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NEW YORK STATE ELECTRIC & GAS CORPORATION
and
ROCHESTER GAS AND ELECTRIC CORPORATION

2023 ANNUAL REPORT
ON PROGRAM PERFORMANCE AND COST
EFFECTIVENESS OF DISTRIBUTION LEVEL DEMAND
RESPONSE PROGRAMS

November 15, 2023

Case 15-E-0188 NYSEG

Case 15-E-0190 RG&E

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INTRODUCTION

New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E”), collectively referred to as the (“Companies”), submit this evaluation of its Distribution Level Demand Response (“DLDR”) programs pursuant to the New York Public Service Commission’s (“Commission” or “PSC”) December 15, 2014 *Order Instituting Proceeding Regarding Dynamic Load Management (“DLM”) and Directing Tariff Filings* (the “Order”). The Order requires that the Companies submit a report to the Commission by December 1st of each year assessing the DLDR programs approved in the Order.¹ The annual December 1st deadline was revised to November 15th under the PSC April 23, 2018 *Order Adopting Program Changes with Modification and Other Findings*. In compliance with the September 17, 2020 *Order Establishing Term-Dynamic Load Management and Auto-Dynamic Load Management Program Procurements and Associated Cost-Recovery*² (“Term- and Auto-DLM Procurement Order”) this annual filing will include an assessment of the effectiveness of the Term- and Auto-DLM programs.

The Companies’ five DLDR programs are:

- Distribution Load Relief Program (“DLRP”),
- Commercial System Relief Program (“CSRP”),
- Term- Dynamic Load Management Program (“Term-DLM”),
- Auto- Dynamic Load Management Program (“Auto-DLM”), and
- Direct Load Control Program (“DLC”).

The Companies will address the performance of each program, including an operational overview, enrollment analysis, and assessment of event performance and cost effectiveness, for the 2023 program year from January 1, 2023 through December 31, 2023. Costs are based on actuals through September and estimates for the remainder of the year.

CSRP and DLRP are designed for commercial, municipal, and industrial customers who participate as Direct Customers or through an Aggregator and can achieve a pledged reduction amount through their own demand reduction strategies. Both programs each have a mandatory (Reservation Option) and voluntary (Voluntary Option) enrollment option with separate obligations and incentive rates. For the 2023 capability period, CSRP was offered to customers throughout the Companies’ entire service territory. In 2019, the incentive rates for DLRP were reduced to zero and

¹ Case 14-E-0423, Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs *Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings*, issued and effective December 15 2014, pp. 25-26.

² Case 18-E-0130, In the Matter of Energy Storage Deployment Program, *Order Establishing Term-Dynamic Load Management and Auto-Dynamic Load Management Program Procurements and Associated Cost-Recovery*, issued and effective September 27 2020, p. 57.

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subsequently there have been no enrollments in the program. DLRP and CSRП are described respectively in NYSEG’s General Information sections 34 & 35 of PSC No. 120 – Schedule for Electric Service tariff (“PSC No. 120”) and RG&E’s Metering & Billing Part II sections 4.R and S of PSC No. 19 – Schedule for Electric Service tariff (“PSC No. 19”).

Term- and Auto-DLM are also designed for commercial, municipal, and industrial customers to place bids for demand response resources through a competitive procurement process as a Direct Participant or through an Aggregator, pledging reduction amounts at a specified price, with longer term participation through 3- to 5- year contracts. Term- and Auto-DLM are described respectively in NYSEG’s General Information section 48 of PSC No. 120 – Schedule for Electric Service tariff (“PSC No. 120”) and RG&E’s Part II Rules and Regulations, section 31 of PSC No. 19 – Schedule for Electric Service tariff (“PSC No. 19”).

The DLC program is primarily for residential and small-commercial customers and achieves demand response by remotely adjusting thermostat set points through smart Wi-Fi enabled thermostats for central air conditioning systems. The DLC programs are described in General Information Section 36 of NYSEG’s PSC No. 120 tariff and Metering & Billing Part II Section 4.T of RG&E’s PSC No. 19 tariff. One DLC program option, Bring Your Own Thermostat (“BYOT”) for central air conditioning (“Central AC”) was available during program year 2023. BYOT is available throughout the Companies’ entire service territory. [Table 1](#) summarizes the Companies’ 2023 Distribution Level Demand Response programs.

Table 1 Demand Response Program Overview

Program	Program Type	General Information	Customer Incentives
Distribution Load Relief Program (DLRP)	Contingency Program	<p>Activated by NYSEG or RG&E in response to system critical situations (i.e. voltage reduction).</p> <p>Events last for four (4) or more hours.</p> <p>Commercial, municipal, and industrial customers and Aggregators of customers with a minimum pledge of 50 kW are eligible.</p>	<p>Reservation Payment Option:</p> <ul style="list-style-type: none"> Reservation Payment equal to NYSEG: \$0.00 per pledged kilowatt (“kW”)/month for months with four or less events and \$0.00 per pledged kW/month for months with five or more planned load relief events. RG&E: \$0.00 per pledged kW/month for months with four or less events and \$0.00 per pledged kW/month for months with five or more planned load relief events. NYSEG & RG&E Performance Payment equal to \$0.00 per kilowatt-hours (“kWh”) reduced for the first four hours of the load relief event and \$0.00 per kWh for all hours beyond the first four hours of the event.

