INTRODUCTION

On December 14, 2012, Consolidated Edison Company of New York, Inc. (Con Edison or the Company) filed a petition seeking approval of changes to its Demand Response (DR) programs. According to the Company, the changes are proposed to improve the design of its Commercial System Relief Program (CSRP or Rider S), its Distribution Load Relief Program (DLRP or Rider U), and its Direct Load Control Program (DLC or Rider L) and to declare completion of the Residential Smart Appliance Program (RSAP) pilot program. The Company also submitted proposed tariff modifications on December 14, 2012 to reflect the changes described in the petition. We have reviewed the Company’s proposed changes and, as discussed below, approve the tariff modifications. 
amendments with modifications, limit expansion of the DLC program, and continue the RSAP pilot program for two years.

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), notice of the petition was published in the State Register on January 16, 2013. The comment period expired on March 2, 2013. Comments were received from Energy Curtailment Specialists, Inc. (ECS), Energy Spectrum, Inc. (Energy Spectrum), and the New York State Energy Research and Development Authority (NYSERDA). The Company filed reply comments on March 12, 2013. Energy Spectrum and ECS replied to the Company’s reply on March 22, 2013. The comments of the parties are summarized and addressed in the Discussion and Conclusion, below.

BACKGROUND

This proceeding was initiated by us in our February 17, 2009 Order in which we directed the Company to assess and develop DR programs. The Company filed proposals for several DR programs on June 1, 2009 which were adopted in part in the Commission’s October 23, 2009 Order. After the first summer in which the DR programs were active (Summer 2010), the Company filed a petition seeking to make several changes to

1 While the additional comments by the Company, Energy Spectrum and ECS were not authorized by the Secretary, we will accept these additional comments as they tend to further the record in this proceeding.

2 Case 09-E-0115, Proceeding on Motion of the Commission to Consider Demand Response Initiatives, Order Instituting Proceeding (issued February 17, 2009).

3 Case 09-E-0115, supra, Order Adopting in Part and Modifying in Part Con Edison’s Proposed Demand Response Programs (issued October 23, 2009) (October 2009 Order).
encourage enrollment, improve customer performance and streamline the programs to maximize benefits to the customers and the Company. In our January 20, 2011 Order\(^4\), we approved these changes with modifications and additional directives.

After the Summer of 2011, the Company filed a petition to make further changes to “fine tune” the program based upon experience with the program during that summer. The Commission’s March 15, 2012 Order approved these changes with modifications, including continuing to allow distributed generators to participate in the DR program, modifying the customer baseline, and extending the Network Relief Program for two years. Our last Order specifically addressing the DLC Program was issued September 22, 2010.\(^5\) In that Order, we required Con Edison to include the DLC Program as a permanent component of the Company’s DR programs offerings and authorized cost recovery of up to $4 million per year for the installation and maintenance of existing and future thermostats.

In this petition, the Company is again proposing changes to the programs based on past experience that, according to Con Edison, are intended to “make the programs more customers friendly, allow for greater innovation, and help increase enrollment by simplifying program rules and launching user friendly technology.”

\(^4\) Case 09-E-0115, supra, Order Adopting Modifications to Demand Response Programs (issued January 20, 2011).

Rider L – Direct Load Control

Under the DLC program, participants allow the Company to reduce their demand by taking direct control of and cycling central air-conditioning loads during system emergencies called by either the New York Independent System Operator (NYISO) or Con Edison. Con Edison provides and installs, without charge to the enrolling small business or residential customer, a thermostat with internet-enabled technology that becomes property of the customer. In addition, participants are given a one-time incentive of $25 or $50 for enrollment in the residential and small business programs, respectively. Approximately 25,000 customers currently participate in the Company’s DLC program, accounting for 35 megawatts (MW) of controllable peak demand reduction. The Company has proposed several significant changes to the program as described below.

