

**Targeted Demand Management Program
Implementation and Outreach Plan**

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1. Introduction

On April 10, 2015, Consolidated Edison Company of New York, Inc. (“Con Edison” or “the Company”) filed a petition seeking approval of a proposed Targeted Demand Management (“TDM”) Program.¹ On December 17, 2015, the Public Service Commission (“Commission”) issued its *Order Implementing with Modification the Targeted Demand Management Program, Cost Recovery, and Incentives* (“Order”) approving the TDM Program and allowing the Company to implement load relief in targeted areas through customer-side solutions (“CSS”) when it would cost effectively enable deferral of new infrastructure investments.²

As required by the Order, the Company submits this TDM Implementation Plan, to be updated annually, providing information on the components of the TDM Program, including: detailed measurement and verification procedures; a process for identifying a portfolio of TDM projects, a description of the recovery of TDM program expenditures that will demonstrate they are incremental to the Company’s revenue requirement, and a customer and community outreach plan.² The Plan has been designed as a “living” document that will be updated periodically by Con Edison in consultation with Staff.

¹ Case 15-E-0229, Petition of Consolidated Edison Company of New York, Inc. for Implementation of Projects and Programs that Support Reforming the Energy Vision, April 10, 2015.

² Case 14-E-0302, *Petition of Consolidated Edison Company of New York, Inc. for Implementation of Projects and Programs that Support Reforming the Energy Vision, Order Implementing With Modification the Targeted Demand Management Program, Cost Recovery, and Incentives*, December 17, 2015.

² While the Order also requires that the Implementation Plan include “the portfolio of projects to be completed” and “a BCA performed in consultation with Staff,” (Order at 10), the Company will be unable to provide the portfolio and related BCA until it has investigated the need for TDM projects in one or more areas.

2. Process to Identify and Implement TDM Projects

The Company has preliminarily identified a process to identify projects that may be pursued under the TDM program, which will be revised to be consistent with the Benefit Cost Analysis (“BCA”) handbook that is being prepared pursuant to the Commission’s *Order Establishing the Benefit Cost Analysis Framework* (“Order”)³ and any additional Commission guidance on the BCA.

The Company typically develops a 10-year Area Station and Subtransmission Feeder Load Relief Plan (“LRP”) annually. Among other things, the LRP identifies substations and/or their supply feeders with forecasted overloads. Additionally the LRP recommends and describes cost-effective projects that are able to mitigate forecasted overloads. Recommended projects may include substation reinforcement, load transfers, other traditional solutions and/or non-traditional utility-side (“USS”) and/or customer-sided (“CSS”) projects.

As part of the 10-year LRP, projects are reviewed through a deliberative process for possible alternative non-traditional projects, i.e., CSS and/or USS solutions. The process includes the following:

- Traditional projects, above a specified cost threshold, are potential candidates for consideration to develop an alternative non-traditional portfolio CSS and/or USS.
- Sufficient time will be provided to allow for the development of alternative, non-traditional CSS and/or USS solutions, including preliminary pricing estimates.

While the development of an alternative solution may look at a combination of

³ Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Establishing the Benefit Cost Analysis Framework, January 21, 2016.

CSS and traditional and non-traditional utility side solutions, the TDM program as currently authorized, will only be used for CSS.

- Both the quantity and duration of necessary load relief will be specifically evaluated to assess the ability of CSS and/or USS to meet operational reliability needs and achieve deferral of the traditional utility infrastructure projects(s).
- The Company evaluates traditional utility infrastructure projects to ensure the solution that can feasibly address the load relief need is selected. Alternative portfolios that include CSS and/or USS consider the costs and characteristics of the traditional solution in economic and feasibility evaluations.

The project (traditional or an alternative solution that includes CSS) that is deemed cost-effective will be selected for implementation and reflected in the LRP.

Additionally, for primary level projects, Con Edison is continuing to consider options to allow for non-traditional load relief to the extent feasible for these projects.

3. Market Research and Analytics

Con Edison recognizes the need for increased visibility into customer and technology potential on the demand side. To address this need, Con Edison, along with a third-party partner, have created a dynamic, geographically specific, and technology integrated analysis tool to assess the economic potential s of energy efficiency and demand management for cost-effective deferral or avoidance of capital expenditures required to meet growing customer demand.

