STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
New York on December 13, 2018

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman
James S. Alesi

CASE 18-E-0397 - Tariff filing by Consolidated Edison Company of New York, Inc. to Make Revisions to its Electric Tariff Schedule, P.S.C. No. 10, to Add New Riders Z (Residential) and AA (Small Commercial) Innovative Pricing Pilot to Implement Rate Structures for Residential and Small Commercial Customers.

ORDER APPROVING TARIFF AMENDMENTS WITH MODIFICATIONS

(Issued and Effective December 13, 2018)

BY THE COMMISSION:

INTRODUCTION

On July 6, 2018, Consolidated Edison Company of New York, Inc. (Con Edison or the Company) filed amendments to its electric tariff schedule, P.S.C. No. 10 (Appendix A). The Company proposes to establish an Innovative Pricing Pilot (the Pilot) under new Riders Z and AA which implement rate structures for Residential/Religious and Small Commercial customers, respectively, in Staten Island, the County of Westchester and Brooklyn. The Company expects to enroll approximately 67,100 customers in the Pilot, with approximately 7,400 enrolled on an opt-in basis and 59,700 enrolled on an opt-out basis. The Pilot will begin on April 1, 2019 and is anticipated to end after the first quarter of 2022. The Pilot will test innovative rate structures for enhancing the use of the Company's Advanced Metering Infrastructure (AMI), empowering customers with more ability to influence their bill. The Pilot will also provide knowledge about customer acceptance, satisfaction, and preferences, as well as bill and peak demand impacts of these innovative rate structures. By this Order, the Commission approves the tariff amendments listed in Appendix A, with modifications, as described in the body of this Order.

BACKGROUND

On March 17, 2016, the Order Approving Advanced Metering Infrastructure Business Plan Subject to Conditions (AMI Order) was issued.[1] This Order approved the Company's AMI Business Plan and required the Company to file a customer engagement plan including innovative rate structures made possible through its investment in AMI. Specifically, the Commission directed the Company to develop a pilot program to test new rate designs, which "may include demand-metered delivery rates, hourly supply pricing, peak-rebate pricing, or other time-and-location-sensitive designs."[2] To comply with this directive, the Company included a proposal to develop the Pilot as a component of its Advanced Metering Infrastructure Customer Engagement Plan.[3] To further refine and develop specific rates, the Company retained Nexant, a leading expert in experimental

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[1] Case 15-E-0050, et al., Consolidated Edison Company of New York, Inc., Order Approving Advanced Metering Infrastructure Business Plan Subject to Conditions (issued March 17, 2016) (AMI Order).

[2] Id., at 38.

[3] Case 15-E-0050, et al., Consolidated Edison Company of New York, Inc., AMI Customer Engagement Plan (filed July 29, 2016) (AMI Customer Engagement Plan).

design. The Nexant Pilot Design Report informed the basis for the present tariff filing.

TARIFF FILING

The present tariff filing would establish two new Riders, Rider Z - applicable to customers served under Service Classification (S.C.) No. 1 – Residential/religious, and Rider AA,[4] applicable to customers served under S.C. No. 2 – General Small, to implement an Innovative Pricing Pilot as described in the AMI Order. The Company proposed six rate structures under the residential/religious portion of the Pilot (Rate I, Rate II, Rate III, Rate IV, Rate V, and Rate VI) and one rate structure under the small commercial portion of the Pilot as described below.

Rate Structures

Each of the proposed rate structures include a customer charge and delivery charges based on the customer's demand. The Pilot customer charges are set at the current customer charges applicable to traditional S.C. No. 1 Rate I and S.C. No. 2 Rate I customers. Under the Pilot, current delivery rates, which are based on the total number of kilowatt-hours (kWh) that the customer uses in a billing period, are replaced by delivery rates that are assessed on the individual customer's kilowatt (kW) demand. Con Edison states that the Pilot delivery rates were developed on a revenue neutral basis by service classification for both Riders.[5] Appendix B contains the

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[4] Rider Z is referred to as the residential/religious portion of the Pilot and Rider AA is referred to as the small commercial portion of the Pilot in this Order.

[5] Revenue neutral rates for each structure were developed by assuming the entire service class takes service under the rate structure for which the rates were developed.

delivery rates for the Pilot as well as the time periods for on-peak and off-peak for each applicable rate structure.

