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March 4, 2019

VIA ELECTRONIC MAIL

Hon. Kathleen H. Burgess
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: Case Number 14-E-0423 – Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs
Case Number 15-E-0189 – Tariff Filing by Niagara Mohawk Power Corporation to Effectuate Dynamic Load Management Programs
Case Number 15-E-0186 – Tariff Filing by Central Hudson Gas & Electric Corporation to Effectuate Dynamic Load Management Tariffs
Case Number 15-E-0188 – Tariff Filing by the New York State Electric & Gas Corporation to Effectuate Dynamic Load Management Tariffs
Case Number 15-E-0190 – Tariff Filing by Rochester Gas and Electric Corporation to Effectuate Dynamic Load Management Programs
Case Number 15-E-0191 – Tariff Filing by Orange and Rockland Utilities, Inc. to Effectuate Dynamic Load Management Programs

Dear Secretary Burgess:

Advanced Energy Management Alliance (AEMA) is commenting on the above referenced Case Number in response to demand response tariffs proposed by Central Hudson Gas & Electric, New York State Electric & Gas, Niagara Mohawk Power Corporation d/b/a National Grid, Orange & Rockland Utilities, and Rochester Gas and Electric. The attached document includes a summary and explanation of our recommendations.

We appreciate your consideration of these comments. Please do not hesitate to contact me at 202-524-8832 should you have any questions or require additional information regarding this filing.

Respectfully submitted,

Katherine Hamilton
Executive Director, AEMA

Cc: Parties to Case

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NEW YORK

Case Number 14-E-0423 – Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs
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Case Number 15-E-0191 – Tariff Filing by Orange and Rockland Utilities, Inc. to Effectuate Dynamic Load Management Programs

Comments of Advanced Energy Management Alliance to Central Hudson Electric & Gas Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange & Rockland Utilities, Inc., and Rochester Gas & Electric Corporation's 2017 Annual Demand Response Reports and Proposed Demand Response Tariffs

Advanced Energy Management Alliance ("AEMA") [1] respectfully submits the following comments in the following cases:

- Case Number 14-E-0423 – Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs[2]
- Case Number 15-E-0189 – Tariff Filing by Niagara Mohawk Power Corporation to Effectuate Dynamic Load Management Programs[3]

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[1] AEMA is an alliance of providers and supporters of distributed energy resources united to overcome barriers to nationwide use of distributed energy resources, including demand response and advanced energy management, for an environmentally preferable and more reliable grid. We advocate for policies that empower and compensate customers to manage their energy usage to make the electric grid more efficient, more reliable, more environmentally friendly, and less expensive.

[2] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423
[3] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423

- Case Number 15-E-0186 – Tariff Filing by Central Hudson Gas & Electric Corporation to Effectuate Dynamic Load Management Tariffs[4]
- Case Number 15-E-0188 – Tariff Filing by the New York State Electric & Gas Corporation to Effectuate Dynamic Load Management Tariffs[5]
- Case Number 15-E-0190 – Tariff Filing by Rochester Gas and Electric Corporation to Effectuate Dynamic Load Management Programs[6]
- Case Number 15-E-0191 – Tariff Filing by Orange and Rockland Utilities, Inc. to Effectuate Dynamic Load Management[7]

I. Introduction

AEMA is a trade association under Section 501(c)(6) of the Federal tax code whose members include national distributed energy resource ("DER"), demand response ("DR"), and advanced energy management service and technology providers, as well as some of the nation's largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. This filing represents the opinions of AEMA as an organization rather than those of any individual association members.

II. General Comments

AEMA appreciates New York State Electric & Gas Corporation ("NYSEG"), Rochester Gas & Electric Corporation ("RG&E"), Central Hudson Gas & Electric Corporation ("Central Hudson"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), and Orange & Rockland Utilities, Inc. ("Orange & Rockland")

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[4] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423
[5] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423
[6] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423
[7] DPS Case: http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-E-0423

(altogether "Utilities") for their work in running successful demand response programs. AEMA member companies also commend the New York State Public Service Commission's ("PSC" or "Commission") leadership in helping to implement a model for demand response participation.

