



REV Demonstration Project:
Commercial Battery Storage

2018 3Q Quarterly Progress Report

Dated: October 31, 2018

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1.0 EXECUTIVE SUMMARY

Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”) submits this quarterly report on the progress of the Commercial Battery Storage REV demonstration project (the “Project”) it is implementing as part of the Reforming the Energy Vision (“REV”) proceeding, as required by the *Order Adopting Regulatory Policy Framework and Implementation Plan*, issued by the New York State Public Service Commission (“Commission”) on February 26, 2015.

1.1 PROGRAM ACHIEVEMENTS

On January 20, 2017, Con Edison submitted the Project for approval by Department of Public Service Staff (“DPS Staff”); on May 18, 2017, DPS Staff approved the Project. Con Edison filed an implementation plan for the Project with the Commission on June 15, 2017. In Q3 2018, the Company focused on the implementation of the Project, customer acquisition and permitting activities.

1.2 CYBERSECURITY AND PERSONALLY-IDENTIFIABLE INFORMATION PROTECTION

Consistent with corporate instructions and Commission policy related to cybersecurity and the protection of personally-identifiable information (“PII”), each partner agreement executed for the implementation of the Project includes specific protections related to cybersecurity and PII. Assurance of this protection is critical in encouraging customers to sign up with new and innovative services offered by utilities.

1.3 ACCOUNTING PROCEDURE ESTABLISHED

On February 16, 2016, in Case 15-E-0229, Con Edison filed an accounting procedure for the accounting and recovery of all REV demonstration project costs. This accounting procedure establishes a standardized framework that will govern how the Company categorizes and allocates the costs of the REV demonstration projects, and will facilitate analyzing each project to determine the overall financial benefits of the program to customers.

1.4 COSTS, BENEFITS, AND OPERATIONAL SAVINGS

Budget information for all of the Company’s REV demonstration projects is being filed confidentially with the Commission, concurrently with the filing of this document. All

costs filed are incremental costs needed to implement the projects. To date, no tax credits or grants have been available to reduce the net costs of the projects, but Con Edison will take advantage of such offsetting benefits when they are available. Due to the early stage of implementation for the Project, there are no operational savings to report at this time.

1.5 COMMERCIAL BATTERY STORAGE

The Project is designed to demonstrate how distributed, front of the meter (“FTM”) energy storage can be utilized to provide transmission and distribution (“T&D”) support, earn wholesale market revenues, and increase the market size of participating customers by aligning the interests of the Company, customers, and third-party developers. Con Edison is executing the Project in partnership with GI Energy and Smarter Grid Solutions.

In Q3 2018, Con Edison and GI Energy continued development of customer acquisition and site selection activities and communications integration. The team worked to obtain additional Letters of No Objection and Conditional Letters of Approval for remaining project sites. Stakeholders from across the Company have collaborated to advance the Project.

2.0 COMMERCIAL BATTERY STORAGE – QUARTERLY PROGRESS

2.1 DEMONSTRATION HIGHLIGHTS

2.1.1 Since Previous Quarter - Major Task Completion

- Customer Acquisition: Project team continued to identify additional sites for participation based on uncertainty regarding first four sites submitted for permitting and interconnection.
- Construction/Commissioning and Integration:
 - Completed work on acceptance test specification and initiated Factory Acceptance Testing for communications integration
 - Continued to work with the Fire Department of New York (“FDNY”) and the New York City Department of Buildings (“DOB”) to obtain Letter of No Objection (“LONO”) and Conditional Letter of Approval, respectively
 - Completed coordinated electric system interconnection review (“CESIR”) applications for all potential project sites
- Market Participation: Continued work with the New York Independent System Operator (“NYISO”) to develop dispatch strategy

2.1.2 Activities Overview

Phase 1, Customer Acquisition: In Q3 2018, the team vetted new customer sites based on grid benefit and estimated interconnection costs to replace the sites removed in Q4 2017 and executed site leases for the first two sites which have received permits.

Phase 2, Construction/Commissioning and Integration: The Project team continued to respond to information requests for remaining permits submitted. Interconnection and CESIR processes were completed for all potential project sites currently under consideration. The team also completed development of acceptance test specifications and initiated factory acceptance testing required for communications integration.

Phase 4, Market Participation: The Project team continued dialogue with the NYISO in Q3 on the evolving participation models for energy storage. The team engaged with NYISO staff on these new models to inform the Dispatch Optimization (Phase 3) and Market Participation (Phase 4) strategies.

2.1.3 Key Metrics

In Q3, the Project team continued customer acquisition activities and made significant progress on communications integration activities. The following data supports these Phase 1 metrics (targets were set as 200 potential sites identified, 30 viable project sites, and four final project sites).

- Potential Sites Identified: 381 / 200 (target)
- Customers Approached: 310 / 381
- Customer Intake Forms Collected: 45 / 310
- Walkthroughs Conducted: 32 / 45
- Sites Selected for permitting: 5 / 4 (target)
- Sites with interval data: 5/ 20

2.1.4 Next Quarter Forecast

In Q4 2018, the Project team will complete one additional permitting package, submit to the FDNY and DOB for a back-up/alternate site. The Project team will also continue analysis of the Project model scalability compared with traditional behind the meter (“BTM”) models.