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			<p>Voluntary Option:</p> <ul style="list-style-type: none"> NYSEG and RG&E Performance Payment equal to \$0.00 per kWh reduced during a load relief event from a baseline amount.
Commercial System Relief Program (CSRP)	Peak Shaving	<p>Event activated when the day-ahead forecast is 92 percent (NYSEG) / 97 percent (RG&E) or greater of forecasted summer system peak to relieve distribution network peak loads.</p> <p>Commercial, municipal, and industrial customers and Aggregators of customers with a minimum pledge of 50 kW are eligible.</p>	<p>Reservation Payment Option:</p> <ul style="list-style-type: none"> Reservation Payment equal to NYSEG: \$4.10 per pledged kW/month for months with four or less events and \$4.35 per pledged kW/month for months with five or more planned load relief events. RG&E: \$4.25 per pledged kW/month for months with four or less events and \$4.50 per pledged kW/month for months with five or more planned load relief events. <ul style="list-style-type: none"> NYSEG & RG&E Performance Payment equal to \$0.50 per kWh reduced for the first four hours of the load relief event and \$0.60 per kWh for all hours beyond the first four hours of the event. <p>Voluntary Option:</p> <ul style="list-style-type: none"> NYSEG and RG&E Performance Payment equal to \$0.50 per kWh reduced during a load relief event from a baseline amount.
Term-Dynamic Load Management (Term- DLM)	Peak Shaving	<p>Event may be activated when the day-ahead forecast is at least 90 percent (NYSEG) / 93 percent (RG&E) or greater of forecasted summer system peak to relieve distribution network peak loads.</p> <p>Commercial, municipal, and industrial customers and Aggregators of customers with a minimum pledge of 50 kW are eligible.</p>	<p>Reservation Payment:</p> <ul style="list-style-type: none"> Reservation Payment equal to the contracted Incentive Rate per kW multiplied by the kW of Portfolio Quantity multiplied by the Applicant Aggregation Average Season Performance Factor <p>Performance Payment:</p> <ul style="list-style-type: none"> NYSEG and RG&E Performance Payment equal to \$0.50 per kWh multiplied by the average hourly kWh of Load Relief provided during the Event multiplied by the number of Event hours.
Auto- Dynamic Load Management (Auto- DLM)	Contingency and Peak Shaving	<p>Resources will be activated when Term-DLM events are called.</p> <p>Auto-DLM Events may be called for contingency needs in Company Designated Areas with at least 10 minutes advanced notice for four hours of Load Relief.</p>	<p>Reservation Payment:</p> <ul style="list-style-type: none"> Reservation Payment equal to the contracted Incentive Rate per kW multiplied by the kW of Portfolio Quantity multiplied by the Applicant Aggregation Average Season Performance Factor <p>Performance Payment:</p> <ul style="list-style-type: none"> NYSEG and RG&E Performance Payment equal to \$0.50 per kWh multiplied by the average hourly

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		Commercial, municipal, and industrial customers and Aggregators of customers with a minimum pledge of 50 kW are eligible.	kWh of Load Relief provided during the Event multiplied by the number of Event hours.
Direct Load Control (DLC)	Contingency and Peak Shaving	<p>NYSEG or RG&E remotely adjust air conditioning temperature settings in critical situations or during peak shaving events when day-ahead forecast is approaching the summer system peak.</p> <p>Customers who install and enroll a qualifying thermostat through a service provider which controls central air conditioning are eligible.</p>	<p>Enrollment:</p> <ul style="list-style-type: none"> • BYOT: One-time \$45 e-gift card per enrolled thermostat controlling a central air conditioning system January 1 – February 28, 2023; increased to \$70 on March 1, 2023 <p>Event Participation:</p> <ul style="list-style-type: none"> • A seasonal incentive of \$20 per account is paid as a bill credit to customers who fully participate in at least one event.

1. COMMERCIAL DEMAND RESPONSE PROGRAMS

1.1 Commercial Demand Response Program Overview

NYSEG and RG&E offer two distinct sets of commercial demand response programs, with the Direct Load Relief Program (“DLRP”) and Commercial System Relief Program (“CSRP”) being open for participants to enroll annually for each capability period, and the Term- and Auto Dynamic Load Management (“Term-DLM and “Auto-DLM”) being offered through a competitive procurement process for 3- to 5- year contract terms. Each of the Companies’ Commercial and Industrial DR programs operate during a capability period of May 1st to September 30th.

DLRP is a network contingency DLDR program applicable to individual customers (“Direct Customer”) who contract to reduce 50 kW or greater of demand reduction during an event or Aggregators/Curtailment Service Providers who aggregate 50 kW or greater of demand reduction from one or more customers. DLRP may be called by the Companies to reduce load on local distribution circuits within specific load areas when contingencies occur. CSRP is open to Direct Customers in the Companies’ service territory who can curtail load or bring on certain on-site generation to reduce their demand by a minimum of 50 kW individually, or to Aggregators/Curtailment Service Providers who aggregate 50 kW or greater of demand reduction from one or more customers. The Companies’ request load relief when the day-ahead forecasted load level is at least 92 percent for NYSEG and 97 percent for RG&E, of the Companies’ forecasted summer capability period system peak. Customers are required to respond to a load relief request (“Planned Event”) Monday through Friday for at least four-hours during an event, starting at 2:00 PM. A participant is notified the day ahead (at least 21 hours prior) to a Planned Event. The day of

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the Planned Event, the request for load relief is confirmed or cancelled based upon the day of load forecast and event threshold trigger.

Term- and Auto-DLM are available to customers (“Direct Participants”) who contract to reduce 50 kW or greater of demand reduction during an event or Aggregators/Curtailment Service Providers who aggregate 50 kW or greater of demand reduction from one or more customers during a specified call window. Term-DLM is available system-wide, while Auto-DLM is available in specified company designated areas. Term-DLM call windows are four-hours duration, Monday through Friday, and are established annually dependent on system needs. Term-DLM may request load relief for peak-shaving when the day-ahead forecasted load level is at least 90 percent for NYSEG and 93 percent for RG&E, of the Companies’ forecasted summer capability period system peak. Resources will be activated by providing a minimum of 21 hours Notification prior to the start of an event, with event confirmation or cancellation notification no less than 2 hours before the start of an event. Auto-DLM will commit to provide load relief during Term-DLM events as well incidents of electric system contingencies between the hours of 6 AM and midnight seven days per week, with at least 10 minutes of notice within the company designated areas.

Performance evaluation for Summer 2023 is based on actual event data collected.

1.1.1 Participation Options

The DLRP and CSRPs include both a Reservation Option and a Voluntary Option for participation.

Reservation Option

Participants enrolled in the Reservation Option receive monthly Reservation Payments for pledged kW demand reduction and Performance Payments for kWh load reduced during a Planned Event.

Voluntary Option

Participants receive only a Performance Payment for kWh load reduction during a planned or unplanned event when requested by NYSEG or RG&E.

Term- and Auto-DLM participants are eligible to receive Reservation and Performance Payments, which are calculated annually, based on their contracted incentive rate, multiplied by their portfolio quantity, and multiplied by the Applicant Aggregation Average Season Performance Factor. Participants will end up owing money to the Companies if this calculation results in a negative value.

1.1.2 Technology

An interval meter is used to measure a participant’s usage. Customers not billed on hourly pricing must have dedicated telecommunications to the interval meter. In previous years, Schneider Electric’s Energy Profiler Online (EPO) software was used to determine a participant’s baseline load

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and evaluate the interval data during DR events and tests to determine participants' load reduction performance. EPO was also used to notify participants of DR events and tests. NYSEG and RG&E used EnergyHub Distributed Energy Resources Management System (DERMS) to determine a customer's baseline load, call demand response events, and evaluate interval data to measure each participants performance. Schneider Electric's EPO software acted as a back-up DERMS platform to ensure that there would be an alternate solution to collecting data and calling events in the case that there were any issues during the first year of using EnergyHub's DERMS platform to run NYSEG and RG&E's commercial and industrial demand response programs.