The model has been developed to provide information about actionable demand side measures to varied Con Edison work groups. The model provides an innovative approach to analyzing not only energy efficiency and demand response, but also evaluating customer-side generation and energy storage. Con Edison has designed the model to evaluate a network or a group of networks to solve for the economic potential of energy efficiency, demand response, customer sited generation or energy storage measures in relation to our capital expenditure plan. The model can then integrate these four demand management options to develop an integrated set of measures optimized for cost effectiveness and the desired CSS solution. This feature allows Con Edison to develop a tailored approach that best fits each network's customer or load characteristics, such as whether the network peak is driven by residential, commercial or a mixture of customer segments.

The model contains all 83 of Con Edison's networks/load areas. Con Edison has built flexibility and usability into the model via standardized input data templates, which will enable easy updates as new customers, technologies, and market data are developed or gathered. The model will allow for better and more detailed customer engagement by identifying demand management potential at the technology and customer segment level – specific to the geographic areas (electric networks) in question.

The knowledge of geographically specific demand management potential will contribute to informing associated go-to-market strategies. Additionally, the Company may choose to undertake specific research and analytics efforts as it identifies CSS projects in order to have

more detailed information concerning procurement strategies, nature of load in the targeted areas, and cost-effective opportunities for partnerships with market participants and stakeholders in the area.

4. Buying Strategy and Utilization of Existing Programs

4.1 Resource Procurement

The Company intends to deploy a number of different buying approaches. There are likely to be some situations which justify a sole source type approach, most likely where a unique solution is available or a specific customer presents an opportunity, and there are likely to be other situations where the Company is able to deploy various competitive buying approaches. The competitive buying approaches may be expected to include Requests for Information (RFIs), Request for Proposals (RFPs), block bidding, and/or auctions. Con Edison's buying approach will likely not be a static, one-time buying event but rather a series of actions, on a strategically timed basis appropriate to the project. The Company may also engage in leasing arrangements, partnerships or other business arrangements that support the program objectives.

The Company intends to use lessons learned from the execution process of the Brooklyn Queens Demand Management ("BQDM") program that include understanding contracting challenges, the nature of assumptions made by third parties when proposing load relief solutions, risks arising from customer decisions and timelines, risks from engaging with multiple parties with independent motivations and specific procurement processes, and the relative merits of different solicitation approaches such as using RFI as an initial market information solicitation exercise, RFPs, and descending clock auctions to procure resources with specific performance attributes.

The Company intends to continue the approach used in the BQDM program of providing additional incentives (“adders”) to other existing programs, as described further in the section on existing programs. Such an approach has proven to be effective in leveraging value from a resource that serves to meet multiple needs.

As targeted areas are identified, the Company intends to provide in its solicitation, whatever the form, the necessary information regarding status and load relief needed. When the Company solicits supply-side market solutions through a RFI or RFP, such solicitations will be filed with the Commission’s Secretary, as well as published on the Con Edison “Neighborhood Program” website.⁴ The Company intends to update rolling solicitations such as RFIs as needed, and to include new targeted areas or other changes as appropriate.

4.2 Solution Evaluation and Comparison

The Company will analyze a mix of resources that can meet the reliability need in the targeted area and develop an appropriate portfolio. Factors that will influence the solutions that are chosen will include the duration of their availability, their risk, their maturity, their flexibility, and their ability to meet the specific load relief needs that are identified.

4.3 Leveraging Existing Programs

The Company plans to use measures in existing demand management programs to produce early results. To the extent that the demographics of the targeted areas allows for the use of existing programs, that option will be considered. The BQDM program successfully used the Small

⁴ http://coned.com/energyefficiency/Neighborhood_program.asp

Business Direct Install (“SBDI”) and the Multi-Family Energy Efficiency (“MFEE”) programs, both of which involve direct installation approaches.

The Company will determine which programs would work best for a specific area. This determination will vary with the demographics of the particular area. SBDI programs may not have a large impact if the network identified does not have many small businesses, but instead is largely comprised of 1- 4 unit residential homes. In that case, the Company would analyze existing residential programs for targeted customer side solution potential.

