

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on June 23, 2021

COMMISSIONER PRESENT:

John Howard, Interim Chair

CASE 17-G-0606 - Petition of Consolidated Edison Company of New
York, Inc. for Approval of the Smart Solutions
for Natural Gas Customers Program.

ORDER APPROVING EXTENSION OF GAS
DEMAND RESPONSE PILOT PROGRAM

(Issued and Effective June 23, 2021)

INTRODUCTION

On February 10, 2021, Consolidated Edison Company of
New York, Inc. (Con Edison or the Company) filed a petition
(Petition) for approval to extend the term of its ongoing Gas
Demand Response Pilot Program (Pilot or Gas DR Pilot). In its
Petition, Con Edison proposed to extend its three-year Pilot by
one year to allow the Company to continue testing the feasibility
of incentivizing customers to provide net reductions of natural gas
demand during peak demand days¹ on the coldest days of the winter.
The Company explains that the additional data is necessary to
achieve the Pilot's overall goal of addressing increased demand for
natural gas in its service territory and limited pipeline capacity.²

¹ A gas day is defined as the 24-hour period beginning at 10:00
A.M. on a given calendar day until 10:00 A.M. the following
calendar day.

² Case 17-G-0606, supra, Modified Gas Demand Response Pilot
Implementation Plan (filed September 10, 2018) (Implementation

The results from the Pilot have been impacted by both warm winters, resulting in few events to test customer response in cold-weather conditions, and the COVID-19 pandemic, which impaired collection of meter data and resulted in lost data in some instances. The extension of the Gas DR Pilot has garnered unanimous support, and Con Edison is able to continue the Pilot without additional program funding. By this Order, the Commission approves Con Edison's Petition to extend the Gas DR Pilot by one year.

BACKGROUND

On September 29, 2017, Con Edison filed a petition proposing the Smart Solutions for Natural Gas Customers Program (Smart Solutions Program) to address the increased demand for natural gas in its service territory and limited pipeline capacity.³ The proposal sought to decrease gas usage and procure alternative resources to meet customer heating and other thermal needs. The Smart Solutions Program also sought to defer the Company's need for incremental upstream pipeline capacity, reduce the use of pipeline delivered services, mitigate the need for a moratorium on new gas customer interconnections, and contribute to the achievement of State and local environmental goals.

The Smart Solutions Program included four programmatic components: (1) an Enhanced Gas EE Program designed to increase peak day gas savings through energy efficiency measures; (2) a Gas Innovation Program to develop alternatives to gas heating; (3) a Non-Pipeline Request for Information (RFI) which, similar

Plan). The details and goals of the Pilot are outlined in the Implementation Plan.

³ Case 17-G-0606, Petition of Consolidated Edison Company of New York, Inc. for Approval of the Smart Solutions for Natural Gas Customers Program (filed September 29, 2017).

to electric Non-Wires Alternatives, would defer or eliminate the need for additional gas capital infrastructure expenditures; and (4) a Gas Demand Response (DR) Program to provide financial incentives for customers to reduce gas usage during peak demand periods to mitigate pipeline capacity needs for firm customers during the winter heating season.

Subsequent to its Smart Solutions Program filing, the Company submitted its initial Gas Demand Response Pilot Implementation Plan which outlined the key parameters of the Gas DR Pilot.⁴ The Gas DR Pilot was designed to reduce net customer gas demand during the entirety of a peak demand day on the coldest days of the year. The Pilot's objective is to understand the opportunity for customers to reduce usage over a peak gas demand day and to gather insight into optimal gas DR operational parameters and achievable customer response that would potentially inform a tariffed program. The Gas DR Pilot consists of: (1) a Performance-Based Gas DR offering for commercial and industrial (C&I) customers and multi-family buildings with centralized heating systems, and (2) a smart thermostat Direct Load Control (DLC) offering for residential customers. The Gas DR Pilot operates between November 1 of a given year and March 31 of the following year, i.e., the Winter Capability Period,⁵ in certain zones in Con Edison's service territory for a period of three years.⁶

On August 9, 2018, the Commission authorized Con

⁴ Case 17-G-0606, supra, Modified Gas Demand Response Pilot Implementation Plan (filed April 26, 2018).