The Project Team will continue communications integration build-out with a goal of completing in Q1 2019. Construction work (Phase 2) will begin for the sites which have received a Letter of No Objection and completed CESIR, with a target operations of Q1 2019.

2.1.5 Checkpoints/Milestone Progress

Checkpoint/Milestone	Timing*	Status
Customer Acquisition	Phase 1 Midpoint / End	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>
Construction/Commissioning and Integration	Phase 2 Midpoint / End	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>
Dispatch Optimization	Phase 2 End Phase 3 Midpoint/End	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

Checkpoint/Milestone	Timing*	Status
Market Participation	Phase 4 Quarterly	  

*Detailed descriptions of the Phases can be found in the Appendices.

Legend

 On Schedule	 Delayed w/out Major Impact	 Delayed or Stopped – Project Goals Impacted
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2.1.6 Planned Activities

2.1.6.1 Customer Acquisition

Status: Yellow

Expected Target by Phase 1 Midpoint: Identification of 30 viable customer sites and a minimum of 20 sites for BTM vs. FTM analysis

Actual by Phase 1 Midpoint: 30 viable customer sites identified, waiting on customer interval data to assess sites for BTM vs. FTM analysis

Solutions/strategies in case of results below expectations: In line with root-cause analysis, actions may include reassessing target, increasing marketing and outreach efforts, or adjusting monetization strategies to encourage improved customer acquisition efforts.

2.1.6.2 Construction/Commissioning and Integration

Status: Yellow

Expected Target by Phase 2 End: 4 MW/ 4 MWh installed storage across four sites

Actual by Phase 1 Midpoint: N/A

Solutions/strategies in case of results below expectations: The Project team will work to proactively manage any permitting restrictions that might delay construction and commissioning of project sites. The team will continually evaluate progress and adjust to back-up project sites if there is a site-specific issue.

2.1.6.3 Dispatch Optimization

Status: Green

Expected Target by Phase 2 End: Demonstrated aggregation and dispatchability of storage capacity

Actual by Phase 2 End: N/A

Solutions/strategies in case of results below expectations: In-line with root-cause analysis, actions may include systems upgrades, modified systems integration, and/or process review.

2.1.6.4 Market Participation

Status: Green

Expected Target by Phase 3 End: enrollment of batteries into NYISO markets

Actual by Phase 3 End: N/A

Solutions/strategies in case of results below expectations: The Project team will work with NYISO and other relevant stakeholders to identify alternative forms of battery participation, such as pilot projects. If no other suitable means exist, assets will continue to be dispatched to shadow NYISO markets and demonstrate the potential for revenues.

2.2 CHANGES TO THE PROJECT DESIGN

There were no changes to the project design in Q3.

2.3 WORK PLAN & BUDGET REVIEW

2.3.1 Phase Review

2.3.1.1 Phase Progress

The Project team has completed Phase 0 (Project Planning) and continues to make progress on Phase 1 (Customer Acquisition), Phase 2 (Construction/Commissioning and Integration) and Phase 3 (Dispatch Optimization). The Project team anticipates Phase 1 will be completed in Q4 2018 with receipt of applicable permits. Phase 2 will begin for sites which received permitting approval in Q2 and Q3.

2.3.2 Work Plan

Number	Task	Lead	2017				2018				2019				2020			
			Q1	Q2	Q3	Q4												
1	Phase 1: Customer Acquisition																	
1.1	Project Management	Con Edison																
1.1.1	Public Service Commission Approval	Con Edison																
1.1.2	Limited Notice to Proceed Negotiated/Executed	Con Edison																
1.1.3	Refine Scope of Work	Con Edison																
1.1.4	Draft GIE/Con Edison Partnership Contract	Con Edison																
1.1.5	Finalized Partnership Contract Executed	Con Edison/GI Energy																
1.2	Customer Acquisition	GI Energy																
1.3	Market Analysis (BTM/FTM Study)	GI Energy																
2	Phase 2 - Permitting, Construction, Commissioning, & Integration																	
2.1	Project Management	Con Edison																
2.2	Equipment Procurement/Site Construction/System Design	GI Energy																
2.2.1	Batteries Released for Construction	GI Energy																
2.2.2	System Design	GI Energy																
2.2.2.1	Control System Design	GI Energy/SGS																
2.2.2.2	Interconnection Design	GI Energy																
2.2.2.3	Civil Design	GI Energy																
2.2.3	Design Approved	Con Edison/GI Energy																
2.2.4	Construction Documents Complete	GI Energy																
2.2.5	Permitting	Con Edison/GI Energy																
2.2.6	Secondary Equipment Ordered	GI Energy																
2.2.7	Site Work	GI Energy																
2.2.8	All Equipment Delivered	GI Energy																
2.2.9	Battery Installation Complete	GI Energy																
2.3	Communications Integration	GI Energy/SGS																
2.4	Overall System Startup/Testing	GI Energy																
2.5	System Full Site Commissioning Complete	GI Energy																
2.6	Training	GI Energy/Con Edison																
3	Phase 3 - Dispatch Optimization																	
3.1	Project Management	Con Edison																
3.2	Dispatch Testing	GI Energy/Con Edison																
3.3	Dispatch for Load Relief	GI Energy/Con Edison																
3.4	Ongoing O&M	GI Energy																
4	Phase 4 - Market Participation																	
4.1	Project Management	Con Edison																
4.2	Battery Enrollment in NYISO Markets	GI Energy																
4.2.1	Annex 1 Forms	GI Energy																
4.2.2	Annex 2 Forms	GI Energy																
4.2.3	NYISO Review	GI Energy																
4.2.4	NYISO Class Year Study (If Necessary)	GI Energy																
4.3	Batteries Participate in Secondary Markets (Real or Virtual)	GI Energy																
4.4	Report Submitted on Annual Secondary Market Earnings	GI Energy																