Demand Based Rate Structures

Delivery charges for customers enrolled in Rate I, II, III and IV of the residential/religious portion of the Pilot, and Rate I of the small commercial portion of the Pilot, will be based on the customer's Billable Demand. The Company proposes to define Billable Demand as the average of the three highest maximum daily demands occurring in each time period (the time periods are: the on-peak period, the off-peak period, or all hours) of the billing cycle. Rate I is an on/off-peak demand rate with on-peak hours being from noon to 8:00 pm non-holiday weekdays. The rate is seasonally differentiated and on-peak rates for June through September are 1.3 times higher than the on-peak rates for the rest of the year. Rate II is an on/off-peak demand rate during June through September with on-peak hours being from noon to 8:00 pm non-holiday weekdays with a single flat demand rate for all other months. Rate III is an on/off-peak demand rate with on-peak hours being from 2:00 pm – 10:00 pm non-holiday weekdays. The rate is seasonally differentiated with on-peak rates for June through September being 1.3 times higher than the on-peak rates for the rest of the year. Rate IV delivery rates are identical to Rate I but includes contains a time-of-use supply, which differentiates it from Rate I. Under this rate, capacity costs will be recovered on a kWh basis for energy used during on-peak hours.

The Company proposed one rate structure under the small commercial portion of the Pilot. The small commercial portion of the Pilot is comprised of an on/off-peak demand rate with on-peak hours being from noon to 8:00 pm non-holiday weekdays that is seasonally differentiated. On-peak rates for

June through September are 1.3 times the on-peak rates for the rest of the year.

Subscribed Demand-Based Rate Structures

Monthly delivery charges for customers enrolled in Rates V and VI of the residential/religious portion of the Pilot will be based on the customer's Subscribed Demand. Under Rates V and VI, the Subscribed Demand is the average of the customer's monthly demands for each of the 12 months prior to the month in which the customer begins service under the Pilot. Monthly demand is the average of the three highest maximum daily all-hours demands occurring during the month. There will be a single Subscribed Demand level applicable for all months of the year. This Subscribed Demand level will not change during the first 12 months after customer enrollment in the Pilot. At the end of each 12-month period Subscribed Demand will be recalculated for the following year based on the demands experienced in the previous year. In other words, the Subscribed Demand charge will be billed monthly at the customer's Subscribed Demand during the first year of the Pilot, regardless of the customer's actual demand.

Rate V is a Subscribed Demand structure with no overage charges whereas Rate VI is a Subscribed Demand structure with overage charges. Under Rate VI the Subscribed Demand charge is approximately $1/kW lower than that of Rate V, however Rate VI customers are subject to overage charges. A customer enrolled in Rate VI of the residential/religious portion of the Pilot would be assessed the overage demand charge if the customer's average maximum daily demand (three maximum daily demands during the hours of noon to 8:00 pm on non-holiday weekdays) exceeds their Subscribed Demand between June 1 and September 30.

Supply Charges

Charges for electric supply will continue to be based on a single monthly rate for all kilowatt hour (kWh) usage for Rates I, II, III, V and VI of the residential/religious portion of the Pilot and Rate I of the small commercial portion of the Pilot. Rate IV of the residential/religious portion of the Pilot will include time-varying supply rates assessed on a per kWh basis with capacity costs being recovered on a kWh basis for energy used during on-peak hours. For this reason, customers enrolled with Energy Services Companies (ESCOs) will not be eligible for enrollment in Rate IV. Full-service customers enrolled in Rate IV who elect to switch to an ESCO will be free to do so and will be transferred to Rate I of the residential/religious portion of the Pilot. Other charges and adjustments (e.g., Monthly Adjustment Clause and Revenue Decoupling Mechanism Adjustment) will continue to be assessed on a per kWh basis at the Pilot participants' otherwise applicable rates.

Price Guarantee

The Company proposes to provide a price guarantee for all recruited customers that take part in the Pilot. The price guarantee will consist of a credit to customers whose electric bills are higher under the Pilot than they would have been on their otherwise applicable rate. The credit will be issued at the end of the first 12-month period of enrollment, or at the end of each quarter for low-income and CONCERN[6] customers. The Company proposes that all credits issued as a result of a price guarantee be recovered through the Monthly Adjustment Clause. Most customers will be notified of the price guarantee during

[6] CONCERN is a Con Edison program for customers who are 62 years of age or older, blind, or disabled.

recruitment. A small test set of approximately 4,000 customers will not be notified until the end of the first year, at which point they will automatically receive the applicable credit. Participants will be subject to all other charges, terms and conditions of service included in S.C. No. 1 or S.C. No. 2, except as otherwise specified in the tariff. Customer that are not recruited by the Company (walk-in) customers will not receive a price guarantee.

