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Customer-Centered Electric Distribution System Advances — Electric Utilities Put Demand Response Programs in Place —

ALBANY — The New York State Public Service Commission (Commission) today approved new rules through which electric utilities will offer customers financial payments to reduce the amount of electricity used during periods of high demand or system stress such as hot summer days. These demand response programs, which mirror programs already been in place at Con Edison, take effect initially in specific high-value areas on July 1, 2015. These programs will give consumers more options and control over energy bills, while also increasing utilities' ability to manage demand on their systems. These changes are core components of Governor Andrew M. Cuomo's Reforming the Energy Vision (REV), a comprehensive strategy to build a clean, resilient, and affordable energy system for all New Yorkers.

"Dynamic load management has the potential to provide substantial benefits to customers, the electric system, distribution utilities, and the State," said Richard Kauffman, Chairman of Energy and Finance for New York. "The benefits of these new program offerings by utilities will support the goals of REV by reducing peak, energy and capacity costs while lessening the need to build new infrastructure. Bottom line — we reduce emissions across the state and help to lower the customer's total utility bill."

"The Commission's decision enables New York's electric utilities to harness new technology and markets in a customer-centered manner while ensuring safe and adequate service at just and reasonable rates," said Commission Chair Audrey Zibelman. "Offering customers incentives to reduce loads will spur the creation of new services and products that benefit all customers. With this step, many more residential customers will have the chance to participate in these program and get paid."

Given the accelerated timeframe for program development and rollout, some utilities [see note below] are only able to offer the programs in a limited portion of their service territory this summer. The utilities prioritized areas which offered the greatest benefits at the lowest costs, based on factors including system stress and local distribution constraints for accelerated program rollout in summer 2015. Because of the importance of this initiative, the Commission directed the utilities to make all programs available throughout their service territories next summer.

The implementation of dynamic load management programs by all major electric utilities in the State represents a major step forward toward meeting New York's energy, capacity, and reliability goals in a cost effective and environmentally friendly way. Furthermore, as envisioned in the REV initiative, such programs will eventually become commonplace parts of the utility business model in New York as load management is incorporated into everyday operations and planning and the utilities transition

from serving static loads to dynamically managing a platform that provides ratepayers with the greatest benefits at the lowest cost, while also maximizing consumer options.

Through dynamic load management, utilities can reduce electricity usage when demand is highest, lowering energy and capacity costs, reducing necessary infrastructure spending, and enhancing reliability. These actions can also help reduce harmful emissions, since peaking plants are often dirtier and less efficient than base load power plants.

In December, 2014, the Commission directed the utilities to develop three types of programs: a peak shaving program to be called on a day-ahead basis when next-day forecast load approaches the forecast summer peak load; a local distribution reliability program to be called in order to address local reliability issues in specific defined electrical or geographic areas; and a direct load control program allowing customers to install a device which can be controlled remotely by the utility to directly switch load on and off to compensate for high demand or system stress. Customers may participate in these programs individually or through an aggregator.

Several types of payments will be offered by the various programs established, including performance payments, reservation payments, sign-up payments, and participation payments. Performance payments will be made to customers on a dollar per kilowatt-hour (kWh) basis during called demand response events. Reservation payments compensate customers on a per kilowatt (kW) basis for committing to reduce their usage during called events. Sign-up and participation payments are primarily used in direct load control payments and compensate customers for allowing the utility to install a load control device and use that device to reduce their load during called events. The utilities will file final tariffs and begin accepting customer enrollment by July 1, 2015.

For most utilities, the typical residential customer participating in the direct load control programs by supplying their own specialized thermostat would receive a one-time bonus ranging between \$30 to \$100, as well as an annual performance payment ranging between \$20 to \$50 for allowing the utility to control the thermostat during demand response events, in addition to the \$95 to \$350 annual energy savings estimated by the manufacturers. Commercial customers may also participate in this program. These programs will begin system wide in the summer of 2016.

The Commission also provided the utilities with guidance in expanding their program for 2016 and future years, as well as reporting requirements to enable continued oversight. Utilities will file annual reports on the benefits and costs of the programs and propose changes to further expand the programs and ensure that incentives continue to accurately reflect values.

Implementing distribution-level demand response programs throughout the State represents a major step forward toward the ultimate goal of enabling a two-way trans-active market for energy and capacity on the distribution system level between customers, their utility, and other service providers. While distribution-level demand response programs have been available in the Con Edison service territory for over a decade, opening the remainder of the State to participation in such programs represents a major achievement which the Commission expects will yield significant benefits to utility ratepayers and society as a whole. The Commission's decision expands the successful Con Edison programs throughout the State and creates a pathway for further innovation in dynamic load management strategies.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 14-E-0423 [Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs] in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents

may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.

Note: Con Edison customers already have programs in place that have been operating for more than 10 years. Peak shaving programs will be available to National Grid customers in the Kenmore area of Buffalo, and service territory-wide for customers of Central Hudson, NYSEG, RG&E, and Orange and Rockland. Distribution reliability programs are available to National Grid customers in the Kenmore area of Buffalo, in the Brewster and Lancaster areas to NYSEG customers, in the Farmington and Victor areas to RG&E customers, and service territory-wide to Orange and Rockland customers; the distribution reliability program will be made available to Central Hudson customers for the summer of 2016. The direct load control program is available to National Grid customers in the Kenmore area of Buffalo; in the Brewster and Lancaster areas to NYSEG customers; in the Farmington and Victor areas to RG&E customers; the Monsey, Highland Falls, and Kiryas Joel areas to Orange and Rockland customers; and service territory-wide to Central Hudson customers.