

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Eligibility Criteria for Energy Services Companies))	Case 15-M-0180
Proceeding on Motion of the Commission to Assess Certain Aspects of the Residential and Small Non-residential Retail Energy Markets in New York State))))	Case 12-M-0476
In the Matter of Retail Access Business Rules)	Case 98-M-1343

INITIAL TESTIMONY OF ALAN TILLEY

Submitted By:
Drift Marketplace, Inc.
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Case 15-M-0127
Case 12-M-0476
Case 98-M-1343

Testimony of Alan Tilley

TABLE OF CONTENTS

I. INTRODUCTION.....1
II. PURPOSE OF TESTIONY.....3
III. TESTIMONY.....5
 A. *Regulatory Oversight*.....5
 B. *Energy-Related Value-Add Services and Mass Market Customers*.....6
 C. *Barriers to Market Innovation and Mass Market Access*.....8
 D. *Recommended actions that could be taken to strengthen the retail market and potential benefits to mass market customers*.....11

EXHIBITS

1. Exhibit_(AT-1) Resume of Alan Tilley

1 **I. BACKGROUND**

2 Q. Please state your name and business address.

3 A. My name is Alan Tilley and my business address is 2033 Sixth Avenue,
4 Seattle, Washington, 98121.

5 Q. Mr. Tilley, by whom are you employed and in what capacity?

6 A. I am a co-founder, Director, Power Operations at Drift Marketplace, Inc.

7 Q. How long have you been the Director, Power Operations for Drift
8 Marketplace, Inc.?

9 A. I have been with Drift since helping to found it in 2014.

10 Q. Please generally describe your current responsibilities and professional
11 experience.

12 A. My responsibilities as Director, Power Operations include those
13 responsibilities that are of a supply chain technology officer in the energy
14 and information technology industries. This includes sourcing power
15 generation, energy and information (IOT) network management, risk
16 management, and delivery of services to the end users. I've been in the
17 field of industrial automation and information technology since the late
18 1970s, when I was an electronic engineer at Measurements Systems
19 International and designed software for the first microprocessor products
20 introduced. From 1979 to 2008, I was the CEO and co-founder of Quester
21 Microsystems, a manufacturer of hardware and software for energy

Testimony of Alan Tilley

1 generation, industrial controls, and consumer markets. In order to develop
2 technology focused on smart grid and solar technology, I also co-founded
3 Questar Energy Systems in 2009, and was the acting CEO until 2014,
4 when Questar Energy Systems was reorganized to form Drift Marketplace
5 as VP of Engineering and a Board member. My current position is
6 Director, Power Operation responsible for back office operations and
7 development of supply and services.

8 Q. Have you previously submitted testimony on behalf of Drift Marketplace
9 before the New York Public Service Commission (“Commission”)?

10 A. No.

11 Q. Please describe Drift Marketplace, Inc.

12 A. Drift is an Energy As A Service (“EAAS”) provider similar to a number of
13 Software As A Service (“SAAS”) we are all familiar with (Uber, AirBnB,
14 Dropbox, etc.). Drift’s business model is providing a service to customers
15 similar to the current marketplaces for the cell phone, insurance, banking,
16 investing, or cable industries.

17 Drift was founded in 2014 to provide energy services to customers in the
18 retail energy markets. Drift launched in mid-2017 in the ConEd territory.

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Testimony of Alan Tilley

1 **II. PURPOSE OF TESTIMONY**

2 Q. What is the primary purpose of your testimony?

3 A. The primary purpose of my testimony is offer insight into the barriers to
4 entry Drift has experienced entering the NY market. New technologies are
5 opening up possibilities for mass market customers to gain more control
6 over their energy purchasing decisions, and accessibility to those
7 technologies for mass market customers is important to the success of
8 REV. I am concerned decisions adverse to ESCOs, a type of retail choice
9 provider, will have negative implications for companies like Drift which
10 sees itself as a hybrid between ESCOs and DERs. In addition to acting as
11 an ESCO, Drift intends to seek authorization to act as a Distributed
12 Energy Resource (through the oversight guidelines being developed in
13 Case 15-M-0180).

