

August 1, 2023

VIA ELECTRONIC DELIVERY

Honorable Michelle L. Phillips
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: Case 18-E-0130 – In the Matter of Energy Storage Deployment Program

**PETITION OF THE INDICATED UTILITIES SEEKING CERTAIN
MINOR AMENDMENTS TO THE COMMISSION'S DIRECTION
CONCERNING DYNAMIC LOAD MANAGEMENT PROGRAM
PROCUREMENT**

Dear Secretary Phillips:

The Indicated Utilities¹ hereby submit for filing the enclosed Petition of the Indicated Utilities Seeking Certain Minor Amendments to the Commission's Direction Concerning Dynamic Load Management Program Procurement. Please direct any questions to the undersigned.

Thank you for your attention to this matter.

Respectfully submitted on behalf of
the Indicated Utilities,

/s/ Janet M. Audunson

Janet M. Audunson
Assistant General Counsel

¹ The Indicated Utilities are Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

In the Matter of Energy Storage Deployment) Case 18-E-0130
Program)

The Indicated Utilities¹ hereby petition the Public Service Commission (“Commission”) for minor modifications to the Commission’s requirements for procurement of Auto- and Term-Dynamic Load Management (“Auto-DLM” and “Term-DLM”) program resources set forth in the September 17, 2020 *Order Establishing Term-Dynamic Load Management and Auto-Dynamic Load Management Program Procurements and Associated Cost-Recovery* (“DLM Procurement Order”).² The Indicated Utilities collaborated with the New York State Department of Public Service (“DPS”) Staff to reach consensus on modifications to the DLM program procurement methodology requirements. The Indicated Utilities expect such modifications will lead to more active market participation for utilities that have struggled to secure a portfolio of Auto-DLM and Term-DLM resources under the programs’ existing procurement methodology.

1 The Indicated Utilities are Central Hudson Gas & Electric Corporation (“Central Hudson”), New York State
Electric & Gas Corporation (“NYSEG”), Niagara Mohawk Power Corporation d/b/a National Grid (“National
Grid”), Orange and Rockland Utilities, Inc. (“O&R”), and Rochester Gas and Electric Corporation (“RG&E”).
2 Case 18-E-0130, *In the Matter of Energy Storage Deployment Program* (“Energy Storage Proceeding”), Order
Establishing Term-Dynamic Load Management and Auto-Dynamic Load Management Program Procurements
and Associated Cost-Recovery (issued September 17, 2020) (“DLM Procurement Order”).

I. BACKGROUND AND REQUESTED FLEXIBILITY

The Commission's 2018 Energy Storage Order³ directed the Indicated Utilities to supplement existing DLM programs through the implementation of competitive procurement processes for resources willing to contract for performance over a three-year term. Securing compensation over a multi-year period was expected to encourage more participants to engage in the programs. Each utility filed a proposal for multi-year DLM procurements on January 29, 2020. The proposals included a range of procurement methodologies that reflected differences in the nature of system needs across utility service territories throughout the State. In the DLM Procurement Order, the Commission directed that both the Auto-DLM program and Term-DLM programs use a sealed-bid, pay-as-bid auction mechanism.⁴

Table 1, below, illustrates the participation levels across the Indicated Utilities in the first two DLM procurement cycles (*i.e.*, for the 2021/2022 and the 2023 Vintage Years⁵). The table illustrates that the Indicated Utilities have received limited or no bids in the first two procurement processes that have been completed since the DLM Procurement Order was issued.⁶

³ Energy Storage Proceeding, Order Establishing Energy Storage Goal and Deployment Policy (issued December 13, 2018) (2018 Energy Storage Order).

⁴ Energy Storage Proceeding, DLM Procurement Order, pp. 4, 10, 57.

⁵ Vintage Year is the first Capability Period in which a program participant is contractually obligated to participate. Capability Period is the period of the year during which the utility can request load relief.

⁶ Results from the 2023 Vintage Year will not be published until November 2023 but are consistent with the levels observed in the earlier procurement cycles.

Table 1: Participation Levels in the First Two DLM Procurement Cycles

	Vintage Year 2021/2022		Vintage Year 2023	
	Total Bids	Bids Accepted	Total Bids	Bids Accepted
Auto-DLM				
Central Hudson	0	0	0	0
National Grid	0	0	0	0
NYSEG, RG&E	0	0	0	0
O&R	0	0	0	0
Term-DLM				
Central Hudson	1	0	0	0
National Grid	2	1	3	3
NYSEG, RG&E	0	0	0	0
O&R	0	0	0	0

The Auto-DLM and Term-DLM programs are valuable tools for achieving long-term peak reduction and system reliability. Both programs offer system benefits that are unique from the other programs in the Indicated Utilities' DLM portfolio. These programs also offer customers greater opportunities to make investments in their facilities to allow more robust market participation. For these reasons, the Indicated Utilities request that the Commission consider opportunities to increase customer participation in these essential programs.

The Indicated Utilities engaged with bidders to gather feedback on the Auto-DLM and Term-DLM procurement processes with the goal of understanding how to increase program participation. This market engagement has indicated interest among aggregators in alternative procurement mechanisms, specifically procurement structures that offer more visibility to customers into potential revenues available for program participation. This visibility has been highlighted as an important component in driving customer interest in participation, particularly in areas that have seen minimal market interest in existing procurement methods to date. The Indicated Utilities hereby request that the Commission modify its requirement that procurements use a pay-as-bid model in the interest of motivating additional activity in future DLM resource

solicitations. Some utilities among the Indicated Utilities may wish to continue to use a pay-as-bid model going forward, while others may choose to pivot to alternative strategies such as a fixed incentive model. All alternative strategies will continue to adhere to the same cost-effectiveness standards that apply in the sealed-bid, pay-as-bid model today. Details regarding procurement methodology and associated Vintage Year specific details will be included in each Vintage Year's procurement document. Formalizing flexibility in the procurement methodologies that may be used will allow each utility to consider the market participants in its service territory and to tailor the program design to most effectively engage their unique market participants, which is anticipated to lead to incremental competitiveness in future solicitations.

II. CONCLUSION

The Indicated Utilities respectfully request that the Commission approve the proposed minor change to the DLM Procurement Order for the reasons discussed above in Section I. This change is anticipated to improve the competitiveness of market participation in DLM programs in future procurement cycles.

Dated: August 1, 2023

Respectfully submitted,

**NIAGARA MOHAWK POWER
CORPORATION d/b/a NATIONAL GRID**

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