1.1.3 Marketing

Due to most customers enrolling through an aggregator, the Companies' targeted Demand Response aggregators listed on the NYISO website and emailed a program summary. The Companies' websites contain the detailed tariff provisions and summary program descriptions to assist customers or aggregators with any questions.

1.1.4 Customer Service

Dedicated email addresses for NYSEG and RG&E³ are provided on the Companies' websites⁴ for additional program information requests. Both email mailboxes are monitored by the DR Lead Analyst and Program Manager. The Lead Analyst and Program Manager respond to all inquiries and provide a direct contact number which allows for one-on-one personal assistance to guide customers and Aggregators through the program details and enrollment process.

1.1.5 Enrollment Process

Through direct communication with the DR Lead Analyst (Energy Specialist), Program Manager, or through the Companies' websites, customers and aggregators can request to obtain login credentials which allow them access the "Aggregator Portal," which is part of the EnergyHub DERMS platform. After securing login credentials,⁷ they can download the demand response enrollment form. The demand response enrollment form allows Aggregators and Direct Customers to enroll a batch of accounts at one time. Through the enrollment form, participants identify the desired program, participation option, customer name, account number, Point of Delivery ID, service address, whether an interval meter and phone line is installed, indicate if already participating in EPO, CBL method desired, and enrolled load reduction. The completed form containing all of the enrollment criteria can then be uploaded to via the portal.

³ nyseg-dr@nyseg.com, rge-dr@rge.com

⁴ <https://www.nyseg.com/wps/portal/nyseg/saveenergy/businesssolutions/cidemandresponse>,
<https://www.rge.com/wps/portal/nyseg/saveenergy/businesssolutions/cidemandresponse>

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Once the demand response application and enrollment forms are submitted to the Companies, the DR Lead Analyst and Program Manager validates the information and works directly with the customer or Aggregator to complete and verify all enrollment requirements for participation.

1.2 CSRP and DLRP

1.2.1 Incentives

The CSRP Reservation Option incentive at NYSEG is \$4.10 per kW-month and \$4.25 per kW-month at RG&E for enrolled load, times a monthly performance factor. For any month during the Capability Period if five or more Planned Events are called by the Company, for that month, the Reservation Payment is increased to \$4.35 per kW-month at NYSEG and \$4.50 per kW-month at RG&E. The monthly performance factor must be equal to or greater than 0.25 to receive a Reservation Payment. A CSRP participant also receives a Performance Payment for each kWh reduction from a baseline amount during load relief events. Performance Payments are \$0.50 per kWh for the first four hours of the planned load relief event and \$0.60 per kWh for all hours beyond the first four hours of the event. The pricing incentives for DLRP are currently set at \$0.00 per kw-month.

Voluntary Option participants do not receive Reservation Payments. Participants receive a Performance Payment for their average hourly kWh reduction from a baseline amount during load relief events times the number of event hours. Performance Payments are \$0.50 per kWh.

1.2.2 Program Enrollment

NYSEG received program enrollments from five Aggregators representing 94 customers and one Direct Customer for participation in the CSRP for the 2023 capability period. RG&E received program enrollments from three Aggregators representing 48 customers and seven Direct Customers. All but one CSRP participants enrolled in the Reservation Payment option; there was one voluntary enrollment for RG&E. The NYSEG participants enrolled a cumulative 42,199 kW of curtailable load. The RG&E participants enrolled a cumulative 5,719 kW of curtailable load. There were no enrollments in DLRP in 2023.

Table 3 summarizes the Companies' 2023 CSRP enrollments.

Table 2: CSRP 2023 Enrollment Summary

CSRP 2023 Program Enrollment						
Enrollment type	NYSEG			RG&E		
	Enrollees	kW	Meters	Enrollees	kW	Meters
Direct Customer - Reservation Option	1	26,000	1	2	2,630	7
Direct Customer - Voluntary Option	0	0	0	0	0	0

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Aggregator - Reservation Option	5	16,199	94	2	2,739	48
Aggregator - Voluntary Option	0	0	0	1	350	0
Program Total	6	42,199	95	9	5,719	55

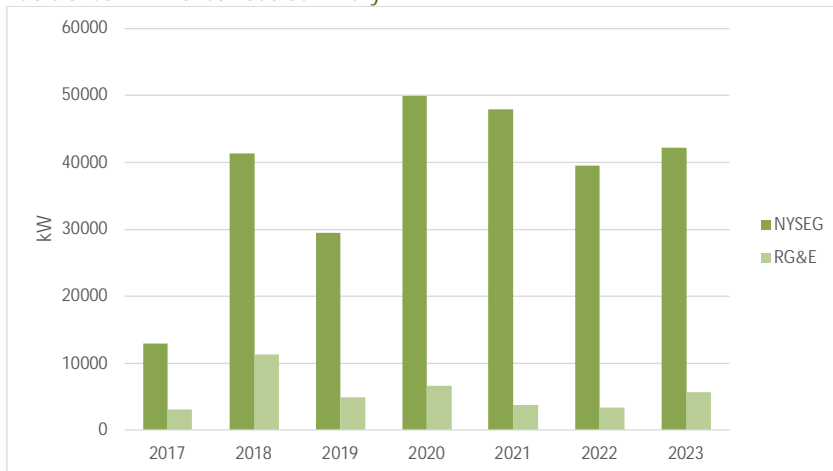
1.2.2.1 Historical Enrollment

Participation in CSRP has fluctuated over the last seven years. 2023 enrolled load increased by 23.8% of the Companies' 2022 enrolled load. RG&E saw an increase of 41% of enrolled load from 2022. NYSEG reached a maximum enrolled load in 2020 while RG&E enrolled load was the highest in 2018.

Table 3

Table 3 provides a seven-year summary of CSRP enrolled load. In 2023, one participant selected the voluntary option.

Table 3: CSRP Enrolled Load Summary



1.2.3 Cost Summary

Table 5: CSRP Cost Components for Program Year 2023 summarizes the costs, by component, associated with the CSRP in 2023.