14 Q. Why did Drift enter the New York ESCO market?

15 A. New York was our number one choice for market entry because of the
16 REV – the Reforming the Energy Vision – program. For both Drift’s
17 Board and investors, New York made the most sense, given REV and
18 what we thought was a very exciting attempt to build distributed energy
19 into a real competitive marketplace for consumers. Drift’s goal is to help
20 create a viable distributed energy marketplace, and allow existing
21 customers to become not just consumers but ‘prosumers’ – to give them

Testimony of Alan Tilley

1 real choices over their energy purchase decision-making. Drift believes
2 that its technology and software systems will be able to offer consumers,
3 particularly low-income, New York City, and statewide customers, a real
4 opportunity to access, invest in, and benefit from renewable energy.
5 Ultimately, Drift wants to be more of a ‘Distributed Independent System
6 Operator’ – an aggregator for distributed energy delivering new and
7 accessible energy and energy benefits to consumers.

8 Q. Do you have concerns with the scope of the issues set for Track I in the
9 December 2, 2016 Notice of Evidentiary and Collaborative Tracks and
10 Deadline for Initial Testimony and Exhibits, (“December 2 Notice”)?

11 A. Yes, I am concerned that the scope of this proceeding is too narrow to
12 address scope of challenges – and opportunities – for mass market
13 customers. This proceeding is focused on the scope of the ESCO mass
14 marketplace, and does not include companies that anticipate qualifying
15 under the distributed energy resource (“DER”) classification. Both types of
16 companies (ESCOs and DERs) offer products and services designed to meet
17 the needs of retail customers, and the evolving needs of both types of
18 companies should be addressed in this proceeding. I am also concerned that
19 if the outcome of this proceeding results in a shutdown of the current mass
20 market retail market, the development of the new DER marketplace will be
21 severely compromised.

Testimony of Alan Tilley

1 Q. What is the scope of your testimony?

2 A. The subject my testimony focuses on certain December 2, 2016 Evidentiary
3 Hearing topics. Specifically, on the topics that Drift feels are the most
4 relevant for its business, and where we think we can offer a useful
5 perspective: (A) the role of regulators and oversight of the retail mass
6 market; (B) energy related value add services and mass market customers;
7 (C) barriers to market innovation and mass market access; and (D) actions
8 that could be taken to strengthen the retail market and potential benefits to
9 mass market customers.

10 Q. Are you sponsoring an exhibit?

11 A. Yes, I am sponsoring Exhibit AT-1, "Resume of Alan Tilley," which is
12 being filed simultaneously with this testimony.

13

14 **III. TESTIMONY**

15 A. *The role of regulators and oversight of the retail mass market*

16

17 Q. What role do you think the New York Department of Public Service
18 should have in regulating the behavior of the retail energy market?

19 A. The Department plays a critical gatekeeper function for the retail market,
20 and I'm supportive of continued oversight. I am concerned that the
21 eligibility requirements for market entry are too low.

22 Q. Why, and what kind of impact could that have on the marketplace?

Testimony of Alan Tilley

1 A. Without barriers to entry that require a company to meet credit threshold
2 requirements, and demonstrate expertise on related risk, technical,
3 financial, managerial and operational matters, the marketplace is
4 vulnerable to unscrupulous actors that have no skin in the game. Without
5 threshold barriers in place, it is easy for “fly by night” companies to do
6 just what they’re doing now: enter the market, rapidly enroll customers on
7 variable rate plans, and then selling those customers to existing ESCOs. I
8 question how much value those companies actually provided to those
9 consumers. Drift supports the Commission's effort to evolve the retail
10 market place such that it offers all retail customers transparency with real
11 choice and decision-making ability. We believe in a vibrant, animated
12 marketplace that rewards delivering consumer value.

