BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs	))	**14-E-0423, *et al.***
Petition by Niagara Mohawk Power Corporation to Effectuate Dynamic Load Management Programs	))	**15-E-0189, *et al.***
Tariff filing by New York State Electric & Gas Corporation to Effectuate Dynamic Load Management Programs	))	**15-E-0188, *et al.***
Petition by Central Hudson Gas & Electric Corporation to Effectuate Dynamic Load Management Programs	))	**15-E-0186, *et al.***
Tariff filing by Rochester Gas and Electric Corporation to Effectuate Dynamic Load Management Programs	))	**15-E-0190, *et al.***
Tariff filing by Orange and Rockland Utilities, Inc. to Effectuate Dynamic Load Management Programs	))	**15-E-0191, *et al.***

COMMENTS OF NRG ENERGY, INC. ON TARIFF FILINGS PROPOSING REVISIONS TO DYNAMIC LOAD MANAGEMENT PROGRAMS

Pursuant to the New York State Public Service Commission's ("Commission" or "PSC") January 3, 2018 notices in the New York State Register, Notice Nos. PSC-01-18-00007-P, PSC-01-18-00009-P, PSC-01-18-00012-P, and PSC-01-18-00013-P, NRG Energy, Inc. ("NRG") respectfully submits these comments in response to the December 1, 2017 tariff revisions ("December 1 Filings") filed in the above-captioned docket by Orange & Rockland Utilities, Inc. ("Orange & Rockland"), Niagara Mohawk Power Corporation ("National Grid"), New York State Electric & Gas Corporation ("NYSEG"), Central Hudson Gas & Electric Corporation ("Central Hudson"), and Rochester Gas and Electric Corporation ("RG&E") (collectively, the parties are "Utilities" and the filings "Tariff Revisions").

I. Background and Summary

The Commission in a December 15, 2014 Order directed all utilities without distribution-level demand response programs to develop dynamic load management[1] ("DLM") program tariffs that included such programs within 90 days of that order.[2] Recognizing the significant potential gains that could be captured by developing programs in time for summer periods of high peak load, the PSC directed stakeholders to develop distribution-level demand response programs to be implemented for Summer 2015.

On June 18, 2015, the Commission issued an order ("June 18 Order") in Case 14-E-0423, *et al* approving the utility programs with modifications and directing further filings. On May 23, 2016 the Commission directed the Utilities to make various changes to the DLM programs and to report on certain additional program aspects in future filings ("May 23 Order"). Among the directed further filings was the requirement that each utility "perform assessments of the performance and cost-effectiveness of their individual DLM programs after each summer capability period"[3] and file a report on or before December 1 of each year detailing such evaluation, as well as a petition effectuating tariff changes for the following summer. The Tariff Revisions discussed herein were filed in compliance with the Commission's June 18, 2015 and May 23, 2016 Orders.

The Utilities in their December 1 Filings report the results from their 2017 program season and based on those results, propose various changes to the DLM program. As in prior filings, the Utilities submitted a number of programmatic changes that NRG supports because they foster

[1] The dynamic load management programs include the Commercial System Relief Program ("CSRP") and Distribution Load Relief Program ("DLRP").

[2] The tariffs were filed pursuant to the Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs, Order Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings, Case 14-E-0423 (Dec. 15, 2014) ("December 15 Order"); Notice of Stakeholder Meetings, Case 14-E-0423 (Jan. 2, 2015); Ruling on Extension Request, Case 14-E-0423 (Jan. 26, 2015).

[3] June 18 Order at p. 7

improvements to the robust DLM programs and further accommodate broader program participation. For example, NYSEG and RG&E propose to increase incentive payments for customers enrolled in CSRP and DLRP programs. According to NYSEG and R&GE, increased incentive payments reflect changes in the marginal cost of service.[4]

NRG supports the price change proposed by NYSEG and RG&E, and supports Orange & Rockland's proposed changes to the Customer Baseline Load ("CBL"). These changes will improve program enrollment and better align compensation with the costs of program participation. However, NRG is concerned with other aspects of Orange & Rockland's and Central Hudson's proposals, and believes that if implemented, they would impede competition and erect barriers to entry. Without modification, the proposals described below could erode the value of DLM program that the PSC sought to capture at this proceeding's inception, potentially jeopardizing future program success in Orange & Rockland's and Central Hudson's service territories.

II. Comments on Proposed Tariff Changes

A. Central Hudson's Proposed Tariff Changes Undercut the Commission's Objective to Achieve Maximum Program Eligibility and Participation and should be Rejected.

In its filing, Central Hudson seeks to "optimize the CSRP program's cost effectiveness by lowering certain program costs that are tied to specific rules within the program tariff."[5] Namely, Central Hudson seeks both to exclude the month of May from program participation, and to cut

[4] Case 15-E-0751, NYSEG Marginal Cost of Electric Delivery Service, available at http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={7CD6B412-8916-4045-A785-D317597D6BC8}
[5] Central Hudson Filing at p. 9

program incentive payments by 56%.[6] Combined, these two changes could result in a substantial loss of customer participation and jeopardize program viability, without demonstrating that greater cost effectiveness cannot be achieved by other, less aggressive means.[7] Moreover, Central Hudson has not demonstrated or justified that such proposed changes would further the Commission's goals of boosting program participation, enhancing the program's utilization, and improving the program's effectiveness. On the contrary, Central Hudson's proposals greatly risk undercutting these objectives. Accordingly, the PSC should reject Central Hudson's proposals.