Enrollment

Under the residential/religious portion of the Pilot, the Company proposes to recruit customers using: both opt-in and opt-out strategies for Rates I and III; an opt-out strategy for Rates II and IV; and, an opt-in strategy for Rates V and VI. Additionally, Con Edison proposes to recruit customers for the small commercial portion of the Pilot using solely an opt-out strategy. Customers recruited by the Company on an opt-out basis will receive a minimum of three communications from the Company, with a final notification of impending Pilot enrollment and a first bill reminder just prior to receiving the first bill on their new rate. As explained above, all recruited customers will be provided a one-year price guarantee from the Company.

The Company proposes to permit walk-in customers to take service under the Pilot on an opt-in basis, provided that a functioning smart meter is installed at the customer's premise and the necessary communications equipment is operational. As proposed by the Company, walk-in residential/religious customers will be assigned to Rate I of the rider, unless otherwise mutually agreed upon by the Company and customer.

Customers recruited by the Company will receive multiple communications prior to, during, and after the Pilot has concluded. The Company intends to use multiple messaging strategies to recruit and enroll participants in the Pilot, while also educating them about the new rates and associated benefits. Resources will be provided to customers by the Company to assist participants in managing their electricity usage and bills under the Pilot. During enrollment in the Pilot, customers will also continue to receive regular communications regarding AMI meters and their usage data. After completion of the Pilot, the Company proposes to decide as to whether the Pilot should continue.

Participating customers will take service under the Pilot rates for two consecutive 12-month periods, with the ability to discontinue participation in the Pilot at any time. As proposed by Con Edison, if a customer chooses to leave the Pilot they are ineligible to return for the duration of the Pilot period. As proposed by the Company, if it determines the Pilot should be discontinued, it will make a filing with the Commission to terminate service under the Pilot.

Con Edison complied with the requirements of newspaper publication pursuant to Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 for its tariff filing.

NOTICE OF PROPOSED RULE MAKING AND COMMENTS

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on August 1, 2018 [SAPA No. 18-E-0397SP1]. The time for submission of comments pursuant to the Notice expired on October 1, 2018. Comments were received by the Environmental Defense Fund (EDF) and are summarized below.

On August 28, 2018, EDF filed comments supporting the Company's filing, but asserts there is a need for clarification of the Company's filing. Specific issues raised by EDF include:

1) The time-variant energy rate component in Rate IV appears to be incompletely described in the proposed tariff amendment.
2) The way subscription demand rates operate from year to year is incompletely described. EDF claims the tariff filing doesn’t currently allow for a customer to decrease their subscription demand charge from one year to the next.
3) The Company should explain why a cost-based approach was not used to develop the 1.3 to 1 ratio of summer to winter on-peak demand rates.
4) The Company doesn’t clearly state if and how they will notify subscription demand customers (under Rates V and VI of that the customer is going over their subscription demand amount.
5) The definition of how the Company calculates a customer’s demand may not be easily understood by customers.
6) Rate II of the Pilot may be difficult for some customers to understand why Rate II of the Pilot has both summer on-peak and off-peak demand rates but only one demand rate during the winter period (no on-peak and off-peak rate).

The issues raised by EDF are addressed below.

LEGAL AUTHORITY

Pursuant to Public Service Law (PSL) §§ 5, 65(1) and (8), and 66 (1) and (12), the Commission has the legal authority to review proposed tariff leaves, as well as modify, reject or approve such filed tariffs. As such, the Commission has the legal authority to review the Company’s filing and approve and make effective tariff amendments, as prescribed in this Order.