⁵ Con Edison uses the term "Capability Season" in its Petition; however, the Commission will use the term "Capability Period" to be consistent with terminology in place for the electric DR programs across the State.

⁶ As proposed, the Gas DR Pilot was to operate beginning in the 2018/2019 Winter Capability Period through the 2020/2021 Winter Capability Period.

Edison to implement the Gas DR Pilot.⁷ The Gas DR Pilot Order required the Company to file an updated Implementation Plan and annual reports to track the Pilot's progress,⁸ and authorized a budget of up to \$5.051 million over three years to be recovered as incurred through the Company's gas Monthly Rate Adjustment mechanism. As directed, the Company filed its updated Implementation Plan on September 10, 2018.

As directed, Con Edison has filed annual reports following each Gas DR Pilot Season. Most recently, the Company filed the Updated Gas Demand Response Report on Pilot Performance - 2019/2020 on October 28, 2020, in the instant proceeding (2019/2020 Gas DR Pilot Report). In the 2019/2020 Gas DR Pilot Report, the Company states that the Performance-Based Gas DR offering had an increase in customer enrollment from 38 customers in the 2018/2019 Winter Capability Period to 309 customers in the 2019/2020 Winter Capability Period. The DLC Gas DR Offering had an increase as well with 2,804 devices enrolled for the 2019/2020 Winter Capability Period compared to the 517 devices enrolled during the 2018/2019 Winter Capability Period.

PETITION

In its Petition, Con Edison notes that the Pilot has provided valuable insight into customer engagement and third-party participation, program incentive levels and measures to improve event dispatch. However, the Company states that it has faced challenges in gathering sufficient data due to recent mild

⁷ Case 17-G-0606, supra, Order Approving with Modification Gas Demand Response Pilot (issued August 9, 2018) (Gas DR Pilot Order).

⁸ Annual Reports are to be submitted by July 1 of each year, beginning in 2019.

winters.⁹ The Company requests that the Commission approve an extension of the Pilot for an additional year in order to allow Con Edison to obtain the data necessary to complete the Pilot. The Company anticipates that, with more typical weather patterns, it will be able to gather the data needed to gain a better understanding of the net load reduction customers are able to provide, participants' ability and willingness to participate in consecutive events, the effectiveness of baseline methodologies, and provide reliable data for peak day gas demand forecasting.

The Company further requests that the Commission authorize the Secretary to grant any future requests to extend the term of the Pilot. Con Edison notes that the Gas DR Pilot Order contemplated future changes to the Pilot by providing flexibility for implementing certain types of changes. Specifically, Con Edison cites to page 30 of the Gas DR Pilot Order, which requires the Company to document necessary changes in annual, or more frequent as necessary, updates to its Implementation Plan.

Lastly, the Company notes that it is not seeking any additional funding for extending the term of the Pilot. According to the Petition, Con Edison has spent \$1.364 million of the total three-year budget of \$5.051 million through year end 2020. The Company maintains that the remaining \$3.678 million is sufficient to cover costs through the 2020/2021 Winter Capability Season and operate the Pilot for at least one additional Winter Season.

⁹ During the 2019/2020 Winter Capability Period, the Company was not able to call any events as the temperatures did not reach the 18 degrees Fahrenheit trigger. During this Period, the Company reports that it called only one test event on February 14, 2020.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking (Notice) was published in the State Register on March 10, 2021 (SAPA No. 17-G-0606SP8). The time for submission of comments pursuant to the Notice expired on May 10, 2021. Comments received are addressed below.

LEGAL AUTHORITY

Pursuant to Public Service Law (PSL) §§5, 65, and 66, the Commission has the legal authority to review, as well as modify, reject, or approve utility filings. PSL §66 authorizes the Commission to examine, investigate, and prescribe changes in rates and charges. Pursuant to the PSL, the Commission has the authority to review and make determinations concerning Con Edison's Smart Solutions Program, as described in this Order.

COMMENTS

Comments were submitted by the City of New York (City) and Energy Technology Savings, Inc. DBA Logical Buildings (Logical Buildings) in response to the SAPA notice. The City supports Con Edison's Petition to extend the term of the Pilot, particularly considering that the extension does not require any incremental funding. The City agrees that the mild winters over the past two years have limited the Company's ability to determine the value of the Pilot or draw any conclusions about its expansion. The City asserts that, in the event the Company files a new gas rate case in February 2022, any decisions to further extend the Pilot beyond the 2021-2022 Winter Capability Period should be addressed in that rate case.

