities to offer the commodity portion of electric service based upon the DAM.

In light of the above we offer the following comments on the specifics of Con Ed's proposal.

Con Edison's Proposed "Marketing, Outreach and Education Plan."

- a) **Purpose** – Con Ed makes it clear that it is filing its plan to comply with PSC orders. It does not mention the PSC's purposes of improving electricity affordability or reliability. We assume these purposes underlay the program's preparation and feel it would be more effective if they were so stated.
- b) **Customer Eligibility** – The only change to eligibility is its proposed Mandate to Time of Day large customers to comply with PSC orders. Although outside this proceeding, consideration should also be given to offering all residential customers in SC-1 an opportunity to purchase RTP power. We also endorse the concept of Mandatory RTP for all submetered cooperatives and condominiums once the issues cited in the CCPB's comments have been resolved.
- c) **Program Description** – Con Ed proposes continuing to base RTP rates on DAM prices. A comparative evaluation of RTP and MSC rate structures needs to be completed to determine changes needed in either rate structure to equitably reconcile them with wholesale market costs. These changes should then be demonstrated and refined until they are proven to be predictable. They should be periodically reviewed for effectiveness.
- d) **Customer Outreach and Education** – Con Ed in the past has focused its efforts on large customers. To date the only RTP customers have been mid to small in size and as such targeted marketing to these customers should be considered.
- e) **Enhanced Marketing Plan** – focusing its efforts on targeting large customers for Mandatory Hourly Pricing is a continuation of this approach. Educational efforts which focus on individual residents as well as building management are needed for effective demand response.

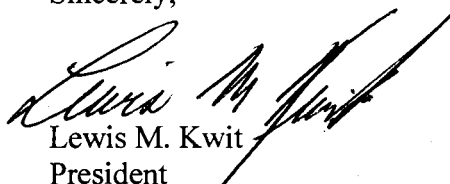
- i) **Web Technology** – Make Con Ed computer modeling of RTP and MSC rate comparison scenarios available for free to new customers. This would be a valuable enhancement for demonstrations, and should also be available for both existing and potential customers. The high prices that Con Ed later plans to charge for these services underscores the importance of a building to have its own data collection system and analysis services. This is especially crucial for per apartment interval data and its analysis – as will be needed for effective resident responsiveness. Services for the market will continue to be developed by service providers and MDSPs as a new mandated hourly market demands.
- ii) **Company Sponsored Seminars** – All of the proposed education efforts described by Con Edison are directed at real estate executives and professionals. Consideration to reaching apartment residents should be given.
- iii) **Individual Customer Contact** - Likewise proposed customer contacts do not include residents.

The PSC and NYSEDA should support the following activities to supplement those proposed in Con Edison's letter regarding the implementation of Mandatory Hourly Pricing of Commodity Services for its largest customers.

- 1) Monitoring and evaluation of comparative rates to make sure they can attract subscribers where economic benefits are anticipated.
- 2) Load profiling and rate analysis to attract customers and enable customers to achieve maximum cost effectiveness.
- 3) Evaluating individual resident response to time variable pricing.
- 4) Accessing enhanced resources to recruit RTP customers.
- 5) Demonstrating the viability of voluntary RTP projects.

Thank you for the opportunity to comment on this important and innovative initiative.

Sincerely,


Lewis M. Kwit
President