2.3.3 Updated Budget

Budget information is being filed confidentially with the Commission.

2.4 CONCLUSION

2.4.1 Lessons Learned

The team was successful in identifying nearly 150 percent of the customer identification target and successfully converted these leads to meet the viable site goal. As this is a new business model for energy storage, the Project team is encouraged by this success. However, the process to achieve these goals took longer than anticipated and many sites were deemed unsuitable for final site selection after considerable engagement. Additionally, the long lead time for identifying, procuring and evaluating each site led to a conflict in construction schedules which eliminated two of the final sites submitted for permitting. The Project team has worked together to increase specification around desired site

criteria and reduce feedback turnaround times on site viability to improve the quality of sites selected and reduce customer acquisition activities.

The team continues work on the analysis of BTM economics applied to the sites identified to this FTM project, as outlined in the Project Filing. The measurement of this metric has been delayed due to difficulty obtaining interval data from the 44 customers who completed the customer intake form. These delays can be attributed to customers who have not yet provided account numbers, empty lots which do not currently have service, and sites too small to qualify for interval data. The analysis will help evaluate the first two key hypotheses on scalability of and value provided by FTM vs. BTM systems. The lack of interval data for the majority of viable project sites is an early indication that FTM model can be applied and scaled in locations that are unavailable for a BTM model.

The market participation rules for battery storage continue to evolve throughout 2018 and will continue in 2019. The Project team continues to work with NYISO and other storage stakeholders to understand and inform these evolves rules. To this end, the Project Team has volunteered to be a test case for Q4 2019 battery aggregation rules. If chosen, this collaboration will benefit not only the Project, but also enable the creation of battery market in New York.

2.4.2 Recommendations

The Company recommends maintaining focus on permits required to complete Phase 1 and launch primary Phase 2 construction activities.

2.5 INCLUDED APPENDICES

The following appendices are included at the end of this Quarterly Progress Report:

Appendix A: Commercial Battery Storage Description of Phases

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Phase	0. Project Planning	1. Customer Acquisition	2. Construction/ Commissioning and Integration	3. Dispatch Optimization	4. Market Participation
Milestone (Stage Gate to Next Phase)	<i>Negotiations to be Completed</i> <ul style="list-style-type: none"> • DPS approval • Partner contracts signed 	<i>Successfully execute leases for four customer sites</i> <ul style="list-style-type: none"> • Final site selection • Execute customer lease contracts 	<i>Install and commission 4.2 MW/4.4 MWh</i> <ul style="list-style-type: none"> • Design approval • Obtain permits • Battery installation • System commissioning 	<i>Dispatch for load relief</i> <ul style="list-style-type: none"> • Cyber-secure communication architecture • HMI functionality • Established NOC 	<i>Assets participate in wholesale markets</i> <ul style="list-style-type: none"> • Earn revenues in all market products available for battery participation
Key Elements	<ul style="list-style-type: none"> • Letter of No Objection • Developer contracted • Third-party financing identified and contracted 	<ul style="list-style-type: none"> • Customer lead identification • Complete site Walkthroughs • Complete viable site identification • Final site selection • Market analysis for FTM vs. BTM 	<ul style="list-style-type: none"> • Interconnection and civil design • Interconnection application and study • Permitting • Communications integration • System testing and training 	<ul style="list-style-type: none"> • Assets can be dispatched individually or in aggregate by each party • Fully integrated into SCADA with HMI functionality • Calculate T&D benefit values 	<ul style="list-style-type: none"> • Enroll in NYISO markets allowed today • Continue participation in DER roadmap proceedings to increase participation for ELRs • Quantify market revenues achievable under stacked value model
DER Categories	N/A	N/A	<ul style="list-style-type: none"> • Battery Storage 	<ul style="list-style-type: none"> • Battery Storage • DER Aggregation 	<ul style="list-style-type: none"> • Battery Storage • DER Aggregation