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 2019 DYNAMIC LOAD MANAGEMENT PROGRAMS

Pursuant to the New York State Public Service Commission's ("Commission" or "PSC") January 2, 2019 notices[1] in the New York State Register, Notice Nos. PSC-01-19-00003-P, PSC-01-19-00005-P, PSC-01-19-00006-P, PSC-01-19-00008-P, and PSC-01-19-000011-P, NRG Energy, Inc. ("NRG") respectfully submits these comments in response to the November 15, 2018 tariff revisions ("November 15 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").

[1] https://docs.dos.ny.gov/info/register/2019/jan2/rulemaking.pdf.

I. Background and Summary

In a December 15, 2014 Order, the Commission directed all utilities without distribution-level demand response programs to develop dynamic load management[2] ("DLM") program tariffs.[3] Recognizing the significant potential gains that could be captured by developing such 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"). In the directed further filings, the Commission ordered that each utility include a requirement that the utility "perform assessments of the performance and cost-effectiveness of their individual DLM programs after each summer capability period"[4] 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. On April 19, 2018 the Commission directed the Utilities to adopt various tariff amendments pursuant to the DLM programs and to file Annual Reports and proposed DLM program modification proposals on November 15 of each year ("April Order"). Additionally, the Commission requested the Utilities to assess and report: (i) whether a 25 percent minimum performance factor threshold for Commercial System Relief Program ("CSRP") and Distribution Load Relief Program ("DLRP") reservation payments is warranted for their programs; (ii) report

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

[3] 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).

[4] June 18 Order at p. 7.

on the impact of increasing DLRP test events; and (iii) assess how to either improve or cancel Dynamic Load Management Program offerings.

The tariff Revisions discussed herein were filed in compliance with the Commission's June 18, 2015, May 23, 2016, and April 19, 2018 Orders.

The Utilities in their November 15 Filings report the results from their 2018 program season and based on those results, propose various changes to the DLM program. NRG is concerned with aspects of Central Hudson's and NYSEG/RG&E's proposals, and believes that if implemented, they would impede competition, erect barriers to entry, and eliminate or significantly reduce demand response resource contributions in meeting peak shaving goals. Without modification, the proposals described below could erode the value of DLM programs that the PSC sought to capture at this proceeding's inception, potentially jeopardizing future program success in NYSEG, RG&E, and Central Hudson's service territories

II. Comments on Proposed Tariff Changes

A. Central Hudson

In its filing, Central Hudson demonstrates that from the onset of the CSRP program there has been a steady increase in program participation. In addition, the CSRP program achieved its highest enrollment[5] to date, both in number of participants and number of MWs[6]. Moreover, the average performance across all events for the summers of 2015 through 2018 is reported to be about 90%[7]. Meanwhile, Central Hudson reports only a minimal increase in its total CSRP

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[5] In a 2017 filing Central Hudson stated that if participation decreased substantially, the program might no longer be viable after 2018.

[6] Central Hudson filing p.8.

[7] *Id.*

program expenditure over the period of 2016 through 2018[8]. Nonetheless, Central Hudson seeks to discontinue the program as it is found not to be cost effective based on the Benefit-Cost Analysis ("BCA")[9] analysis performed on pertinent historic data for transmission and distribution ("T&D") costs. Central Hudson hypothesizes, without providing adequate evidence that unless the system-wide marginal avoided T&D costs are estimated to exceed $10/kW-yr, the CSPR program would not yield a benefit-cost ratio ("BCR") above one.[10]

Central Hudson's analysis is based on its assumption that the primary benefit produced by the CSRP is avoided T&D infrastructure costs and 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 that would possibly drive the BCR significantly higher. The CSRP program was devised to achieve a reduction of energy usage during critical system times, such as on extremely hot summer days. The Commission has found the CSRP to be a cost effective way to delay or avoid the installation of costly utility equipment and additional power plants, while also reducing fossil fuel emissions across the state. In 2018, Central Hudson's CSRP event calls resulted in a reduction of over 120 MWh and considerable avoided emissions.

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 a program's participation and utilization. Here, the changes that Central Hudson proposes risk the loss of all customer participation and significant societal and environmental gains captured under the CSRP program during summer periods of high peak load.

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[8] *Id.* at p. 4.
[9] Central Hudson performed a BCA analysis of the DLM programs using the protocols outlined in Central Hudson's BCA handbook under Case 16-M-0412 Benefit-Cost Analysis Handbooks, filed on July 31, 2018.
[10] Central Hudson filing p. 11.

Therefore Central Hudson has not demonstrated or justified termination of its CSRP program. On the contrary, Central Hudson's proposals undercut the Commission's goals of boosting participation, enhancing the program's utilization, and improving the program's effectiveness. Accordingly, the PSC should reject Central Hudson's proposal. Moreover, Central Hudson should be required to work with stakeholders to develop ways to improve and/or revamp the CSRP program to further promote peak shaving behavior in order to achieve sizable utilization of demand response resources.