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Table 5: CSRP Cost Components for Program Year 2023

DLRP and CSRP 2023 Program Costs				
Component	NYSEG		RG&E	
	Cost	Percentage	Cost	Percentage
Program Operation Expense	\$147,505	13.05%	\$95,822	53.48%
Program Incremental Marketing Material Expense	\$0	0%	\$0	0%
Customer Reservation Payments	\$663,747	58.72%	\$80,804	45.10%
Customer Performance Payments	\$319,177	28.24%	\$2,558	1.43%
Total Program Costs	\$1,205,430	100%	\$179,184	100%

1.2.3.1 Program Operation Costs

Costs in this category include the Companies' staff salary and overhead associated with CSRP management and support. This includes, but is not limited to, work performed by program managers, marketing staff, and vendor support. Program staff salaries are recovered through the operating and maintenance ("O&M") budget while other operational costs are recovered via the Companies' Transition Charges. The costs associated with program operation were \$147,505 (13.05% of total program costs) at NYSEG and at RG&E \$95,822 (53.48% of total program costs).

1.2.3.2 Marketing Costs

Marketing costs include the Companies' marketing initiative to inform customers of the program. Emails with program information were sent directly to prospective aggregators prior to the 2023 curtailment season. The expenses associated with program marketing were \$0 for both NYSEG and RG&E.

1.2.3.3 Customer Incentives

Customer incentives consist of Reservation and Performance payments paid to customers and Aggregators for their program participation and performance in events and tests. In 2023, NYSEG had three Planned Events and one Unplanned Event, and RG&E had one Test Event. NYSEG paid \$663,747 (58.72% of total program costs) and RG&E paid \$80,804 (45.10% of total program costs) in Reservation Payments. Performance payments were \$319,177 (28.24% of total program costs) at NYSEG and \$2,558 (1.43% of total program costs) at RG&E.

1.2.4 Event Performance and System Impacts

One of the goals of the program evaluation is to determine whether participants are providing their pledged demand reductions. The Customer Baseline Load ("CBL") for the day of an event is the estimate of the customer's load level had there been no event. The difference between the CBL and the actual load is used to determine the achieved performance.

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Per the *Order Directing Dynamic Load Management Program Changes*⁵, issued and effective March 16, 2022, the Companies were directed to include within the November 15, 2022 Annual Report discussion on establishing a Performance Factor floor set less than or equal to 25%. The Companies established a minimum Performance Factor of 25% in 2019⁶, and have found this to be a reasonable level. This retractor incentivizes the aggregator or direct participant to fully participate for the CSRP/DLRP event.

1.2.4.1 Event Summary

NYSEG called three (2), four (4) hour Planned Events between 2:00 PM and 6:00 PM during the 2023 summer capability period (7/6, 9/5, and 9/6), and one Unplanned Event between 2:00 PM and 6:00 PM on 7/28. RG&E called one (1), one (1) hour Test Event between 4:00 PM and 5:00 PM (9/6). All participants were enrolled in the Reservation Option and were required to participate in the Planned Events.

NYSEG CSRP participants had an average monthly Performance Factor (PF) of 0.58 and for RG&E participants' the monthly average was 0.66. The range of NYSEG PFs was from 0.12 to 1 and was between 0 and 1 for RG&E.

In 2023, NYSEG's average event load relief was 101% of enrolled load and RG&E's average event load relief was 89% of committed load.

Table

Table-6 summarizes the Companies' event performance.

Table 6: 2023 CSRP Event Summary

Enrolled Program	Enrolled Load Relief	Enrolled Meters	Average Monthly PF	Average Load Relief
NYSEG CSRP—Reservation	42,199 kW	95	.58	42,739 kW

⁵ Case 14-E-0423, Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs *Order Directing Dynamic Load Management Program Changes*, issued and effective March 16 2022, p. 14.

⁶ Case 14-E-0423, Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs *Order Adopting Program Changes with Modifications and Making Other Findings*, issued and effective March 18 2019, p. 16.

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RG&E CSRP—Reservation	5,719 kW	55	.66	5,106 kW
Program Total	47,918 kW	136		47,845 kW

1.2.4.2 Measurement and Methodology

Customer load reduction is measured using a Customer Baseline Load (“CBL”) methodology. This is a representation of a customer’s average consumption based on the top five highest days of energy usage within a 10-weekday period selected from the 30 weekdays prior to an event. The CBL is used to calculate the customer’s performance during a test or event. The customer’s performance during a test or event is the difference between the CBL and their actual load.

1.2.4.3 System Impacts

The goal of the Companies’ CSRP is to reduce the level of network peak, limiting the need for capital costs, and providing benefits to customers related to cost reduction and increased reliability. In 2023, the companies saw an average system impact per event of 42,739 kW load shed at NYSEG and 5,106 kW reduction at RG&E, for a total average load reduction of 47,845 kW across both Companies’ during the 2023 Summer curtailment season.

NYSEG conducted an event coincident with the New York Independent System Operator (“NY-ISO”) New York Control Area (“NYCA”) peak to date, on July 28, 2023, hour beginning 17:00. RG&E did not conduct an event coincident with the NYCA peak due to the event threshold not being met. Only one test event was conducted on September 6, 2023 for RG&E.

1.2.5 CSRP Cost Effectiveness Summary

Pursuant to the January 21, 2016 Order Establishing the Benefit – Cost Analysis (“BCA”) Framework, the Companies are required to evaluate cost-effectiveness of each program using the Societal Cost Test (SCT), Utility Cost Test (UCT), and Ratepayer Impact Measure (RIM) for all Distributed Energy Resources (DERS).

The Companies updated the following for all tests to those required by the Companies’ Benefit – Cost Analysis Handbook:

- Avoided Energy Cost
 - NY-ISO CARIS Phase II database update. Work paper from NY DPS Staff LBMP-Outputs-2018CARIS2 dated on November 30, 2018
- Avoided Marginal Cost of Service at the Distribution Level
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020
- Avoided Carbon Cost

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- Societal Cost of Carbon (SCC) less RGGI clearing price by Work papers from NY DPS Staff dated October 24, 2019. Original file name: Case 15-E-0751 – Value of Distributed Energy Resources, Updated Environmental Value, filed 3-13-2018.
- Interest Rates
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020
- Line Losses at the Secondary Distribution Level
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020

NYSEG test results use the actual NYSEG capacity savings coincident with the July 28, 2023 hour beginning 17:00 NYCA peak. RG&E test results use the actual RG&E capacity savings from its' one-hour performance test on September 6, 2023 hour beginning 17:00. NYSEG's Benefit Cost Test results of CSRPs was cost effective. For RG&E, due to the lack of events and not coinciding with the NYCA peak load day, the Benefit Cost Test results of CSRPs was just under 1. [Table Table-7](#) summarizes the CSRPs results of the BCA tests.