An important factor for the Company in selecting the SBDI program as the first engagement of customers for the BQDM Program was prior customer surveys that had identified a population that had the potential for energy efficiency improvement, but had indicated it would not proceed unless the measures were free. The Company will continue to use surveys to identify potential customers.

In addition, the Company will also look to leverage programs outside of Con Edison. We will work in partnership with entities such as NYSERDA to help identify additional opportunities to successfully implement solutions. Joint marketing approaches can be used to pursue engagement with the customers as well as help make the customer savings potential more attractive.

5. Community Engagement

The Company has and will continue to prioritize community engagement as an important aspect of this TDM Program deployment. It is important for the Company to be proactive in understanding the sensitivities in the targeted communities as it pursues successful deployment

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of projects in the program. As specific projects are identified in scope, technology and geographic location, the Company will share those specifics as well as a detailed community engagement and information dissemination plan with a comprehensive list of key stakeholders in the targeted area.

The Company will use the successful BQDM community engagement model, continuing to leverage its relations with elected officials, community organizations and other community stakeholders within the target areas. Since the projects within the program will be designed to address reliability needs that also carefully consider any specific and sensitive customer needs, system improvements and environmental issues, the Company is committed to transparency in sharing the goals, objectives, launch, execution, status and impacts.

The Company's ongoing presence and strong relationships with many of the elected officials, community groups and business organizations in these areas allow the Company to convene formal and informal meetings with these important stakeholders. The stakeholders are local chambers of commerce, business improvement districts ("BID"), local development corporations, not-for profit community-based organizations, government entities such as community boards and the New York City Housing Authority, community housing associations, block associations, and tenant associations. We will work closely with community based organizations who regularly work with local communities on environmental and energy issues, including local environmental justice concerns.

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Among the ways that the Company has previously worked with local leaders are placement of program information in print and electronic newsletters and other communications with links to the Company's Energy Efficiency and Demand Side Management website, Facebook, and Twitter accounts.

The Company will plan to present at local community meetings such as local community board meetings as well as host its own specific events and presentations for stakeholders and the community. The Company will coordinate with stakeholders to determine the appropriate frequency and nature of the meetings.

The Company has already determined that it is important to provide program information in the context of the traditional approach to deploying utility infrastructure. Such an approach will comfort those stakeholders who may be concerned that the TDM Program approach results in them receiving what may be considered a lesser service than may be the case under a more traditional approach. While the deployment of typical energy efficiency programs may have more general customer benefits, the nature of the TDM Program will require it to be more customized and local, requiring greater customer engagement and proactive communication to address concerns and promote participation.

In addition to direct community engagement, the Company will develop and deploy focused and innovative marketing campaigns as program-eligible customer types are identified. Specific solutions deployed with specific customers will not require the broader market engagement and sales processes that are normally deployed for broader energy efficiency and demand response

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solutions. As we build the program, we will consider current and past marketing efforts, and then deploy by customer type if and when required.

We would reach potential small business customers in the target area by augmenting current marketing strategies via multiple channels including continual involvement with local business associations, direct mail, street sweeps and digital advertising. For example, in the Company's BQDM Program, the East Brooklyn BID helped introduce the program to Consolidated Bus Transit, a small business customer, which is now being used by the Company in a variety of channels as a case study for future engagement activities in the targeted area.

If multifamily solutions are identified, the Company will reach out to residential multifamily building owners and tenants of eligible buildings using co-branded marketing material, produced for contractors authorized to work in the targeted area. This outreach would be coordinated with direct mail campaigns informing tenants and building managers of potential energy efficiency or demand response devices that may be installed in their apartment dwellings. The nature of the solutions selected will inform the strategy for educating and engaging customers, so to some extent development of the strategy must await selection of the solutions.

The Company will leverage its current internal and external outbound marketing channels for potential residential customers in 1-4 homes in the targeted areas. The customers would receive information on available solutions directly through bill inserts, call center interactions, direct mail, email campaigns, social media and other available targeted communication strategies. The Company may also employ advanced communication strategies for specific customer types. For

example one such strategy is “geo-fencing,” a targeted digital advertising technique that displays a banner advertisement on mobile devices of specific customer types in only the designated targeted area.