AEMA also appreciates the Department of Public Service ("DPS") Staff for the meeting held on January 15, 2019 with the Utilities and stakeholders where each utility provided summaries of their reports and presented their proposed 2019 DLM program changes, and allowed for DPS Staff and stakeholders to ask questions of Utility staff and raise concerns about the 2018 season and proposed 2019 changes. AEMA encourages DPS Staff to continue with these meetings annually following the Utilities' annual reports being filed going forward.

As AEMA members recommended at the January 15, 2019 meeting, the Commission should modify how performance is measured in the Commercial System Relief Programs ("CSRP"). Modifications are necessary to ensure that the programs continue to be as cost-effective as possible and that customer participation continues to increase. Currently, each utility dispatches CSRP at 92% of their forecasted peak demand, and the performance factor is weighted equally across every hour of dispatch. However, ratepayers are going to receive greater benefits during the top 5-10 peak hours than they are the top 25-30 peak hours. Simply put, additional infrastructure may need to be built and maintained (and could be avoided) for those 5-10 peak hours relative to the top 25-30 peak hours. Yet, the price signal sent to DR customers is the same in every hour that exceeds 92%, leading to adverse outcomes for ratepayers. For instance, there could easily be a scenario when DR programs are repeatedly dispatched at the beginning of the summer when the forecasted demand is 92% of a utility's peak, and then customers are fatigued for dispatches later in the summer when the forecasted demand is 96% of a utility's peak. Ratepayers would receive more benefits from the 96% dispatch than the 92% dispatch, but customer performance is lower due to the repeated early season dispatch. Or, customers are dispatched for over 30 hours per summer, as was the case this past summer, and decide to leave the program. Those customers could have been willing to participate for the highest 10-20 peak hours, but the programs are not valuable enough to justify participation across 30 hours. Customer fatigue from participation in multiple dispatches in a single week, as well as throughout the season,[8] is an issue that may cause participants to rethink whether the value they obtain from the program justifies the impacts to their operations and bottom line.

When deciding to participate in DR, customers weigh the revenues they receive from participating in DR against the opportunity costs of reducing their consumption. Since the total payments do not fluctuate meaningfully with each dispatch, but the opportunity costs increase significantly with each dispatch, each additional dispatch negatively impacts the cost-effectiveness of participating for each individual customer.

The Commission has approved a utility dispatch trigger of 92% for the programs, and AEMA is not asking the Commission to change that trigger. However, AEMA recommends that performance only be measured across the top three dispatches and the

[8] National Grid dispatched CSRP eight times totaling 32 hours. NYSEG dispatched CSRP seven times totaling 28 hours. RG&E dispatched CSRP eight times totaling 32 hours. National Grid and NYSEG each had two weeks in which two or more CSRP events were called. RG&E had three weeks during which two or more events were called.

twelve hours associated with those dispatches (or less if there are less than three dispatches). For instance, if there are five dispatches over the course of the summer, and the average demand across each four-hour dispatch is 92%, 92%, 95%, 96%, and 97% of system peak, then performance would be assessed across the dispatches that are 95%, 96%, and 97%. When the utilities issue their day-ahead notifications to DR providers, they would share the forecasted demand with the DR providers, and the DR providers could then determine how to dispatch customers.

Such an approach would appropriately prioritize the hours that are of highest value to ratepayers and prevent unnecessary customer attrition. There is precedent for such an approach in New York, as the Demand Reduction Value ("DRV") for Value of Distributed Energy Resources ("VDER") is currently calculated based on performance across the top ten peak hours of the year.[9] Clearly the Commission recognized the outsized value of performance in these highest peak hours.

AEMA recommends that the Commission adopt such an approach for the upcoming summer 2019 programs. At the very least, the Commission should direct the Utilities to study such an approach for the 2020 season and facilitate a meeting on the topic no later than September of 2019. An alternative is to weight the performance of higher peak hours more than lower peak hours, consistent with the benefits received by ratepayers.