DISCUSSION

Rate designs are instrumental in supporting distribution system reliability and State energy policies. Mass market customers, that will be tested under this Pilot, comprise a significant portion of the State's electric load and energy consumption. The rate structures proposed by the Company in the Pilot are designed in a way that will encourage customers to stagger their demand during on-peak periods and to shift energy use to off-peak periods to the extent possible.[7] Movement beyond the traditional mass market rate design (that consists of a customer charge and a volumetric delivery charge) will aid in the development of a modern electric grid. Benefits will be realized if customers flatten their on-peak demand by shifting their energy use to off-peak periods . The Pilot proposed by the Company, with revisions as outlined in this section, comport with the goal of maximizing benefits associated with AMI, as expressed in the AMI Order. The rate structures set forth by the Pilot will explore and test innovative rate structures including demand-billed delivery rates and time-variant supply pricing, which could influence future mass market rate structures and enable more customer control over their bills.

The Company proposes that service under the Pilot rates begin on January 1, 2019. During the course of review of the proposed tariff amendments, the Company raised concern that there is inadequate time to perform the billing system modifications required to effectuate billing for service under the Pilot. Therefore, service under Rates I and III of the residential/religious portion of the Pilot and the small commercial portion of the Pilot are to be offered effective April 1, 2019; and service under Rates II, IV, V and VI of the

[7] By staggering demand, participants can mitigate demand charges which are higher during on-peak periods.

residential/religious portion of the Pilot are to be offered effective October 1, 2019. The Company shall file tariff revisions to reflect these dates.

Rate Structures

The delivery rates to be tested under the Pilot were developed on a revenue neutral basis and designed to more closely align with the cost of providing delivery service. The rates are based on the customers demand (in kW), as delivery costs are driven primarily by customer demand rather than overall energy consumption.

While the Pilot, as proposed by the Company, consists of six residential/religious rate structures to be tested, four (Rates I, II, III, and IV) of the rate structures are substantially similar to each in that they are seasonally differentiated demand-based rates. Rates II, III and IV are derivatives of Rate I and are designed to test customer acceptance and response to specific modifications. Rate II is designed to test customer response to a less granular winter demand designation. Rate III is designed to test customer response to a different summer on-peak period, 2:00 PM to 10:00 PM summer on-peak period compared to noon to 8:00 PM for Rate I. Rate IV is designed to test customer acceptance of time-of-use supply charges. The on-peak periods for Rate I, II and IV consider the Company’s peaking risk for most networks, while Rate III reflects the Company’s peaking risk for other networks, which tend to have a more significant proportion of residential customers than earlier-peaking networks.

The structures of Rate V and VI of the Pilot are also similar to each other. Rate V and VI will test customer acceptance and response to a pricing structure like that of cellphone data plans. Rate V is like a fixed priced cell phone unlimited data plan whereas Rate VI is similar to a data plan with a preset data cap and overage charges for exceeding such cap.

Each of the Company's proposed rate structures are demand based. However, the existing rate structure mass market customers are volumetric in nature. To gain experience with customer acceptance of a phased-in rate structure modification Con Edison is directed to test an additional rate structure under the residential/religious portion of the Pilot. This additional rate structure is to include a customer charge with the remainder of costs to be recovered based on a 50/50 split between volumetric and demand charges.[8] The demand portion of this rate structure is to be designed similar to that of Rate I of the residential/religious portion of the Pilot. This rate structure is to be tested in a similar fashion as the other six rate options under the residential/religious portion of the Pilot. Recognizing that additional time will be required to implement billing system changes and develop marketing materials, Con Edison is directed to file tariff modifications adding this rate structure to the residential/religious portion of the Pilot, with service beginning April 1, 2020.

Demand-Based Rate Structures

The Company used a ratio of 1.3:1 of summer to winter on-peak demand rates for applicable Rates in the Pilot. This is intended to send a clear pricing signal to customers to reduce their electric demand during the summer on-peak period, as high demand for electricity during this period contributes

[8] Adding a new rate structure to the Pilot will impact the Company's targeted enrollments. The Company is directed to file updates to Appendices B, C, D and E to reflect the final enrollment plan with the Secretary.

significantly to system costs. EDF states the Company should explain why a cost-based approach was not used to develop the summer to winter on-peak demand rates. As explained by the Company, not only does this ratio send a clear price signal to customers, but it also maintains approximately the same seasonal revenue collection that exists under the current S.C. No. 1 and S.C. No. 2 rates. Additionally, since Con Edison experiences its peak during the summer, the ratios are reflective of underlying costs.