Logical Buildings has participated in the past three winter seasons of the Gas DR Pilot and supports the extension of the Gas DR Pilot by one year. Logical Buildings believes it

is necessary to continue the program in order to determine its true value and the impact it may have on customer natural gas usage during events. Allowing the Company to continue for another year will, according to Logical Buildings, enable both Con Edison and aggregators to better understand the ability of customers to reduce their demand for natural gas during peak events.

DISCUSSION AND CONCLUSION

While the Company has gained beneficial insight into a number of the Gas DR Pilot's overall goals, including customer engagement and participation strategies, program incentive levels, and strength of baseline methodologies, there have been challenges in gathering sufficient data to meaningfully evaluate the Pilot as an effective tool for reducing customer usage of natural gas during peak demand days. In addition, the COVID-19 pandemic during the past two winter periods has also impacted the conclusions that Con Edison may draw from the data obtained through the Pilot. First, the COVID-19 pandemic likely altered normal energy usage behavior, thereby impacting the Company's ability to properly assess the impacts of the Pilot during more typical conditions. Second, Department of Public Service Staff report that there was some limited loss of data due to the inability of the Company to obtain meter readings from participating customers' meters during the spring of 2020. Neither of these conditions should be persistent during the upcoming Winter Capability Period.

As noted by the Company, the City, and Logical Buildings, data collected during the upcoming 2021-2022 Winter Capability Period would be beneficial. This additional data should allow the Company and aggregators to better understand the ability of customers to reduce their demand for natural gas during peak events in more typical conditions. Also, there is

no additional cost to ratepayers as the Company will be able to use the unspent funding approved by the Commission in the Gas DR Pilot Order to cover its costs during the 2021-2022 Winter Capability Period. Therefore, Con Edison's petition to extend the Gas DR Pilot by one year is granted.

Con Edison's request to allow the Secretary to grant further extensions of the Gas DR Pilot, however, is denied. There are two major differences between pilots and more durable programs. First, pilots are limited in scale, scope, and duration, but often provide additional flexibility to adapt as needed. The Gas DR Pilot is a hallmark example - the costs are capped and there is a defined timeframe, but the Pilot operations are more flexible as they are implemented as part of an Implementation Plan filing rather than through the Company's tariff. The defined timeframe is especially important, as it provides a date by which the utility must determine either to: (1) scale up to program status and justify why graduation from pilot to program is reasonable; or (2) end the pilot if the results are not promising. Conversely, a program is often more expansive, without a definitive end date, with costs typically recovered on an as-incurred basis, provided a showing that the program is cost-effective, and more rigid program rules since they are typically included in utility tariffs. If, after the term of the extension granted herein, Con Edison seeks to continue the Gas DR Pilot as a pilot, it must again justify why doing so is reasonable.

Finally, although the City's eagerness to examine the Gas DR Pilot as part of Con Edison's next base rate filing is appreciated, such a proceeding is not necessarily the optimal venue for such considerations. Utility base rate proceedings have a statutory timeline of 11 months from the date a utility submits its filing to the beginning of a new rate year with effective tariffs pursuant to a Commission Order. This

timeline, however, may not align with the timing necessary to implement a seasonal DR program. For example, the term of Con Edison's existing gas rate plan ends on December 31, 2022.¹⁰ If Con Edison were to file for new rates in 2022 and include the terms of a gas DR proposal within such filing, tariffs reflective of the Commission's decision regarding that filing would not be effective until January 1, 2023, at the earliest, which is midway through the 2022/2023 Winter Capability Period. While certain revenue requirement and rates-related issues may be reasonable to include in a base rate filing, such as the level of pilot- or program-related labor costs included in base rates, requests to modify pilot or program elements with no revenue requirement impact can be more effective when made through a separate Company petition which can provide a timeframe more aligned with demand response operations.

It is ordered:

1. Consolidated Edison Company of New York, Inc. is authorized to continue implementing its Gas Demand Response Pilot Program through March 31, 2022, with a total budget not to exceed \$5.051 million.
2. This proceeding is continued.

(SIGNED)

Commissioner

¹⁰ Case 19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan (issued January 16, 2020).