AEMA looks forward to collaborating with the Utilities as they work to comply with the direction provided by the Commission in the Order Establishing Energy Storage

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[9] We recognize and do not take issue with Staff's proposal to increase the hours to 245 hours, but also note that is driven more by providing certainty to solar.

Goal and Deployment Policy[10] with respect to the Dynamic Load Management ("DLM") programs.

The following comments reflect AEMA's views on the successes and challenges observed during the 2018 program season, and on the changes proposed by some of the utilities. AEMA appreciates the PSC's consideration of these comments.

III. NYSEG and RG&E

AEMA disagrees with the proposed tariff changes recommended by NYSEG and RG&E concerning the minimum performance factor and calculation methodology for event performance factors, and respectfully requests the Commission reject these proposed changes. As outlined in our comments below on other utilities' recommendations, consistency in program rules across the various utilities is key to reducing confusion when educating customers. AEMA supports the 25% minimum performance factor adopted by Con Edison and Orange & Rockland and recommended for adoption in 2019 by National Grid and Central Hudson (if the latter's CSRP program remains intact). NYSEG and RG&E's recommendation to double the minimum performance factor requirement is excessive and would create inconsistency and confusion for customers. If, despite AEMA's opposition, a minimum performance factor is implemented, AEMA supports NYSEG and RG&E's recommendation to allow for a test to occur in May 2019 that will allow aggregators and customers to improve their performance factors that will be used in the 2019 CSRP season.

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[10] Case 18-E-0130, Order Establishing Energy Storage Goal and Deployment Policy (issued December 13, 2018) ("Energy Storage Order") at pp. 30-36.

NYSEG and RG&E's request to change the performance factor calculation from the average event performance to the lowest performing hour of each event should be rejected. NYSEG and RG&E argue that, "[t]he current methodology rewards participants who fail to perform in one or more hours to make up the difference by over performing in another hour which may not be coincident with peak demand."[11] This thinking represents a fundamental misunderstanding of how aggregators and customers approach DR. When aggregators enroll customers in programs, there is a clear expectation that customers will perform in every hour of program dispatch. If a customer cannot perform, it is not because of an intentional calculation to decide to not perform in one hour but to double performance in another hour. It is, rather, because the conditions at the customer's business do not allow for curtailment during that hour, but could very well allow for it in another hour of the dispatch. However, if a customer underperforms in the first hour of an event, NYSEG's and RG&E's proposal would remove any incentive for the customer to perform in the final three hours of the event, even if they can perform at 100% in those hours and reduce peak demand. Such a proposal would therefore be damaging to reliability, customer participation, and the success of the programs. AEMA is not aware of any programs at the wholesale or retail level that take the extreme approach proposed by NYSEG and RG&E.

AEMA also recommends that the Commission reject the proposed tariff changes to remove June 1 as a potential start date for CSRP participation for the sake of consistency with other Utilities' CSRP and Distribution Load Relief Program ("DLRP"),

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[11] Cases 14.E-0423, 15-E-0188, 15-E-0190. 2018 Annual Report on Program Performance and Cost Effectiveness of Distribution Level Demand Response Programs (filed November 15, 2018) at p. 2-22.

that all allow both a May 1 and June 1 participation start date option. While the majority of CSRP enrollments are submitted in time for a May 1 participation start date each season, allowing for a June 1 start date allows customers that were not able to meet the May 1 participation enrollment deadline from being able to participate under the reservation payment program participation option. There are numerous reasons customers may miss an enrollment deadline, removing this secondary option that still allows for providing load relief in the remaining months of the program period will discourage customers from participating in the CSRP, and preventing the benefits gained from the additional load relief from being realized by NYSEG and RG&E. All other Utilities' CSRP and DLRP programs allow for both a May 1 and June 1 participation start date.

AEMA is disappointed to see that the DLRP program has not yet seen any enrollment to date but does not support NYSEG and RG&E's recommendation to terminate the DLRP tariff. AEMA instead recommends NYSEG and RG&E to take the approach that National Grid has proposed[12] to reduce the incentive rate for the program to $0 and to keep the tariff intact. Keeping the tariff intact will help facilitate a quicker response to address localized areas than a Non-Wires Alternative ("NWA") procurement approach as localized constraints are identified through the planning process, and can be a more flexible option to allow DR and DER resources to help address the system needs. Additionally, as NYSEG and RG&E roll out Advanced Metering Infrastructure ("AMI") within their territories, more aggregated DR potential may be realized within the constrained areas DLRP is focused on addressing.