B. RG&E and NYSEG

In their 2018 filings, NYSEG and RG&E ("Companies") report that the total 2018 enrollment tripled compared to the total 2017 level of enrollment. Specifically, enrollment in NYSEG's territory reached a maximum enrolled load in 2018, and enrollment in the RG&E territory was the second highest since 2016[11]. Also in 2018, NYSEG's average event load relief was 33% of enrolled load, and RG&E's average load relief was 80% of committed load[12]. The Companies also reported that while individual performance factors vary significantly between 0.05 and 1, the average monthly performance factors across all CSRP program participants were 0.47 for NYSEG and 0.45 for RG&E. Additionally, based on the BCA analysis[13], the BCA indicates that CSRPs continue to be a cost effective peak shaving demand response program.

Nonetheless, NYSEG and RG&E propose two changes to their CSRP program that 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. Namely, the Companies seek both to set the Performance Factor Threshold ("PFT") at 50%, and change the CSRP Performance Factor ("PF") to be the lowest hourly kW of load reduction during

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[11] NYSEG and RG&E filing at pp. 2-15.
[12] *Id.* at pp. 2-17.
[13] NYSEG and RG&E Benefit Cost Analysis Handbook, Version 2.0, July 26, 2018.

event hours, instead of the quotient of average hourly kW of load relief. The Companies claim that these changes would encourage performance at enrolled kW in all hours of an event, and avoid large swings in performance from hour to hour.

On April 19, 2018, the Commission found 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 CSRP programs in Con Edison and O&R territories[14]. In addition, all other Utilities were direct to perform an analysis and report if a 25% minimum performance factor threshold for CSRP reservation payment would be warranted for their programs. In their filing, NYSEG and RG&E stipulate that because the average monthly performance across 2018 events and all CSRP participants was just below 50%, then it is warranted to adopt 50% as a minimum performance factor in order to be eligible for a participant to receive reservation payments under the CSRP. However, the Companies reported that during 2017 events, the average performance exceeded one[15] and was at least 80% during summer 2016 events[16]. Finally, the Companies have been reporting a BCR well above 1.0, indicating that the program is cost effective.

Therefore, the proposed 50% minimum performance threshold is unproven and may lead, without justification supported by evidence, to the attrition of program participants, and thus NRG requests that the Commission reject the proposed 50% minimum monthly performance factor and require additional analysis to determine at what level of performance load reductions would not benefit NYSEG and RG&E systems.

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[14] *See* Case 17-E-0741 and Case 14-E-0423.
[15] *See* NYSEG and RG&E December 2017 filing pp. 2-14.
[16] *See* Appendix A of NYSEG and RG&E 2016 filing.

As NRG stated in its January 2015 filing[17], standardization of program rules across utilities lessens the administrative burden on aggregators, provides program uniformity, and fosters broader program participation. If allowed to adopt these changes to PF and PFT the Companies would be the only utilities precluding resources with at least one hour performance factor below or at 50% of their pledged kW reduction across all events during the summer to receive zero reservation payments for the whole season.

NRG believes that adopting a minimum hourly performance as an event PF coupled with any minimum performance threshold would deter customers who view these changes as too punitive, thus significantly harming growth in participation without adequate justification that the benefits of such proposals outweigh the potential harm to the Companies' programs. Consider, for example, two resources, A and B, each of 100kW pledged reduction and assume that PFT is set at 50%. If during a 4 hour event, resource A delivers 100kW, 100kW, 100kW, and 50kW, while resource B delivers 51kW, 51kW, 51kW, and 51kW; then resource A would not be paid a reservation payment while resource B would receive a full payment amount. Customers will have reduced incentives to participate if they are not fairly compensated for their delivered load reduction. Thus, such proposal would result in a reduction of the program's effectiveness, and it could be anticipated that customers abandon the program altogether, reducing reliability and jeopardizing the success of the programs. Therefore, the proposed 50% minimum performance threshold is unjustified and may lead to the unintended and undesirable departures of valuable program participants, and should be rejected.

Thus, NRG requests that the Commission reject the proposed 50% minimum monthly PF and require additional analysis to determine at what level of performance load reductions would

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

benefit NYSEG and RG&E systems. Further, NRG requests that the Commission reject the Companies' proposal to change the calculation method of PF as there is insufficient evidence to support a change of this magnitude. However, NRG supports NYSEG and RG&E proposal[18] to allow a one-time opportunity to improve PF for returning 2018 Direct Customers and Aggregators via a four-hour test in May 2019.

III. Conclusion

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

Respectfully submitted,

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[18] *See* NYSEG and RG&E 2019 filing pp. 2-21.