13 *B. Energy related value add services and mass market customers*

14

15 Q. What services does Drift currently provide or plan to provide to mass
16 market customers?

17 A. Drift business model is meant to operate as a Distributed
18 Independent System Operator (d/ISO) integrated within the larger
19 wholesale market. Drift secures a multitude of independent power nodes
20 in its network that include, but not limited to hydroelectric dams, solar-
21 plus-storage projects, wind farms, EV recharging stations, residential
22 storage devices, large commercial building management systems and

Testimony of Alan Tilley

1 residential/small business prosumers. Using artificial intelligence and
2 machine learning to forecast energy demand from the next day to real
3 time, by factoring in variables, such as the individual customers historical
4 usage, zip code, microclimate weather data estimates, real time grid
5 operational parameters; energy is intelligently distributed, stored and
6 dispatched from its network of peer-to-peer energy nodes to deliver power
7 to its consumers at substantial savings over utility rates, with multiple
8 added benefits, including participation in the ownership of the DER assets.
9 Drift Marketplace is a platform that allows new innovative technologies
10 and products to connect with consumers. Innovators like NEST
11 thermostats for demand reduction, behind the meter storage, smart
12 appliances, can enable consumers to earn income, support grid reliability
13 and reduce emissions. Connecting producers to users thru the Drift
14 Marketplace, providing a compelling user experience that consumers have
15 come to expect in today's marketplace.

16 Q. What about this business model is different from the current commodity-
17 focused business model of many ESCOs that serve mass market
18 customers?

19 A. The ultimate goal of Drift is to help create a marketplace where purchasers
20 of energy, including and especially mass market customers, are not just
21 consumers but “prosumers.” Meaning that no matter where a customer is

Testimony of Alan Tilley

1 located on the grid and no matter if they are single family or low-income
2 or a business, that customer is not charged by how much they use but by
3 the service they receive. These services include but not limited to: buying
4 renewable energy generation (community solar), to participate in building
5 a distributed and renewable energy grid, while also having the ability to
6 see reduction in their bill. Drift charges a small subscription fee
7 (\$1/week) to allow the consumer to buy power at wholesale, which allows
8 residential and small commercial customers the ability to enjoy the
9 economic benefits of wholesale pricing that have typically only been
10 available to large business enterprises.

11 Q. How else would Drift’s model be able to offer mass market customers price
12 savings on their bill?

13 A. In addition to providing consumers the access to wholesale prices, Drift
14 intends to offer mass market customers the ability to participate in
15 community solar and a structure that would allow individuals to buy virtual
16 solar generation and at the same time gain an ownership interest in the solar
17 facility.

18 C. *Barriers to market innovation and mass market access*

19 Q. Would Drift’s business model be able to guarantee savings against the
20 prices charged by the utility in the current marketplace?

Testimony of Alan Tilley

1 A. We are confident it could, and our experience to date indicates that our
2 business model will be able to guarantee savings.

3 Q. How so?

4 A. It boils down to the differences between private enterprises like Drift and
5 the utilities. For example, utilities are regulated monopolies, and are not
6 required to respond to market dynamics in the same way as ESCO/DERs
7 or non-utility market participants nor have the same cost burden of
8 marketing against an incumbent monopoly. Utilities have a certain level
9 of cost-recovery baked into their system and their price is erroneously
10 viewed as a benchmark in a non-competitive marketplace. However, the
11 critical barrier for being able to guarantee savings is the utilities lack of
12 transparency and consumer choice and evolving consumer technologies.

13 A. Our experience is that the utilities are not required to disclose most of their
14 rate calculations or methodology. Further, utilities understandably have no
15 real incentive to share that information or update their systems to allow for
16 more efficient communication with other market participants. Therefore,
17 although Drift's new technologies will allow mass-market customers to
18 realize rate savings as compared to the utility, Drift finds it next to
19 impossible to know what the utility rate was in the past (for bill review
20 and quoting) or will be. Luckily, technologies have become available
21 abrogated this problem for Drift's consumers. We can accurately

Testimony of Alan Tilley

1 determine the utilities billings at any time and provide our customers with
2 this benchmark pricing and guarantee (with the wholesale NYISO
3 commodity) we will be lower than the utility, or we will refund the
4 difference. Of course, we find many our customers are interested in low
5 emission generation which we provide at a comprehensive saving targeted
6 to meet the standard utility rate.

7 Q. In your opinion, is the current retail market realizing the Commission’s
8 efforts (as outlined in its February 23, 2016 Resetting Order) “*to promote*
9 *high quality customer service, increase the range of energy-related*
10 *services, and continue to increase the benefits obtained by customers from*
11 *retail energy markets*”?