[12] Case 14-E-0423, et al. Niagara Mohawk Power Corporation d/b/a National Grid Program Performance and Cost Effectiveness of Dynamic Load Management Programs (filed November 15, 2018) ("National Grid DLM 2018 Report") at pp. 13-15.

AEMA supports NYSEG and RG&E's recommendation to implement the tariff changes to allow flexibility in the baseline methodology, as ordered by the PSC in their 2018 Order.[13]

IV. Central Hudson Gas & Electric

AEMA is pleased to see the continued growth of the CSRP in 2018, continuing a positive trend since the program's inception. AEMA is disappointed, however, to see Central Hudson's recommendation to terminate the CSRP, which was primarily driven by the cost effectiveness tests that showed a 0.05-0.08 total benefit cost ratio[14] significantly less than 1.0. While CSRP provides system benefits to Central Hudson and DR participation opportunity to commercial and industrial ("C&I") customers outside of the zones Central Hudson operates its Targeted Demand Response program, AEMA understands Central Hudson's recommendation if ratepayers are not receiving the benefits the program seeks to provide. If the Commission decides to accept Central Hudson's recommendation, AEMA recommends that Central Hudson work with stakeholders to develop an alternative program that would allow for opportunities for demand-side resources to cost-effectively provide DR services that would be of benefit to Central Hudson across their entire service territory.

Should the Commission decide to reject Central Hudson's recommendation to terminate the CSRP, AEMA supports Central Hudson's recommendation to adopt the

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[13] 14-E-0423 et. al. Order Adopting Program Changes With Modifications And Other Findings (issued April 23, 2018) at pp. 25-26.

[14] 14-E-0423 et. al. Central Hudson Gas & Electric Corporation's Dynamic Load Management Programs Annual Report (filed November 15, 2018) at p. 9.

25% minimum performance factor to receive reservation payments as this would maintain program consistency with Con Edison and Orange & Rockland's requirements. AEMA also supports Central Hudson's recommendation to incorporate additional baseline flexibility into the CSRP, should it continue. As Central Hudson notes in the report, should avoided transmission and distribution ("T&D") benefits calculated in the Benefit Cost Analysis exceed $10.00/kW/year, AEMA encourages Central Hudson to reevaluate CSRP's viability and looks forward to working with Central Hudson in making the CSRP a success.

V. National Grid

AEMA commends National Grid on the significant enrollment growth of nearly 100MW of their CSRP program in 2018[15] and is pleased to see that the program is providing significant benefits to ratepayers, achieving benefit cost metrics ranging from 1.51-2.14.[16]

As noted in our General Comments section, AEMA recommends that National Grid review how they evaluate performance across the CSRP program. National Grid dispatched CSRP eight times over the course of 2018 with three events falling within a single week in July, and two events on consecutive days in August. National Grid staff, during the DPS Staff-led meeting referenced above, noted that in each case, the 92% threshold that triggered the dispatch in the day prior based upon the projected load forecast did materialize and the load reduction provided by participants did reduce actual

[15] National Grid DLM 2018 Annual Report at p. 3.
[16] Ibid. at pp. 7-8.

load below 92%. While it is encouraging to see that the program performed as intended, participants have expressed discontent with the level of disruption caused to their businesses, and has caused some to reconsider their participation in the program unless changes are made to how performance is measured (as highlighted in the "General Comments"), increases in performance incentive payment rates that could more accurately reflect the lost opportunity costs incurred, or increase the 92% trigger to reduce the risk of such a high number of events to be called in the future. The customer fatigue experienced by many participants can be observed in the performance factor chart[17] in the Annual Report that shows a visible trend of decreasing performance factors later in the program season. Without changes, it will be reasonable to expect to see some participants opt not to enroll in the 2019 program season, resulting in slowing or reversing the growth trend that National Grid has experienced in CSRP enrollment.