Central Hudson proposes to reduce program incentive payments by approximately 56%, in order to achieve a favorable result under its Benefit-Cost Analysis ("BCA").[8] Central Hudson hypothesizes, without providing adequate evidence, that lower reservation and performance payments would not erode customer enrollment and participation, and therefore would result in a benefit-cost ration ("BCR")[9] of 1.04. Central Hudson's analysis is based on its assumption that the primary benefit produced by the CSRP is avoided transmission and distribution ("T&D") infrastructure costs, in addition to avoided CO_2 emissions and wholesale market energy costs. However, Central Hudson omitted other environmental, social, and reliability benefits that would also impact its BCR and would possibly negate the need to cut incentive payments.

Moreover, there is no guarantee that decreases in CSRP compensation will improve BCR. And, it is very likely that a lower level of anticipated compensation will result in both fewer new customers enrolling in the program and existing customers leaving the program. Combined, these

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[6] Central Hudson proposes to reduce reservation payments and performance payments to $1.75/kW-month, and $0.15/kWh respectively.

[7] On the contrary, Central Hudson states that without Commission approval both to remove the month of May from the capability period and to reduce incentive payments, the CSRP program would not be cost effective and should be discontinued. Central Hudson December 1 Filing at p. 13

[8] Central Hudson performed a BCA analysis of the DLM programs, using the protocols outlined in Central Hudson's BCA handbook, version 1.1. Case 16-M-0412 Benefit-Cost Analysis Handbooks, initially filed on May 30, 2016, subsequent revision filed August 30, 2016.

[9] See Table 2 of the Central Hudson filing.

two effects could impede Central Hudson's ability to achieve its proposed enrollment level of 4,500 kW in 2018, which is 15% higher than its actual enrollment in 2017 of 3,900 kW.

Central Hudson's proposal to limit CSRP program participation to the months of June through September should also be rejected. As NRG underscored in its prior Comments in this proceeding,[10] if allowed to eliminate CSRP participation for the month of May, Central Hudson would be the only utility precluding such participation during that month. As NRG stated in its January 2015 filing[11], standardization of program rules across utilities lessens the administrative burden on aggregators, provides program uniformity, and fosters broader program participation. Moreover, while Central Hudson cites to the infrequency of events called during the month of May, this observation alone is insufficient to justify removal of that month from the capability period. Instead, further Commission analysis with stakeholder input should be undertaken prior to instituting a program change of this magnitude.

As NRG stated in its past filings, any marked changes to program rules must result from a reasoned analysis, supported by substantial evidence demonstrating that the reliability benefits of substantially changing program mechanics outweigh the harm to program's participation and utilization. Here, the changes that Central Hudson proposes risk the loss of a substantial number of customers for whom participation in CSRP will no longer be economic. NRG believes that a substantial loss of program participation following a 56% incentive payment reduction and elimination of participation during the month of May is very likely. Further, Central Hudson states that if participation decreases substantially, the program may no longer be viable after 2018.

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[10] NRG Comments at p. 4 April 25, 2016 (http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={7A4B9551-8BF3-469B-B329-E139AF0FF3ED}) and March 2016 p.3 (http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={CDCC5762-D4AE-4290-A22E-40E439EA4DD6}) in case 14-E-0423

[11] Case 14-E-0423, http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={DE9D48C8-C73A-4778-9407-D236CD3013C8}

Because Central Hudson's rationale for excluding the month of May from the capability period, and lowering by 56% the incentive payments is unsupported by substantial evidence that such changes are justified, or that the proposals will not jeopardize the significant potential gains captured under the DLM programs during summer periods of high peak load, the Commission should reject, or require modification of Central Hudson's proposal.

B. National Grid, RG&E and NYSEG Should Be Required to Expand Distribution Load Relief Program Participation to their Full Service Territories.

While currently National Grid restricts its program to a small area of its service territory in Buffalo, in its December 1 Filing National Grid states that "it is premature to expand the DLRP to the entire territory for the summer 2018 program period in consideration of the additional costs of such an expansion for areas that do not have identified distribution constraints". However, National Grid in 2017 identified 24 Non Wire Alternative[12] ("NWA") areas in its territory, stating that the DLRP program may provide a solution in at least nine of the identified areas.[13] Thus, contrary to National Grid's assertion, consideration of program expansion is ripe at this time.

NYSEG and RG&E in 2016 and 2017 likewise made only certain zip codes available for participation in distribution level demand response programs. As a result, there were no enrollees in both RG&E's and NYSEG's DLRP programs for these years. With such limited geographic reach, opportunities to expand CSRP and DLRP program participation and to realize their benefits on a broader scale are lost.