Subscribed Demand-Based Residential/Religious Rate Structures

Rates V and VI of the Pilot provide for delivery charges based on a customer's Subscribed Demand. It will be imperative for the Company to educate and inform customers of this alternative billing methodology to ensure meaningful results from the Pilot. It will also be crucial for the tariff to completely and accurately define Subscription Demand. As proposed by the Company, the calculation of Subscription Demand is unclear. The Company is required to modify Leaf 327.7 to clarify that Subscribed Demand will apply to each month during each 12-month period of enrollment in the Pilot. Additionally, the Company shall file revisions to Leaf 327.7 to clarify the definition and formulation of Subscribed Demand.

EDF states the description of Subscribed Demand provided in the proposed tariff leaves is incomplete. Specifically, EDF is concerned that customers who decrease their demand after enrolling in the Pilot may not have an opportunity to lower their Subscribed Demand. However, proposed tariff Leaf 327.7 states "Subscribed Demand shall be redetermined after twelve months of taking service under this Rider." According to this language, a customer's Subscription Demand will be reassessed after the first 12-months of service under the applicable Rate regardless of if the customer’s Subscribed Demand increases or decreases. Therefore, EDF’s concern is properly addressed by the Company’s proposed tariff amendments.

Additionally, EDF is concerned that Subscription Demand customers should be notified if they are near or exceeding their Subscribed Demand amount. EDF’s concern is valid. Subscription Demand customers should be notified when they exceed their Subscribed Demand, and the Company has informed Department of Public Service staff (Staff) that it will do so. EDF claims that Subscription Rates may not be actionable as customer will not know if they are on the verge of exceeding their Subscribed Demand; and, that year-to-year stability depends on not exceeding Subscribed Demand. EDF is correct and the Company is directed to develop a notification plan for participants in the Subscribed Demand rate groups. This plan, to be submitted for Staff review on or before August 1, 2019, shall provide clear guidelines as to what conditions will warrant notification and what methods will be used to notify customers. For example, the Company should consider notifying customers when a maximum daily demand amount in excess of the customer’s subscribed demand is reached.

Supply Charges

Under the proposed tariff amendments, time-varying supply rates will be offered to customers under Rate IV of the Pilot. Capacity costs for customers enrolled in Rate IV will be recovered on a kWh basis for energy used during on-peak hours. EDF states the description of the supply rate is incomplete in the Company’s proposed tariff leaves. However, the Company’s proposed tariffs indicate that “the cost of capacity is assessed only for usage during the “on peak” period” for customers billed under Rate IV of the Pilot. However, supply charges are further differentiated by the differences in the NYISO market prices during the peak and off-peak periods. EDF’s criticism is correct in that Con Edison’s tariff with respect to time-differentiated supply charges is unclear. The Company is required to file updated tariff language specifying how energy is prices are calculated for time-differentiated supply customers. Additionally, the Commission expects that the outreach materials will explain the time variant supply option to customers, and Staff will review the outreach materials to verify their effectiveness in describing this option.

Recruitment/Pilot Size

The Company plans to recruit residential and small commercial customers from its customer base with AMI meters within the Company’s Staten Island, Westchester County, and Brooklyn areas using both opt-in and opt-out methods. Mass market customers from the Staten Island, Westchester County and Brooklyn areas are eligible to participate in the Pilot if they have at least 12-months of AMI meter data available when the Pilot commences. The Company plans to recruit over 80% of the eligible customers into the Pilot with the remainder being held as a control group to estimate load impacts.[9] The Company’s recruitment targets and plan to achieve such targets is reasonable. Con Edison explains that offering various rate structures on both an opt-in and opt-out basis will enable the Company to learn which rate structures are preferred by customers.

In its filing, the Company proposed to test nine different opt-in enrollment treatment groups (as described in Appendix D of the Company’s filing) prior to beginning

[9] Customers not recruited by the Company may still participate in the Pilot rate.

recruitment for the Pilot. However, Staff reports that during its review and discussions with Con Edison, the Company has verbally indicated that it will test two opt-in recruitment strategies.[10] Under one of the strategies to be tested, the Company will notify customers of the price guarantee and inform participants that they will receive a $25 gift card for program participation during the recruitment process. The gift card will be provided to opt-in participants upon enrollment. The Company is directed to file its updated customer enrollment plan within 90 days of issuance of this Order.