AEMA also appreciates the work National Grid has done with its vendor AutoGrid in improving the enrollment process and in calculating and supplying settlement information and looks forward to the additional improvements that are being incorporated for the 2019 program season.

With regards to the DLRP program, AEMA is disappointed with National Grid's recommendation to reduce the DLRP incentive rate to $0/kW/month, although it appears to be a prudent decision to reduce the costs associated with a program that has yet to see any customers enroll since inception in the Kenmore network. Eliminating these costs should help improve the overall DLM program cost effectiveness, driving greater

[17] National Grid DLM 2018 Annual Report at p. 12.

ratepayer value. AEMA is encouraged that National Grid is exploring ways to provide opportunities for DR and DER to provide more localized benefits through NWA and keeping the DLRP tariff intact may help in the ability to rapidly address contingencies on the distribution system across National Grid's territory as they are identified through planning studies, in addition to other procurement methods. Additionally, as noted in our NYSEG and RG&E Comments section, as National Grid continues to adopt AMI across its territory, additional DR potential may be realized that could help address the constraints DLRP is seeking to address. As noted in the General Comments section, AEMA looks forward for opportunities to collaborate with National Grid and the other Utilities to enhance the DLM programs and procurement methods to address system needs with DR and DER directed in the Energy Storage Order.

AEMA supports the recommendations in National Grid's Annual Report to adopt the 25% minimum performance factor to receive reservation payments and to maintain consistency with other Utilities and their programs.

VI. Orange & Rockland Utilities

AEMA commends Orange & Rockland for the growth within their DLRP[18] and CSRP[19] portfolios and is pleased to see that these programs continue to remain highly cost effective, with benefit cost ratios for the various tests ranging from 4.66-4.73.[20] AEMA members look forward to continuing to work with Orange & Rockland to further

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[18] Case 18-E-0423. Orange & Rockland Utilities, Inc. Annual Report On Program Performance and Cost Effectiveness of Dynamic Load Management Programs – 2018 (filed November 15, 2018) at p. 15.
[19] Ibid. at p. 10.
[20] Ibid. at p. 21.

increase enrollment within the DLRP and CSRP to provide reliable, cost-effective resources to meet Orange & Rockland's reliability and peak reduction needs.

AEMA does not object to Orange & Rockland's recommendation to remove the true-up provisions for reservation payments for returning aggregators and customers. This tariff change will be consistent with the other Utilities' programs, and AEMA agrees that this sends the correct message incenting performance and its impact on future reservation payments.

AEMA disputes Orange & Rockland's conclusions regarding the two-hour test for DLRP.[21] Frankly, no conclusions can be drawn from the data that Orange & Rockland presented, with a sample size of one event. Moreover, there was a 45% increase from 2017 to 2018 in terms of customer enrollment,[22] so many of the 2018 customers did not even participate in 2017. There is no basis for judging whether having a two-hour audit versus a one-hour audit impacted the performance of those customers.

VII. Con Edison

AEMA congratulates Con Edison on the growth and success of the DLRP and CSRP in 2018, and that these programs remain cost effective.[23] AEMA and its members look forward to working with Con Edison on future enhancements to their programs in support of the Commission's Energy Storage Order.

[21] Case 18-E-0423 at p. 22.
[22] Ibid. at p. 15.
[23] Cases 09-E-0115, 10-E-0229, 08-E-1463, and 15-E-0570. Consolidated Edison Company of New York, Inc. Report On Program Performance And Cost Effectiveness Of Demand Response Programs – 2018 (filed November 15, 2018) at pp. 13, 21, and 22.

VIII. Conclusion

AEMA thanks the Commission for their consideration of these comments, and for their continued leadership in establishing New York as an international model for successful DR programs. We welcome any discussion or questions, and encourage you to contact Katherine Hamilton, Executive Director of AEMA, at 202-524-8832 or Katherine@aem-alliance.org should you wish to meet with AEMA.

Respectfully Submitted,

Katherine Hamilton

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