Enrollment of DLC Load in the NYISO DR Program

The Company proposes to no longer enroll the load associated with its DLC program in the NYISO Special Case Resources, Small Customer Aggregation demand response program (SCR Program). The Company cites counterproductive results for residential networks as well as customer fatigue from having to

---

6 NYISO’s Special Case Resources, Small Customer Aggregation program can be deployed by the NYISO in energy shortage situations to maintain the reliability of the bulk power grid. SCR Program participants are required to reduce power usage and as part of their agreement are paid in advance for agreeing to cut power usage upon request.
perform under both programs, especially if the programs are called on the same day.

Thermostat Replacement and Program Expansion

First, the Company proposes to replace all 30,000 of its currently installed pager-based communication thermostats over a period of five years claiming that they are aging past their 10-year warranty and that they utilize a communication technology which may become obsolete. Replacements would be Wi-Fi enabled thermostats, which use the participants’ wireless local area network for communication. Second, the Company plans to expand the DLC program to include the ThinkEco smart-plug modern outlet (Modlet) that was used in the RSAP pilot which the Company asserts is now mature enough to roll out to customers on a large scale. Finally, Con Edison proposes that the Rider L tariff language be expanded to allow for any communication pathway and to allow any air conditioning solution, including, but not limited to, central, room, and packaged terminal air units (PTAC), to be eligible for participation.

Proposed DLC Budget

Con Edison states that the current DLC budget cap of $4 million per year is not sufficient for replacement of old equipment and meaningful program growth. The Company proposes to spend $5.1 million in 2013, and $7.9 million per year from

---

7 The Modlet is a plug-in smart outlet that can be controlled by a smart air-conditioning thermostat and a participant’s online Modlet account, allowing customers to control the temperature setting remotely. In addition, the Modlet allows the Company to remotely reduce demand from room air-conditioners similar to the ability to reduce central air conditioning demand under the DLC Program.
2014 through 2018 on central air conditioning direct load control. Con Edison states that these proposed levels would fund the replacement of 2,000 thermostats in 2013 and 6,000 per year in the next five years concurrent with the installation of 1,500 new units in 2013, and 3,500 new units in each subsequent year. At the $7.9 million level, $4.8 million would be used for replacement of existing thermostats and $3.1 million would be used for installation of new units.

In addition, the Company proposes to install significantly more Modlet units in the coming years. It proposes to spend $4.9 million in 2013, $6.6 million in 2014, and $8.0 million in 2015 to install 25,000, 32,500 and 42,250 Modlet units per year, respectively.

**Incentive Awards**

The Company notes that the existing Rider L only allows one-time (at installation) incentive awards for central air conditioning program participants, and therefore proposes expanding the incentive awards to include window, wall and PTAC program participants as follows. Incentives of $25 for residential central air conditioning or PTAC thermostats, $25 for residential or nonresidential window, wall, or PTAC plug-ins, and $50 for nonresidential central air conditioning or PTAC thermostats would be provided. In addition, Con Edison proposes to make an annual award to participants with wall or window air conditioning units or PTAC plug-in units (as either a $25 payment or a $25 gift card, at the Company’s discretion) after each Summer (defined as the period May through October) during which the Company can verify that, for the aggregate number of hours of events designated by the Company during the past summer, the participant allowed the Company to control the equipment during the majority of hours.
Rider U - Distribution Load Relief and Rider S - Commercial System Relief Programs

Rider U - Modification to Call Time

The Company notes that requiring customers to respond overnight to a contingency is not productive and is a barrier to enrollment in the program. For these reasons, the Company proposes that the call time for DLRP be changed to exclude event initiation or response after 11 PM and before 6 AM. While an event may be called at 8 PM, and a customer would be required to respond, the customer could cease response at 11 PM. The Company notes that the proposed change would correspond to network needs, since the vast majority of the Company’s networks have completed peak conditions by 11 PM and load on the network is reducing naturally.