[12] Case 16-M-0411 *et al.*, *In the Matter of the Value of Distributed System Platform Implementation Plans et al*., Joint Utilities' Supplemental Information on the Non-Wires Alternatives Identification and Sourcing Process and Notification Practices (filed May 8, 2017), Appendix 3, pp. 3-8.

[13] Case 15-E-0189 Niagara Mohawk Power Corporation D/B/A National Grid – Dynamic Load Management Programs Annual Report For 2017 Capability Period, pp.10-12

As NRG noted in its past filings, significant program benefits such as increased system efficiency and improved system reliability will be gained if DLRP is expanded to NYSEG's, RG&E's, and National Grid's full service territories. In order to realize the substantial benefits that distribution-level demand response programs provide to the electric distribution system and to customers, the geographic reach of such programs should be as broad as possible. Currently, most of the Utility programs are open to all networks in the service territories. This allows for broader customer enrollment and achieves levels of distribution system load relief that capitalize on demand response's value as a system planning resource. Therefore, NRG requests that the Commission direct National Grid, NYSEG, and RG&E to open participation to their full service territories prior to the start of the Summer 2018 program period.

C. Orange & Rockland's Proposal to Adopt Tariff Changes should be Rejected Because the Adverse Effect on Program Utilization Will Outweigh Any Value that Proposal Could Bring to the Program

Orange & Rockland in its December 1, 2017 filing proposed to track the tariff changes that Con Edison proposed in its November 30, 2017 demand response tariff filing. Specifically, Orange & Rockland proposed, without any supporting evidence, to extend its DLRP and CSRP Test Event(s) duration(s) to four hours, a marked change from the current one-hour test requirement; and proposed a minimum Performance Factor requirement of 25 percent in order for CSRP and DLRP participants to receive reservation compensation. Orange & Rockland reasons that "… a Test Event should mirror an actual event as closely as possible to provide accurate forecasting of available resources."[14] Further, Orange & Rockland "does not believe the expansion of the Test Event to four hours is overly burdensome, as an actual event has only been

[14] Case 14-E-0423, Orange and Rockland Utilities, Inc. Tariff Filing (December 1, 2017).

called one time since 2015...” Finally, Orange & Rockland believes that a 25% Minimum Performance Threshold would protect the programs from “bad actors” that over pledge their capacity to reduce load on peak days, in addition to ensuring the integrity and effective utilization of the programs.

Nonetheless, Orange & Rockland has not identified any concern (nor does it provide any evidence) that the existing one-hour test regime provides in the DLRP and CSRP programs inaccurate forecasting of available resources, or that a four hour test is necessary to remedy poor performance of resources. On the contrary, in 2017 overall performance factors of 110% and 99% were achieved for CSRP and DLRP, respectively.[15] Such reliable performance undercuts Orange & Rockland’s argument that a minimum performance threshold is needed. Moreover, Orange & Rockland seeks to remedy a problem with “bad actors” that it believes deliberately over pledge their capacity without eliminating the possibility that low performance of a few participants could be due to other, legitimate reasons. Finally, Orange & Rockland has reported a BCR well above 2.0, indicating that its programs are cost effective.

Further, Orange & Rockland has not justified why a four hour test would provide better situational awareness and is thus superior to a one hour test. Extending the test duration by three hours should be clearly justified so that aggregators can demonstrate to customers why the additional requirement is necessary. Without such justification, customers could abandon the program altogether. Likewise, the proposed 25% minimum performance threshold is unproven and may lead to the unintended and undesirable departures of valuable program participants.

Finally, NRG believes that a four-hour test duration coupled with a 25% minimum performance threshold would deter customers who view these changes as too punitive, thus

[15] See Orange & Rockland Utilities, Inc. Annual Report on Program Performance and Cost Effectiveness of Dynamic Load Management Programs – 2017, at pp. 9 and 14.

significantly harming growth in participation without adequate justification that the benefits of such proposals outweigh the potential harm to the programs. As it is stated in the NRG's comments responding to the Con Edison proposals,[16] NRG requests that the Commission reject the proposed 25% minimum monthly performance factor and require additional analysis to determine at what level of performance load reductions would not benefit Orange & Rockland's and Con Edison's systems. Further, NRG requests that the Commission reject the proposal to move to a four hour test period, for the reasons explained above.

Finally, NRG recommends the development of rules to allow aggregators to establish more than one aggregation within a network. This change would minimize the risk associated with potential underperformance of larger customers who negatively impact the reservation payment for customers that perform at or above their committed levels.[17]

III. Conclusion

NRG respectfully requests that the PSC accept these Comments and adopt its recommendations made herein.

Respectfully submitted,

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[16] http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={E8CF4F2A-F2C9-4316-A268-A5F4F3595810}
[17] For example, the rules may be shaped similar to the NYISO Special Case Resource ("SCR") program rules on aggregation, which allow aggregators to manage performance risk on a portfolio basis.