Table 7: CSRPs 2023 Benefit Cost Summary Coincident with the NYCA Peak

CSRPs Benefit Cost Summary			
Test	Test Description	NYSEG	RG&E*
SCT	Societal Cost Test	■	■
UCT	Utility Cost test	■	■
RIM	Ratepayer Impact Measure	■	■

*RG&E's only event was the test event day on September 6, 2023 was utilized for the Benefit Cost Test

1.2.6 CSRPs and DLRPs Conclusions

With the DLRPs incentive level still set at \$0.00 per kW-month, there were no enrollments for 2023. The Companies intend to keep the incentive level at \$0.00 per kW-month indefinitely, until the need for DLRPs resources arises. 2023 saw an increase in CSRPs enrolled load from the prior year. NYSEG CSRPs resources on average performed right at their enrolled kW level while RG&E performed under the amount of their enrolled kW. RG&E had its only test event that lasted an hour. Due to the lack of events the last two years, the Companies are petitioning to decrease RG&E event threshold from 97% to 94%. The Companies find it appropriate to keep the existing day-head trigger for NYSEG of 92%. Overall, both NYSEG and RG&E CSRPs resources contributed to the reduction of the system-wide peak load.

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1.3 Term- and Auto-DLM

1.3.1 Term- and Auto-DLM RFP

Pursuant with the Commission's September 17, 2020 Term- and Auto-DLM Procurement Order, the Companies developed the Term- and Auto-DLM programs and filed tariff amendments effective December 1, 2020. As directed, the Companies issued Request for Proposals ("RFP") for proposals from qualified and experienced applicants with the capability to deliver DLM solutions. Applicants could bid system-wide to provide load relief in a fixed four (4) hour Call Window on weekdays with at least twenty-one (21) hours notice as part of the Term-DLM Program. A Company Designated Area at each Company was selected for applicants to bid to provide load relief with at least ten (10) minutes notice, eighteen hours per day, seven (7) days per week as part of the Auto-DLM Program. Resources were solicited for the Summer 2021, Summer 2022, Summer 2023, and Summer 2024 capability periods. The RFPs were released on November 30, 2021, and were filed electronically⁷, posted to both NYSEG and RG&E demand response websites, and emailed to interested parties. Questions were accepted from potential applicants until January 9, 2023, and answers were sent back on or before January 23, 2023. RFP responses were due March 6, 2023.

1.3.2 Term- and Auto-DLM RFP Bids

NYSEG and RG&E did not receive any bids for the Term- DLM program and Auto- DLM programs.

1.3.3 Term- and Auto-DLM Conclusions

Although there were no successful bids accepted into the Term-DLM or Auto-DLM programs for the 2021, 2022, 2023 or 2024 Summer capability periods, NYSEG and RG&E have scheduled to release the Term- and Auto-DLM RFP on November 30, 2023, or a later date dependent on the petition⁸ filed to the Secretary. The Companies have collaborated with the JU and DLM stakeholders to identify areas of improvement for the Term- and Auto-DLM RFP process to encourage more competitive bids from a greater amount of applicants for the 2024 Summer capability period. Per *Request For a Timeline Accommodation Regarding the Procurement of DLM Programs* issued November 2nd, 2023, the Companies in collaboration with the JU filed a petition to provide a longer procurement window, from 12 month to 18 months. This window will introduce

⁸ Case 18-E-0130, Petition submitted to the Secretary In the Matter of Energy Storage Deployment Program Per *Request For a Timeline Accommodation Regarding the Procurement of DLM Programs*, issued November 2, 2023

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flexibility in the procurement methodologies with the goal of increasing customer participation and incremental competitiveness in future DLM program solicitations.

2. DIRECT LOAD CONTROL DEMAND RESPONSE PROGRAM

The DLC program supports electric system reliability and utilizes smart Wi-Fi enabled thermostats connected to alarm systems, or other control devices which allow the Companies to change thermostat set points during events or tests to achieve demand reduction during periods of critical electrical distribution system stress or peak demand levels. The annual capability period for calling demand response events and tests is from May 1st through September 30th. The Companies' DLC program, branded Smart Savings Rewards, is available to all customers, excluding Mandatory Hourly Pricing customers, with a focus on residential and small commercial customers having Central AC systems.

The Companies contracted with EnergyHub to provide their Demand Response Management System ("DRMS") services. BYOT launched in November 2016. At the end of the 2023 capability period, a total of 30,434 devices, 16,821 NYSEG thermostats plus 13,611 RG&E thermostats, were actively participating in the Smart Savings Rewards program.

2.1 Bring Your Own Thermostat (BYOT)

2.1.1 BYOT Overview

The BYOT program launched in November 2016 and is targeted to residential and small commercial customers. Under the Smart Savings Rewards BYOT program, customers provide their own thermostat and enroll through designated thermostat providers. To participate, customers must have a qualifying thermostat controlling their Central AC system. The BYOT program offers customers choices with thermostat equipment, flexibility, and control. Thirty-four thermostat models are eligible from eight participating thermostat providers: Alarm.com, Amazon, ecobee, Emerson, Honeywell Home, Lux, Nest, Radio Thermostat Company of America, and Vivint.

Program participants receive a one-time sign-up incentive of \$45 per thermostat from January 1, 2023 to February 28, 2023, which increased to a one-time sign-up incentive of \$70 on March 1, 2023, and a \$20 seasonal participation payout for fully participating in at least one summer event. At the end of September, there were ~~16,821~~ ~~12,686~~ NYSEG and ~~13,611~~ ~~40,371~~ RG&E thermostats participating in the Smart Savings Rewards BYOT option. NYSEG called ~~seventeen~~ events in 2023 yielding an average demand reduction of ~~15.48~~ ~~14.74~~ MW and one test event. RG&E called two events for an average demand reduction of ~~16.20~~ ~~5.96~~ MW and one test event.

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2.1.1.1 Technology

With a variety of qualifying Wi-Fi thermostats, this program allows customers to enroll their own new and/or existing thermostat. A Wi-Fi enabled smart thermostat connects to the customer's existing Wi-Fi router without any additional hardware needs. Smart thermostats using Z-Wave communication protocol connected through customer alarm systems are also included. Customers can enroll their thermostat through their thermostat provider. Once enrolled, the Companies can remotely make temperature adjustments on participating thermostats. The Companies utilize EnergyHub's Mercury DERMS (Distributed Energy Resources Management System) platform to schedule and dispatch events and tests.

Customers are advised of events various ways such as, email, SMS, in-device displays, and smartphone and internet apps, depending on their thermostat provider.

Customers have flexibility to choose not to participate in all or a portion of an event or test, ("opt-out"), by adjusting the temperature on their thermostat during an event or test. Customers can remotely control their Central AC online through their thermostat's provider portal or through smart phones on the provider's smart app, allowing a customer to opt-out of an event or test regardless of the customer's location.