The Company also explains that since there is a relatively small population of S.C. No. 2 customers that will have 12-months of smart meter data available at the time the Pilot begins it is necessary to use opt-out only recruitment in order to achieve a statistically significant sample size for use in evaluating the Pilot results.

The scope of rates to be tested and participation targets under the rate Pilot are unparalleled elsewhere in the Country. There have been few rate experiments with mass market demand charges. The Pilot provides for a unique opportunity to gain information on mass market customer rate preference for, and understanding of, rate structures that are more reflective of cost causation principles than traditional rates. The Company's goal for a program size of approximately 70,000 customers is reasonable given the number of rate structures to be tested and need to achieve statistical significance.

One of the most fundamental issues for testing mass market rate design options is whether to offer such rate structures on an opt-in or opt-out basis. Pilot rate options

[10] The Company shall file the final updated versions of the attachments included in its filing, specifically Appendices B, C, D and E.

are traditionally offered on an opt-out basis to achieve a larger pool of participants that is more representative of the overall service classification compared to opt-in pilots in which participants tend to enroll if they believe they will be better off and overall participation is lower. The impact of opt-in enrollment may result in data that is not reflective of the overall customer base. Opt-in enrollment will likely result in a customer group that is active and engaged in the Pilot, however, customer recruitment efforts may be costlier. The Pilot tests both opt-in and opt-out recruitment strategies and will provide valuable information for anticipated impacts for using these strategies in the future.

The Company's enrollment plan is reasonable and necessary to achieve the required minimum enrollment to test the proposed rate structures based on the anticipated opt-in and opt-out participation rates and the minimum enrollment targets for each Pilot treatment group developed by Nexant.

Enrollment

The Company proposes Pilot customers may discontinue participation in the Pilot at any time. However, if a customer chooses to terminate their participation in the Pilot, the customer will not be allowed to re-enroll for the duration of the Pilot. While long-term enrollment in the Pilot is preferred, requiring a minimum enrollment period or not allowing re-enrollment may dissuade participation in the Pilot, or instill fear in terminating service under the Pilot. Allowing customers to re-enroll in the Pilot after a defined period will give customers the option to leave the Pilot without fear of not being able to re-enroll in the future, while providing protection against customer gaming opportunities. Con Edison's current tariff addresses such concerns for customers served under the S.C. No. 1 Rate III – Residential/religious Voluntary Time-of-Day rate. Under S.C. No. 1 Rate III, customers are ineligible for billing under the Voluntary Time-of-Day rate for a period of one and one-half years from the date of transferring off the rate. The Company is therefore directed to file tariff amendments to reflect that Pilot participants will be ineligible for billing under the Pilot for a period of one and one-half years from the date they discontinued service under the Pilot.

The Company proposes to allow walk-in customers to participate in the residential/religious portion of the Pilot under any of the Rate Structures. Walk-in customers would be assigned to Rate I unless service under one of the other rate Structures is mutually agreed upon by both the customer and the Company. However, the terms under which the Company would allow a customer to participate under another rate structure are unclear which may lead to customer dissatisfaction, for example, if the Company doesn't allow a customer to participate in the customer's preferred rate option. Therefore, the Company is required to file a modification to Leaf 327.1 to require that all walk-in customers be assigned to Rate I of the Pilot. It is reasonable to require all walk-in customers to participate in the Pilot solely under Rate I because it sets a reasonable expectation for the customer and Company as well as avoids unnecessary disputes.

The Company proposes to make a filing with the Commission to terminate service under the Pilot only if it determines the Pilot should be discontinued. As this is a pilot, it is important that there be a definitive end to it. To provide the Commission with sufficient opportunity to consider the outcomes and take appropriate action, if any, before the Pilot is scheduled to terminate, the Company is directed to file a detailed report by September 30, 2021 analyzing the results of the Pilot to date. The Company’s filing shall include recommendations as to what rate structures should continue, if any. To the extent the Company recommends a rate structure under the Pilot be terminated, the filing shall address how affected customer be treated prospectively. Included in that filing, the Company shall submit tariff amendments consistent with its proposal and also terminating the Pilot. It is anticipated that the Pilot will end on March 31, 2022.