Riders S and U - Baseline Calculation

The Company proposes to develop a new Operating Procedure, which would be available on its website, to replace the use of the NYISO’s Emergency Demand Response Program (EDRP) Manual as the reference source for the Customer Baseline Load (CBL) methodology. The Company states that the construct of the baseline methodology will not change, but clarifying language that may be required as a consequence of the relocation, will be provided. According to Con Edison, the primary reason it is proposing this change is that the Company has no control of the NYISO document, which was created for a different purpose, and thus the Company states it is not operationally sound to continue use of the NYISO EDRP Manual as the reference source for the baseline load calculation for the Company’s DR programs.

Riders S and U - NYISO Market Participation Information and Energy Payments
The Company proposes eliminating the Rider U and Rider S requirement that participants provide NYISO market participation information, including generator identification information, because only Company employees involved in supply procurement are permitted to have access to NYISO participation information unless customers enroll in NYISO programs through the Company. The Company also proposes eliminating the Rider U and Rider S prohibition against paying participants for energy, during concurrent load events under Rider P, V, or W or any other NYISO demand response program. The Company asserts that NYISO demand response events are initiated for different economic reasons and therefore it is appropriate for Con Edison to have different economic incentives.

DISCUSSION AND CONCLUSION

The changes proposed by the Company to its DR programs are intended to increase DR benefits for both customers and the Company. Based upon the information provided by the Company and the comments of the parties, we have concerns with the Company proposals. We discuss below those concerns and the modifications to the Company’s proposals to address those concerns.

---

8 Rider P – Purchases of Installed Capacity program, Rider V – Emergency Demand Response Program, Rider W – Day Ahead Demand Reduction Program
Rider L – Direct Load Control

Enrollment of DLC Capacity in the NYISO SCR Program

The Company notes that it has enrolled its DLC customers in the NYISO SCR program since 2005, with all revenues from the program flowing back to customers through the Monthly Adjustment Clause (MAC). The Company further notes that the SCR events are usually called from 12:00 PM to 6:00 PM, which adds to the peak of residential networks when air conditioners are turned back on, since many residential networks peak later in the evening.

According to NYSERDA, the current arrangement provides better ratepayer feedback and market signals and claims that the Company hasn’t fully proved its case that its proposal will achieve the same level of savings for customers. The Company refutes NYSERDA’s claims, noting that NYSERDA does not contest the Company’s assertions concerning the counterproductive effects of dual participation and the customer fatigue factor.

The Company addresses the loss of NYISO SCR revenue in its reply comments, demonstrating that its customers do not benefit financially from DLC participation due to the structure of the NYISO Installed Capacity market settlement process. It explains that since the load reduction which takes place during the SCR event is added back when calculating the Company’s installed capacity (ICAP) tag (an estimate of the Company’s contribution to the system peak load), “if the Company did not enroll the DLC resources in the SCR Program but still reduced load during the Company’s coincident system peak, the Company, and customers, would receive the comparable benefit of a reduced ICAP capacity tag.” Further, the Company states that the primary value of the Company’s proposal to remove DLC customers from the NYISO SCR program is the ability to more tightly
control when customers must reduce demand to reduce Con Edison’s system peak and to alleviate customers’ discomfort when they are called upon to do so.

Based on information provided by the Company, the DLC program was called four times in 2011, and two of those events overlapped with NYISO SCR events. In 2012, the DLC program was called seven times, and five of those events overlapped with NYISO SCR events. Based on this recent experience and the Company’s arguments, particularly those relating to reducing participant fatigue, we grant the Company’s request. We are however concerned about the reduction of NYISO SCR resources, and therefore we will require the Company to declare a DLC event for day-time peaking networks, during those days when the NYISO activates its SCR Program.

Thermostat Replacement

The Company proposes to replace all 30,000 of its currently installed pager-based communication thermostats with units that use Wi-Fi communication by 2018 at a cost of $26.9 million. The Company attempts to justify this replacement program based on its concern that the pager service will someday be eliminated in New York City. It states that “the competitive challenge from the wireless carrier market is resulting in market reduction and competitor consolidation in the pager industry.”