2.1.1.2 Marketing

Smart Savings Rewards BYOT marketing was designed to recruit and engage customers year-round throughout the Companies' service territories. The 2023 campaign factored in the success rates of 2022 strategies and penetration levels.

A NYSEG and RG&E co-branded Smart Savings Rewards microsite⁹, provides customers with program information, including program eligibility requirements, FAQs, contact information, links to purchase thermostats, and links to enroll thermostats by thermostat provider.

Smart Savings Rewards program recruitment is continuous throughout the year. In 2023, a wide range of marketing channels were utilized to engage customers and maximize enrollments:

- Company websites
- Thermostat provider promotions and emails
- Program emails
- Promotion in customer newsletters and bill inserts
- Word of mouth
- Promotion and instant enrollments on NYSEG and RG&E online marketplaces

• ⁹ <https://www.smartsavingsrewards.com/>

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Promotional email continues to be used for acquisition. Customer engagement email campaigns were used in 2023 to encourage customer participation. Assets were comprised of the following emails; season start welcome back email, and a post season participation summary.

Customers purchasing an ecobee or Nest thermostat on the Companies' online marketplaces can enroll in Smart Savings Rewards instantly and receive their enrollment incentive during check out. Customers choosing not to connect their thermostat to Central AC and/or Wi-Fi after 61 days are charged the enrollment incentive amount. The instant enrollment has been highly successful in generating enrollments; on average over half of the thermostat sales on the marketplaces result in a Smart Savings Rewards enrollment. The Companies will be looking to expand the offer with other thermostat providers in 2024.

2.1.1.3 Customer Service

Customer support is available through email and phone, providing customer assistance with general program questions, eligibility and application support, and other inquiries. Email inquiries are taken at nyscg-rge@energyhub.com and phone inquiries are supported by the NYSEG and RG&E Customer Relations Center.

2.1.1.4 Customer Incentives

Customer incentives consist of all payments to customers for program participation based on the program design. Customers signing up in the BYOT option receive an incentive to encourage program enrollment; a \$45 Amazon e-gift card per enrolled thermostat from January 1 to February 28, 2023, which increased to \$70 on March 1, 2023. On May 1, 2023, the incentive changed to a \$70 MasterCard e-gift card.

The Companies issue a \$20 bill credit to customers who fully participate in at least one summer event per season. The \$20 bill credits are posted to participant accounts at the end of the season.

2.1.2 BYOT Program Enrollment

BYOT program enrollment began late in 2016 and as of October 2023 there are 30,434 thermostats enrolled.

2.1.2.1 2023 Enrollment

In 2023, the Companies continued to see the BYOT program grow. Applications are submitted and accepted year-round to achieve the highest participation during capability periods. 16,821 NYSEG and 13,611 RG&E thermostats were enrolled at the end of the 2023 summer capability period.

The following tables shows new enrollments from December 1, 2016 to September 30, 2023 by month and Company.

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Table 42: BYOT Thermostat Monthly Enrollments

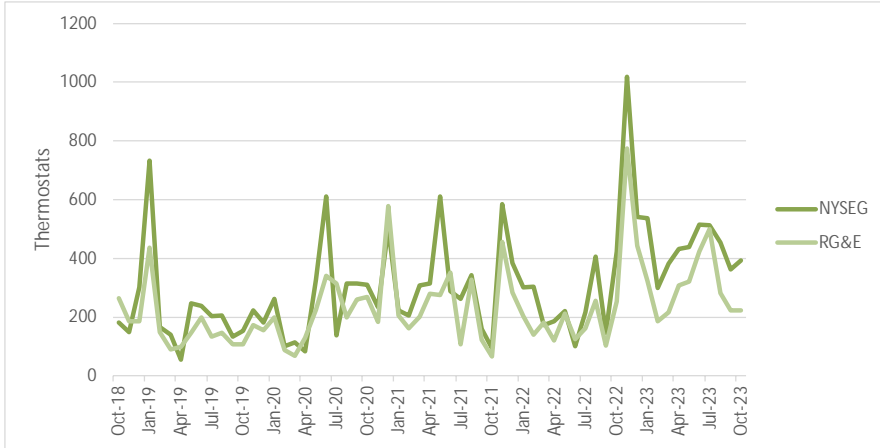
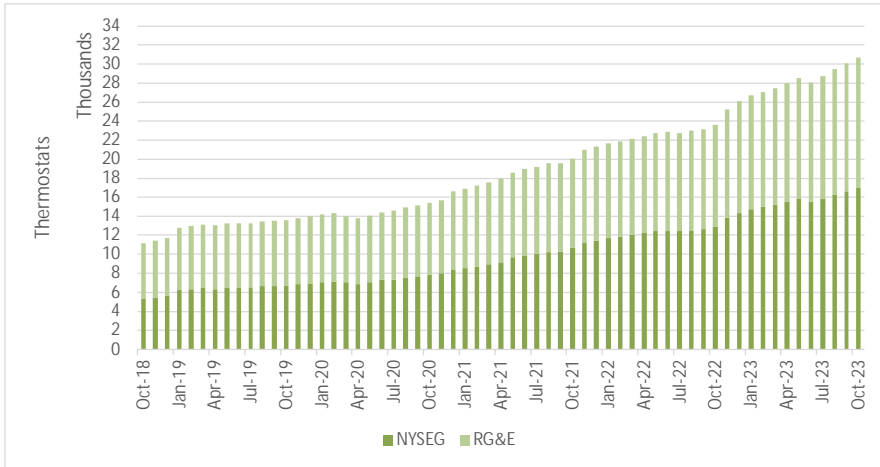


Table 53: BYOT Total Thermostat Enrollments



2.1.2.2 Enrollment Assessment

2023 has shown a steady increase in enrollments attributable to the increased amount of the instant enrollment incentive for thermostats on the marketplaces, as well as continuous marketing and new customer thermostat installations. In 2023, the average monthly enrollment rate

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increased from 2022's rate for NYSEG. In 2022, NYSEG averaged 225 device enrollments per month while the 2023 average through September increased to 431 devices. RG&E's average increased as well from 2022 to 2023 from 115 enrollments per month to 302. NYSEG and RG&E saw several marketing opportunities through its e-Newsletter in April and partner marketing campaigns that contributed to the significant increase in enrollments. In addition, the increased incentives allowed more attractive options for customers to choose their preferred thermostat and enrolled them into the program. NYSEG thermostat enrollments outpaced RG&E enrollments most likely due to NYSEG's number of electricity customers being over twice the number of RG&E electricity customers. NYSEG homes tend to have more thermostats per home than RG&E as well.