12 A. No. The issues I addressed earlier, like the lack of transparency in utility
13 pricing and ratemaking, are preventing the New York retail market from
14 offering real competition and competitive products to customers.

15 Q. From Drift’s perspective, what have been the most significant barriers to a
16 competitive marketplace in the current retail market?

17 A. As I mentioned earlier, the biggest barrier Drift is running into is the lack
18 utility transparency and incentive to make the changes that are necessary
19 to allow interoperability with Drift’s software system. For example, it took
20 almost a year to complete the required utility hook-ups. I’ve had several
21 with Department Staff and ConEd to try and resolve the EDI process we

Testimony of Alan Tilley

1 began in October 2016, and it's still ongoing. The other major issue is that
2 much of the current software and technology used by utilities is
3 incompatible with newer platforms like web and mobile platforms. If the
4 technology isn't upgraded and allow consumer access to their data, I think
5 utilities will have a difficult time attracting market investment. This is
6 especially true for the technologies planned under REV.

7 *D. Recommended actions that could be taken to strengthen the retail market and*
8 *potential benefits to mass market customers*
9

10 Q. What type of measures would you recommend be adopted to allow for
11 greater access by mass market customers to emerging DER and renewable
12 products?

13 A. A fundamental shift in the framework of the retail marketplace is required.
14 In order to give mass market customers the opportunity to benefit from
15 emerging DER services provided by ESCOs and other retail choice
16 providers, it is critical that the utilities are provided with appropriate
17 guidance and tools to increase their ESCO/DER-facing support. They
18 should also be supported to invest in significant upgrades to their current
19 information technology platforms. Utilities in Texas, for example,
20 successfully upgraded their systems to allow for compatibility with retail
21 billing allowing retailers to add services and bill the distribution charges.
22 These upgrades will also help pave the way for a successful DER market,

Testimony of Alan Tilley

1 which will be increasingly virtual and will require the ability to offer
2 alternatives to the current system of utility consolidated billing. Dual bill
3 is both confusing to the consumer and an uneconomical duplication of
4 resources.

5 Q. In your opinion, what will be the effect on the retail marketplace if these
6 barriers are not addressed? What kind of threat does this pose to the
7 evolution and success of the retail marketplace?

8 A. One potential outcome could be attempts to do technological end-runs
9 around these limitations. If we don't see technology upgrades and a
10 change in framework that enables utilities to work with private companies
11 the market, I fear it will be difficult for the potential benefits anticipated
12 by REV to occur, and there will be less interest from the private business
13 sector. Companies like Drift are bringing other partners to the market –
14 we've been approached by Google and Tesla, for example – but they want
15 to work with other businesses, not suffer the extreme sales cycle and
16 uncertainty of monopolies. If it's too difficult to make it work in the New
17 York market, the ideas and opportunities will simply go elsewhere.

18 Q. And in your opinion, is it possible to eliminate these barriers while also
19 ensuring sufficient customer protections, particularly for residential and
20 small commercial customers?

Testimony of Alan Tilley

1 A. It's absolutely possible. Today I can file and pay my taxes both state and
2 federal, open a bank account, buy insurance, sign the closing papers to
3 purchase property, and buy most anything, all online with trust both in the
4 agreement with the vendor and in the underlying monetary transaction.
5 What is so different about buying power every single month from one
6 supplier? Given the challenges companies like Amazon, Apple, etc. solve
7 for consumers every day, the consumer energy marketplace has a long
8 way to go. The REV initiative and its potential to realize a prosumer-based
9 marketplace is the reason the Board of Drift decided to enter the New
10 York Market. Drift has also been successful in raising significant investor
11 funding because they believe in ability of the New York market to deliver
12 genuine systemic innovation in the energy industry. It's also imperative to
13 realize these changes while protecting consumers. And in my opinion,
14 REV is not going to happen without consumer engagement, and
15 engagement drives innovation.

16 Q. Does this conclude your testimony?

17 A. Yes, and thank you for the opportunity to provide testimony on behalf of
18 Drift Marketplace, Inc.