The Company also notes that, although the thermostats have been performing well, the 10-year warranty period for the units is approaching and the Company cannot simply replace failing thermostats with the same model thermostat, although it has not replaced any existing thermostats with the new technology thermostats up to now.
While not commenting specifically on replacing the installed base of remotely operated thermostats, NYSERDA commends the Company’s investigation of a replacement for its pager-based central air conditioning system and the use of the Internet as a means to transport curtailment notifications but expresses caution about a DLC solution using home based area networks.

We find that the Company has not presented a convincing case for the total replacement of the installed thermostats. Since the contract with the current pager provider continues through 2015 with an option to extend the contract on a yearly basis, the Company should only replace existing thermostats that fail with WiFi enabled units. This would allow Con Edison to determine how receptive existing customers will be to the new technology, while at the same time maximizing the life of the current installed base of thermostats.

New Thermostat Installation

The Company’s proposed multi-pronged approach, including, in part, allowing customers a choice of thermostats, is a reasonable approach. We note that under the current annual funding level of $4 million, the Company was to install an additional 3,000 residential and 500 small business thermostats in 2012.\(^9\) According to data provided in the annual program evaluation, the Company only installed 1,501 residential and 411 small business units in 2012.\(^10\) Based on this recent performance, and the change in thermostat communication

\(^9\) DLC Order.

technologies occurring in the market place, we are not inclined at this time to increase the funding level for the DLC Program. We do expect Con Edison to provide a complete report in its annual assessment on how receptive existing and new DLC participants have been to the new communication technology and how the cost effectiveness of the program can be increased.

**Modlet Program**

The Company proposes to fund the Modlet technology as a new measure under its current DLC Program. The Modlet was part of the Company’s Residential Small Appliance Pilot Program pilot that expired as of December 31, 2012. In its comments, NYSERDA “applauds Consolidated Edison’s intent to expand the range of eligible technical options encompassed in its DR efforts.” However, NYSERDA suggests further diversifying the range of options to communicate and deliver customer-sited or demand-side resources to also include additional technical solutions that integrate energy efficiency and DR.

Based on our review of the proposal and the Company’s evaluation of the RSAP program, we find it premature to expand the Modlet pilot project into full scale implementation. For example, while 10,000 Modlet units were distributed in 2012, only 3,916 have actually been installed. In addition, the connectivity options and technology are evolving rapidly. The Company should continue to refine the product offering within the pilot program format while remaining open to other technology options. Given the potential of this program, we approve a two year continuation of the pilot program at a total non-recurring budget of $4 million. The RSAP shall remain distinct from the DLC Program, and, for now, shall not be merged.
Incentive Awards

Since the RSAP and DLC programs will not be merged, the proposed incentive awards will only apply to DLC participants not using plug-in (Modlet) technology. We do find that the annual incentive awards proposed are reasonable and should help to retain and attract participants.

Riders S and U

Rider U – Modification to Call Time

The Company proposes to eliminate the requirement for DLRP participants to respond to an overnight contingency. By doing this, the Company hopes to increase participation in the program by decreasing customers’ staffing requirements and eliminate the hours in the day where its load is usually low.

Energy Spectrum, Inc. agrees with this measure, stating in part that “the program will be more effective during these hours, and that by limiting the program hours as such, participants will be more successful in their participation.” ECS states that the proposal “is a significant first step to encouraging growth in the Rider U program and reducing the burden on participants”, but also calls for a two-tiered payment scheme.

We agree with the Company’s reasoning and adopt its proposed call time modification as an incremental step in growing the program. While we appreciate ECS’ request for a two-tiered payment scheme, we agree with Con Edison that the proposal would require further study on the impact and benefits and therefore we decline to adopt such proposal at this time.
Riders S and U – Baseline Calculation

Both Energy Spectrum and ECS are concerned about breaking the link from the Rider S and Rider U CBL calculations to the NYISO EDRP Manual without providing customers adequate notice and an opportunity to comment. NYSERDA urges caution in moving away from the NYISO EDRP CBL procedure. The Company responded in its reply by proposing a revised plan. It proposed that language be added to both Rider S and Rider U requiring that the Company publish the operating procedure on its website, advise aggregators and Staff of any potential changes 60 days prior to their effective date, and to not make any changes during the applicable summer period. The reply comments of ECS and Energy Spectrum reiterate their concerns about the CBL method being moved to a Con Edison Operating Procedure and suggest that the Company be directed to clarify exactly what the new proposed CBL methodology is, with examples, prior to the beginning of the program this summer.