2.1.3 BYOT Cost Summary

As indicated in the table below, the total program cost for 2023 is expected to be \$1,149,504 for NYSEG and \$953,134 for RG&E. The costs outlined below are calculated using actuals from January through October and estimates for the months of November and December. Year-end actuals will vary based on the unpredictability of enrollments from year end marketing campaigns. All expenses are passed through NYSEG's and RG&E's per kWh transition charge; except for, internal administration which is recovered through the Companies' base delivery rates.

Table 14: 2023¹ BYOT Expenses*

BYOT Expense	NYSEG		RGE	
	Cost	Percentage	Cost	Percentage
Vendor Program Administration	\$652,888	50.80%	\$530,942	56.78%
Internal Program Administration	\$11,884	1.03%	\$11,884	1.27%
Program Marketing	\$1,300	0.11%	\$0	0%
Hardware	\$0	0.00%	\$0	0.00%
Customer Incentives	\$483,433	42.06%	\$392,308	41.95%
Total Program Costs	\$1,149,504	100.00%	\$935,134	100.00%

2.1.3.1 Vendor Administration

Vendor administration costs encompass program expenses incurred by the Companies' BYOT vendor for program management, implementation and operational program support, as well as some marketing costs. Operational costs include, but are not limited to, general oversight, customer support, partner fees, DRMS platform and other software fees, incentive processing, and device fees. Vendor marketing costs include program literature, email campaigns, social media promotions, web development, direct mail materials, and promotional events. Program microsite and enrollment website maintenance are also included in this category. The NYSEG BYOT vendor administration costs are \$652,888 and RG&E costs are \$530,942.

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2.1.3.2 Internal Administration

Costs in this category include salaries and overhead of Company staff allocated to BYOT program management and operational support. 2023 Company BYOT administration costs were \$11,884 at both Companies. These costs were calculated using a percentage of employee BYOT time allocation. Employee salaries are recovered through the Companies' operational and management expenses embedded in NYSEG and RG&E's delivery rates.

2.1.3.3 Hardware

Program hardware costs refer the incremental equipment purchased by the Companies to support the program; such as thermostats. Since customers are responsible to purchase and install their own thermostat, there are no incremental hardware program costs.

2.1.3.4 Internal Program Marketing

Internal marketing costs include all expenses associated with the marketing initiatives facilitated by the Companies internal resources. These costs include, but are not limited to, program literature, email campaigns, and bill inserts. \$1,300 was spent for customer outreach and engagement at NYSEG.

2.1.3.5 Customer Incentives

Costs in this category include the actual payments paid to customers for enrolling in the Smart Savings Rewards program through October and estimates for November through December, based on the average monthly thermostat enrollments from January 1st through October 31st with some inflation for an anticipated increase in December \$256,873 is allocated to sign-up incentives at NYSEG and \$186,888 at RG&E.

Amounts also include customer payments for their full participation in tests or events. \$226,560 in participation incentives were paid to NYSEG BYOT participants and \$205,420 to RG&E BYOT participants.

2.1.4 BYOT Event Performance and System Impacts

Demand response event activity in 2023 was higher for NYSEG and lower for RG&E; NYSEG called eight events from June to September, while RG&E called two events from June to September. Both NYSEG and RG&E experienced some hot weather with temperatures ranging from 80's to mid 90's.

During the majority of events, NYSEG and RG&E used a pre-cool setting of 60 minutes with a 4 degree off-set for three to four hours, from 17:00-19:00.

The Companies' event results are located in the tables below. Times exclude pre-cool.

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Table 65: NYSEG BYOT 2023 Event Summary

Company	Date	Time	Event Type	Number Targeted Thermostats	Total Average kW Reduction	Avg. Shed Per Device (kW)
NYSEG	7/5/2023	16:00-18:00	Peak Shaving	15,515	14,920	0.960
NYSEG	7/6/2023	15:00-18:00	Peak Shaving	15,507	14,050	0.910
NYSEG	7/26/2023	17:00-19:00	Peak Shaving	15,941	15,330	0.960
NYSEG	7/27/2023	17:00-19:00	Peak Shaving	15,968	14,760	0.920
NYSEG	7/28/2023	16:00-19:00	Peak Shaving	15,986	14,570	0.910
NYSEG	9/5/2023	17:00-19:00	Peak Shaving	16,336	15,870	0.970
NYSEG	9/6/2023	16:00-18:00	Peak Shaving	16,331	13,650	0.84

Table 76: RG&E BYOT 2023 Event Summary

Company	Date	Time	Event Type	Number Targeted Thermostats	Total Average kW Reduction	Avg. Shed Per Device (kW)
RG&E	9/5/2023	17:00-19:00	Peak Shaving	13,437	16,560	1.230
RG&E	9/6/2023	16:00-18:00	Peak Shaving	13,432	15,360	1.140

The total weighted average shed per device in 2023 was 0.92 kW for NYSEG and 1.19 at RG&E. These averages do not include the test event called on June 30, 2023. On average, 60% of NYSEG’s targeted devices either fully or partially participated in events while RG&E realized 65% participation.

NYSEG ran an event coincident with the 2023 NYISO peak on July 28th hour beginning 17:00. RG&E did not meet the event threshold to call an event on the NYISO peak.

2.2 DLC Cost Effectiveness Summary

Pursuant to the January 21, 2016 Order Establishing the Benefit – Cost Analysis (“BCA”) Framework, the Companies are required to evaluate cost-effectiveness of each program using the Societal Cost Test (SCT), Utility Cost Test (UCT), and Ratepayer Impact Measure (RIM) for all Distributed Energy Resources (DERS).

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The Companies updated the following for all tests to those required by the Companies’ Benefit – Cost Analysis Handbook:

- Avoided Energy Cost
 - NY-ISO CARIS Phase II database update. Work paper from NY DPS Staff LBMP-Outputs-2018CARIS2 dated on November 30, 2018
- Avoided Generation Capacity Cost
 - Based on 2020 Gold Book
- Avoided Marginal Cost of Service at the Distribution Level
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020
- Avoided Carbon Cost
 - Societal Cost of Carbon (SCC) less RGGI clearing price by Work papers from NY DPS Staff dated October 24, 2019. Original file name: Case 15-E-0751 – Value of Distributed Energy Resources, Updated Environmental Value, filed 3-13-2018.
- Interest Rates
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020
- Line Losses at the Secondary Distribution Level
 - NYSEG and RG&E Benefit Cost Analysis Handbook, June 30, 2020

The following assumptions were made:

- The benefits and costs were calculated over the current program year.
- The Utility Costs reflect the realized and expected costs in year 1 itemized in this report.
- Realized benefits occur when events are coincident with NYISO peaks. The demand saving for NYSEG is based on the average load shed coincident with the NYCA peak on July 28, 2023 hour beginning 17:00.
- For RG&E, the demand savings are based on the average load shed of the three events.