For those large commercial customers that may be eligible in the targeted area, the Company would employ custom solutions to amplify energy efficiency and demand response programs. The Company would market the program leveraging an established event calendar, social media, content marketing and trade industry channels such as American Institute of Architects (“AIA”), American Society of Heating, Refrigeration, and Air- Conditioning Engineers (“ASHRAE”), Building Owners and Managers Association (“BOMA”), and Urban Green Council.

Finally, the Company will ensure message alignment across multiple solution providers and customer segments to mitigate confusion caused within the targeted community as the result of multiple actors participating in the market.

6. Measurement and Verification

The goal of the Measurement and Verification (“M&V”) approach is to accurately account for total load relief from the TDM program solutions. M&V will also seek to maximize the benefit from metering studies performed in any network such that load information obtained from them may be useful in providing information about load in TDM networks that are targeted in the future. M&V will be ongoing and concurrent until program completion.

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The Company has developed procedures to ensure that CSS solutions have M&V oversight, via desk-review or verification before and/or after measure installation. Additionally, the Company may use ex-ante and ex-post in situ metering and analysis. The M&V process that the Company intends to use is expected to result in a verified savings estimate with 90/10 confidence/precision, which is the industry standard and is approved by the New York State Department of Public Service (“DPS”). As a result of this effort, the Company will have sufficient information to provide expected load relief for each hour within the forecasted peak demand period.

The approach for energy efficiency programs in the new territory may require on-site inspection and metering combined with a “tag-and-bag” verification methodology, with the specific process to be determined on a case-by-case basis. The “Tag-and-Bag” approach consists of retaining the removed lighting equipment, packaging from the newly installed efficient equipment, and written documentation of removed and installed equipment in a clearly labeled bag that identifies the facility (building and apartment) and location (kitchen, bedroom, etc.). The bags will be stored at a central warehouse for review by an independent third party. M&V plans on inspecting the bags within 10 business days post storage. Specifically, for residential energy efficiency programs, M&V plans will be developed for each measure category addressed, likely using some combination of on-sight metering and tag-and-bag verification. On-sight metering is the direct metering of end use equipment such as lights, HVAC and refrigeration, with metering equipment such as loggers, power meters. For large commercial and industrial customers customized M&V plans will be created as appropriate; for lighting improvements, the Company intends to verify and meter to the extent necessary to achieve adequate confidence and precision.

A combination of desk reviews, verifications, ex-ante and ex-post metering, billing analyses, and sampling may be used in all projects.

The Company may also use additional M&V strategies that are designed for seasonally dependent and non-seasonally dependent resources. Seasonally dependent resources may include solutions such as energy efficiency measures related to building heating or cooling. The Company may establish a baseline for seasonally dependent measures in commercial and industrial settings utilizing ex ante in situ metering. Where possible, the Company will aim to leverage any available energy management data available to expedite the M&V process.

7. Budgeting Expenditures and Collections

The operating budget for the TDM Program for the next two years, as approved in the Order, is \$60,000,000. TDM program costs will be recovered over 10 years.

As required by the TDM Order, the Company will provide the Commission with quarterly reports of TDM Program activities and expenditures. These reports will include all relevant details including project costs, project in-service dates, MAC recoveries, incremental costs incurred, operational savings, and other benefits.

A Company general Accounting Procedure (“GAP”) will be filed concurrently with the filing of this Implementation Plan and demonstrates that the costs recovered are incremental to the Company’s revenue requirement.

The Company will use the GAP for recovery of costs associated with the TDM Program with established internal billing accounts to manage program expenses.

8. Benefit Cost Analysis (“BCA”)

Prior to its BCA Handbook being adopted, as the Company identifies larger TDM projects at the area station level or above, it will develop a BCA analysis in consultation with Staff. The Company also will consult with Staff as smaller opportunities at the primary level or downstream are identified before pursuing CSS solutions. After its BCA handbook is finalized, the Company will use the handbook.