Price Guarantee

All customers recruited by the Company to participate in the Pilot will be protected by a price guarantee, as proposed by Con Edison. Pilot participants recruited by the Company, except for a small group of approximately 4,000 opt-out customers, will be notified of the price guarantee during the recruitment process. This small group of customers will not be notified of the price guarantee until the end of the first year of participation in the Pilot. This control is intended to show the differences in energy-use behaviors between those who know that they will receive a price guarantee and those who do not have such knowledge. The control will also provide information as to how the financial protection impacts enrollment.

The guarantee will be in the form of a credit issued by the Company to all such customers whose bills are higher the first 12-month period of the Pilot than they would have been on their otherwise applicable rate. For most customers enrolled in the Pilot, these credits will be provided at the end of the first full year of participation. This will allow for monthly and seasonal variability in participant savings. However, due to the financial constraints of low-income and CONCERN customers, the Company proposes to proactively monitor these accounts and provide these customers with price guarantee credits on a quarterly basis. The bill guarantee cost is estimated to be $4.5 million for the Pilot.

As currently proposed by the Company, it's unclear how long low-income and CONCERN customers will receive a price guarantee. The Company is directed to file further tariff revisions to clarify that low-income and CONCERN customers recruited by the Company will receive a price guarantee for two consecutive 12-month periods of enrollment.

As previously stated, all customers may leave the Pilot at any time, including participants that are not notified of the price guarantee. Customers recruited by the Company to participate in the Pilot who choose to leave the Pilot within the first 12-month period would still receive the price guarantee. However, the proposed tariff amendments are not clear on price guarantee applicability for such customers. To address this problem, the Company is directed to file tariff revisions to clarify that customers who choose to leave the Pilot within the first 12-month period will receive the price guarantee. The proposed price guarantee will provide customers with protections and hold them financially harmless in the event the Pilot rates result in higher bills than they would have paid under standard rates. This will provide customers with an opportunity to adjust to this new rate with a goal of them remaining in the Pilot for at least one year.

Customer Engagement

Messaging and outreach will be critical to ensure customers understand how their demand is measured and will be billed under the Pilot. In its comments, EDF expressed concern that the explanation of how demand is measured may not be easily understood by some customers. Specifically, EDF is concerned about customer understanding of billing demands being measured based on a 60-minute demand interval. Demand based billing will be a new concept for most Pilot participants. While the billable demand is clearly defined in the proposed tariff,[11] customers may still find the concept difficult to understand.

According to EDF, it may be difficult for some customers to understand why Rate II of the Pilot has both summer on-peak and off-peak demand rates but only one demand rate during the winter period (no on-peak and off-peak rate). The Pilot seeks to answer EDF’s concern by determining if customers can understand and react to this rate concept. The Pilot appears to be well designed to answer this question. While the proposed tariff leaves provide details of this rate structure, the Company is directed to provide clarification of this rate structure in its outreach material so to explain it in a way that customers can easily understand.

While Con Edison has developed customer engagement and communications plans designed to educate customers on rate structures and associated benefits, including strategies to achieve the benefits, these plans are not fully complete. Specifically, the Company plans to build upon customers’ current smart meter awareness and education by adding tailored rate and demand information. Con Edison shall submit its customer messaging and related materials to Staff for review prior to distribution. In addition, Con Edison shall develop and file, in consultation with Staff, a completed customer engagement and communications plan within 60 days of the effective date of this Order. The customer engagement and communications plan shall include the frequency and channels of how the Company plans to notify customers of the Pilot rates and the associated materials to be distributed, which should include: customer opt out

[11] Proposed Leaf 327.6.

information; strategies to engage customers on how they can benefit from being on the new rate; full deployment timelines regarding pathways to enrollment; and post enrollment engagement.

Reporting

The Company did not propose any reporting requirements in its filing. The Company is required to file reports on a quarterly basis, following the launch of recruitment and notification activities and within 60 days after closing of the quarter, the Company is directed to submit a report to the Secretary to the Commission (Secretary) detailing the following: number and percentage of customers who have opted in, number and percentage of customer who have opted out, details on the breakdown of acceptance and attrition rates relative to the different rate structures, and any proposed changes to recruitment strategies. On a semi-annual basis, filed with the second and fourth quarterly reports of each year, Con Edison shall submit results of customer surveys related to the Pilot.