2.2.1 BYOT

Table 17 summarizes BYOT test results.

Table 17: BYOT 2023 Benefit Cost Summary

BYOT Benefit Cost Summary			
Test	Test Description	NYSEG	RG&E*
SCT	Societal Cost Test	1.41	1.26
UCT	Utility Cost test	1.41	1.25
RIM	Ratepayer Impact Measure	1.41	1.25

*Average of 3 BYOT events since no event was called on the NYCA peak day

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BYOT benefit cost test results for both Companies were lower than one in 2022. With RG&E, since no event was called on the NYCA peak day, the Companies took the average demand savings across the three events called in the summer season (includes a test event). However, both costs test results still signify that the programs are beneficial. As the programs have become more established with a larger customer base, NYSEG and RG&E's BYOT BCA test results continue to provide benefits to both the Company and its' customers.

2.3 DLC Program Conclusions and Recommendations

2023 marked the seventh full year of the Companies' DLC programs. The Companies are committed to the successful development and implementation of DLC programs.

Customer feedback is critical to program success, as such; the Companies will issue surveys to program participants in November.

In 2023 and beyond, the Companies will continue to refine their DLC program, evaluate other opportunities and technologies to include in the portfolio, assess cost effectiveness, and strive to increase program participation, as well as maximize benefits to our loyal customers and distribution system. One area the Companies are looking into is establishing a Natural Gas DR pilot for the 2024-2025 Winter Capability period within Rochester and its outer area by reviewing the results and taking lessons learned from the Avangrid Connecticut utilities, Southern Connecticut Gas and Connecticut Natural Gas, Natural Gas DR 2022-2023 pilot.

Lastly, through conjunction with the JU and Staff direction, the Companies are proposing an expansion of the Direct Load Control Program to allow for participation of residential storage within DLC. The Companies look to release a Request for Proposal (RFP) by the beginning of 2024. Depending on the vendor chosen, the Companies may be ready for the Summer 2024 capability period. By the latest, the Companies will have the program ready for the Summer 2025 capability period.

When a NYSEG or RG&E residential customer installs an energy storage system, there is no clear path this customer to leverage their device for market participation. These customers do not currently have the interval metering required for participation in CSRP, DLRP, Term-DLM or Auto-DLM and voluntary installation of interval metering can be cost-prohibitive. Because of this, there are hundreds of customers with residential storage that sits idle during system peaks, when C&I customers or customers with a communicating thermostat are being called upon to provide load flexibility to meet system needs.

Currently, under DLC, NYSEG and RG&E operates a "Bring Your Own Thermostat" demand response program which allows customers to enroll connected thermostats within their home into the program and agree to allow the Companies and their device manufacturer to control

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their device to participate in Company demand response events. Since its inception, this program has proved to be an effective way to allow customers to leverage their communicating control technology to provide grid services and receive financial incentives for their participation. Allowing customers to participate directly via their device removes any barriers to participation caused by the customer's metering configuration, leverages the existing strong relationship between customers, service providers and the utility, and allows for a seamless "hands-off" approach for customers to participate in load flexibility while always maintaining the ability to opt out at any time.

NYSEG and RG&E believes a similar "Bring Your Own" program design that has proven so successful for thermostats will provide many of the same advantages for customers with residential energy storage. As has proven successful with thermostats, leveraging the communication and telemetry capabilities of the customer's energy storage removes the need for any specific metering capabilities (such as interval metering). This greatly expands the number of potential participants that can leverage the program. Allowing customers to enroll via qualified device partners allows us to leverage the strong relationships between customer and their device partner to facilitate greater participation in the programs. Device partner outreach and marketing in support the BYO thermostat program has proven extremely effective, and the company believes this relationship will prove similarly effective for residential energy storage systems. Lastly, the "Bring Your Own" device model allows customers to participate in demand response and grid services events with very little intervention required on their part and very little discomfort, a key factor in customers' long-term interest in these programs. At the same time, this model allows the customer to opt out of any event at any time should they decide they do not wish to participate, which is essential for customer residential customer satisfaction with demand response programs.

While we believe the "Bring Your Own" device program design used for thermostats will also be effective for energy storage systems, there are a few unique considerations we believe need to be accounted for with a "Bring Your Own Battery" program. The first primary distinction is based on how customer performance is measured and how a customer is compensated for their participation in events. Device telemetry provided by energy storage systems provides a much more direct view of load flexibility provided by the storage system, compared to telemetry provided by communicating thermostats, which is more runtime focused on HVAC runtime. Due to this difference in data availability, we believe that a customer incentive for energy storage should be focused on customer performance (in terms of kW delivered) during Company dispatched events, rather than based upon customer enrollment and participation in percentage of event hours as is done with thermostats. The Companies have conducted preliminary program-level Bring Your Own Battery BCA to use forecasted program costs to design a performance incentive that appropriately values customer performance with their storage system while ensuring that the program can be operated cost-effectively. As a result of this analysis, the Companies plans to offer an incentive of \$50/kW-year for energy storage customers participating in the program. As the Company conducts further analysis over the coming months,

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this incentive may be revised, with the final incentive being filed no less than 60 days before the effective date.

The second primary distinction is how these devices are purchased by customers. When a customer acquires a new communicating thermostat, they simply purchase the device from a retailer and in most instances, install it themselves. Once a customer buys a thermostat, they own it outright. The purchase process for energy storage systems differs from this process. Energy storage systems are much more expensive than thermostats and cannot be installed by a customer directly – they require professional installation. They may also be installed at the same time the customer is purchasing a solar PV system. Due to the cost and complexity of these systems, energy storage systems are often not paid for in full upfront by a customer, but are financed, leased or acquired through a Power Purchase Agreement (PPA) instead. Because of these more complex contractual relationships tied to energy storage acquisition, an important trend in energy storage system incentives is to allow for a customer to assign the incentive directly to a service provider. Upfront incentives to encourage customers to purchase storage systems are routinely paid directly to a service provider to reduce a customer's monthly financing or leasing costs. The same structure can be valuable for performance incentives – when a customer has a financed or leased energy storage system and earns a performance incentive from a utility program, the ability for that customer to assign the incentive directly to their energy storage service provider is a valuable means for them to reduce their out-of-pocket costs for their storage system.

The Companies have filed draft tariff leaves modifying the DLC tariff language to incorporate these distinctions between energy storage system and thermostat program models.