Con Edison’s revised plan has merit and we direct the Company to implement the plan with certain modifications. The tariff shall be amended to require that the Company: 1) publish the operating procedure on its website; 2) advise aggregators and Department Staff of any potential changes by December 1st of each year starting in 2013; and, 3) hold a meeting with concerned parties to obtain feedback by January 1st of each year. The parties would then have an opportunity to petition the Commission and obtain a resolution prior to the summer season if no consensus is reached.

Riders S and U – NYISO Market Participation Information

Con Edison proposes to eliminate the current prohibition of payment for energy to participants that are called upon concurrently to respond to NYISO and Con Edison
demand response events. Linked to this proposal is the request to eliminate the requirement that participants provide NYISO market participation information, which is necessary to verify the times of participation in these other programs to prevent double-payment during concurrent events. The Company cites difficulty in obtaining this information and that only Company employees involved in supply procurement are permitted to have access to NYISO participation information. ECS supports eliminating the prohibition and states that "this change will enable greater participation in events that occur at the same time as NYISO events and has eliminated an unnecessary barrier to enrollment in Riders U and S."

We do not agree with the Company’s proposal and do not find ECS’ arguments convincing. The Company has not demonstrated that the current prohibition results in a barrier to participation or that the proposed change increases the economic efficiency of the programs. Furthermore, based on our review of the existing Rider U tariff language, we find it necessary for the Company to add additional language related to participants having to provide NYISO market participation information.

The language shall be the same as that contained in the Rider S tariff, which states that:

participants enrolled in a NYISO market-based program offered by the Company, NYPA or other entity, such as the Day-ahead Demand Response Program or the Demand-Side Ancillary Service Program, must provide the Company with their NYISO generator identification number, under a confidentiality agreement, and give the Company the ability to view their market participation activity. This information will be used to verify the times of participation in these other programs to prevent double-payment during concurrent events.
Further, the Company should make an effort to improve its internal and external processes and information flow to allow it to carry out this obligation in a manner that does not conflict with its standards of conduct between the Company’s supply procurement function employees and its transmission function employees. The Company’s proposals, therefore, are not adopted.

The tariff amendments listed in the Appendix are authorized to become effective on April 22, 2013 and Con Edison is directed to file further tariff revisions incorporating the modifications to its Demand Response program contained herein. Such revisions shall become effective on not less than one day’s notice in April 22, 2013. The requirements of newspaper publication pursuant to Public Service Law §66(12) and 16 NYCRR 720-8.1 are waived.

The Commission orders:

1. Consolidated Edison Company of New York, Inc.’s tariff amendments listed in the Appendix are authorized to become effective on April 22, 2013.

2. Consolidated Edison Company of New York, Inc. is directed to file further revisions, incorporating the modifications contained in the body of this order, to become effective on not less than one day’s notice on April 22, 2013. Consolidated Edison Company of New York, Inc. is directed to continue the Residential Smart Appliance Program pilot for an additional two years, January 2013 through December 2014, with allowed funding of up to $4 million.

3. The requirements of Public Service Law §66(12) and 16 NYCRR 720-8.1 regarding newspaper publication of the further revisions directed in Clause No. 2 be waived.
4. The Secretary may extend the deadlines set forth in this order.

5. This proceeding is continued.

By the Commission,

(SIGNED) JEFFREY C. COHEN
Acting Secretary
SUBJECT: Filing by CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Amendments to Schedule P.S.C. No. 10 - Electricity


Issued: December 14, 2012 Effective: March 18, 2013*
*Postponed to April 22, 2013.

SAPA: 09-E-0115SP 10 - STATE REGISTER - January 16, 2013

NEWSPAPER PUBLICATION: December 27, 2012 and January 3, 10 and 17, 2013