CONCLUSION

The Company's tariff filing, with the modifications described in the body of this Order, effectuates the directives of the AMI Order to develop a pilot program to test innovative rate structures. The Pilot will provide an improved understanding of customer acceptance, satisfaction, and preferences, as well as bill and peak demand impacts of these innovative rate structures. Furthermore, the Pilot will provide information as to whether customers will reduce peak demand and potentially infrastructure costs as a result of the rate structures.

Con Edison's electric tariff filing implementing the Pilot are approved with modifications as described in the body of this Order. Con Edison is required to make several tariff modifications in compliance with this Order. Con Edison is directed to file these tariff modifications on not less than five days' notice, to become effective January 1, 2019. The requirements with respect to newspaper publication under Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 for the directed modifications are waived because at this time there are no customers taking service under these Riders.

The Commission orders:

1. The tariff amendments listed in Appendix A shall become effective on January 1, 2019, provided that Consolidated Edison Company of New York, Inc. files further revisions consistent with the discussion in the body of this order on not less than five days' notice to become effective on January 1, 2019, which include:

a) Rates I and III of Rider Z of the Pilot and Rate I of Rider AA of the Pilot shall take effect on April 1, 2019;
b) Rates II, IV, V and VI of Rider Z of the Pilot shall take effect on October 1, 2019;
c) Clarification of Leaf No. 327.7 that a Subscribed Demand customer's Subscribed Demand will apply to each monthly billing cycle during each 12-month period of enrollment in the Pilot and clarify the definition and calculation of Subscribed Demand;
d) Clarification that participating customers that discontinue service under the Pilot will be ineligible for billing under the Pilot for a period

of one and one-half years from the date termination;

e) A modification Leaf No. 327.1 to require that all walk-in customers be assigned to Ride I the Pilot;

f) Updated tariff language specifying how energy prices are calculated for time-differentiated supply customers;

g) Establishing an alternate rate structure that shall include a customer charge with the remainder of the costs to be recovered based on a 50/50 split between volumetric and demand charges and shall take effect April 1, 2020;

h) Clarifying that low-income and CONCERN customers recruited by the Company to participate in the Pilot will receive a price guarantee for two consecutive 12-month periods after enrollment;

i) Clarifying that customers who choose to leave the Pilot within the first 12-month period will receive the price guarantee.

2. Consolidated Edison Company of New York, Inc. is directed to file its updated customer enrollment plan within 90 days of issuance of this Order.

3. Consolidated Edison Company of New York, Inc. shall file updated versions of Appendices B, C, D and E to reflect the updated enrollment and recruitment plans as discussed in the body of this order.

4. Consolidated Edison Company of New York, Inc. shall provide clarification in its Outreach Material, as discussed in the body of this order, regarding Rate II of Rider Z demand rates.

5. Consolidated Edison Company of New York, Inc. shall submit its customer messaging and related materials to Staff for

review prior to distribution. In addition, Con Edison shall develop and file with the Secretary, in consultation with Staff, a completed customer engagement and communications plan within 60 days of the effective date of this Order, including information regarding opt-out.

6. Consolidated Edison Company of New York, Inc. shall file quarterly reports as described in the body of this Order. The quarterly reports shall be filed beginning with the report describing the Company's program results for the second quarter of 2019 and continue thereafter until the conclusion of the Innovative Pricing Pilot. The reports shall be filed with the Secretary within 60 days after the end of each quarter.

7. Consolidated Edison Company of New York, Inc. is directed to file a detailed report by September 30, 2021 analyzing the results of the Pilot to date. The Company's filing shall include recommendations as to what rate structures should continue, if any. To the extent the Company recommends that a rate structure under the Pilot be terminated, the filing shall address how affected customers should be treated prospectively. Included in that filing, the Company shall submit draft tariff amendments consistent with its proposal and also terminating the Pilot.

8. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 for the directed modifications are waived.

9. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

10. This proceeding is continued.

By the Commission,

(SIGNED) KATHLEEN H. BURGESS
Secretary

SUBJECT: Filing by CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Amendments to Schedule P.S.C. No. 10 – Electricity

Original Leaves Nos. 327.1, 327.2, 327.3, 327.4,
327.5, 327.6, 327.7, 327.8, 327.9, 327.10, 327.11
First Revised Leaf No. 330.1
Ninth Revised Leaf No. 6
Tenth Revised Leaf No. 343
Fourteenth Revised Leaf No. 177

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