

July 18, 2014

Via Electronic mail

Hon. Kathleen Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350
Email: secretary@dps.ny.gov

Re: Case 14-M-0101 Proceeding on Motion of the Commission in
Regard to Reforming the Energy Vision

Dear Secretary Burgess,

The Association for Energy Affordability, Inc. (AEA), as an active party in Case 14-M-0101, respectfully submits these preliminary comments on Track 1 and Track 2 questions.

AEA is a non-profit organization dedicated to achieving energy efficiency in new and existing buildings in order to foster and maintain affordable and healthy housing and communities, especially those of low-income families.

Respectfully submitted,



David Hepinstall
Executive Director



Valerie Strauss
Director of Policy & Regulatory Affairs

CASE 14-M-0101 Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision**COMMENTS OF
THE ASSOCIATION FOR ENERGY AFFORDABILITY, INC.
ON TRACK 1 AND TRACK 2 QUESTIONS****A. Introduction**

The Association for Energy Affordability respectfully submits these preliminary comments on the questions posed by DPS staff and the Commission in the Reforming the Energy Vision proceeding (REV). The Association for Energy Affordability (AEA) is a non-profit organization dedicated to achieving energy efficiency in new and existing buildings in order to foster and maintain affordable and healthy housing and communities, especially those of low-income families. AEA representatives engage in a broad range of educational, technical and construction management activities and services to promote this mission and develop the industry that advances and sustains it.

AEA has been an active participant in the Renewable Portfolio Standard, Energy Efficiency Portfolio Standard, Green Bank and Reforming the Energy Vision proceedings. We also work closely with NYSERDA and Consolidated Edison on program implementation and review. Our senior staff includes recognized and respected experts on clean energy solutions and energy efficiency in multi-family buildings.

We support the Commission's undertaking in the REV proceeding and believe a reformed energy delivery system emphasizing energy efficiency and clean distributed generation will help combat climate change and contribute to the creation of a healthy environment and a more resilient energy delivery system. Our main caveat with respect to the Commission's work



in this proceeding and the related Clean Energy Fund proceeding is that it is imperative to continue the existing clean energy programs run by NYSERDA and the utilities until changes anticipated and encouraged by REV are in place and providing verified results equivalent to or better than existing programs. Furthermore, we encourage the Commission to continue the reforms to the Energy Efficiency Portfolio Standard (EEPS or, as reformed, E²) proposed in December of 2013 and also ensure that the multifamily sector is provided with targeted programs able to leverage the many benefits efficiency efforts in this building stock can provide.

AEA offers the following comments to help DPS staff as it prepares a straw proposal for implementation of the REV Order and fully expects to provide additional comments as this discussion continues and in related proceedings and rate cases.

B. Track 1 Policy Questions

I. Potential REV Outcomes

Please comment on whether the anticipated outcomes identified in the outcomes matrix are the appropriate results that the Commission should be striving for in this effort. Once the Commission has established the appropriate outcomes, parties will be asked to weigh in on the metrics to be used to most effectively achieve those results.

The outcomes as identified in the matrix are appropriate, including the mention of serving lower-income and underserved communities (discussed more fully below). The number of desired outcomes should perhaps be reduced to ensure more focused goal setting. In fact, two of the overall outcome categories, Innovation, and Customer Engagement, could more appropriately be considered means to the ends.

Outcomes under Category One: Advancing Clean Energy must be the priority. Energy efficiency in particular delivers a cleaner, healthier environment and lowers energy costs. It should be the number one priority and the Commission should set firm long-term and interim



efficiency targets for each utility and for the state as a whole. AEA agrees with the statement in the environmental parties' submission on May 27, 2014 in this proceeding that greenhouse gas (GHG) emissions reductions must be "... a key overall objective of the REV proceeding and believe this goal can be pursued in a manner that is entirely consistent with the other stated objectives of the REV proceeding." (PSC submission by Columbia Center for Climate Change et al, 3/27/14, p.1) We also strongly support their request that the Commission ensure existing programs continue:

Provide assurance that progress on achieving greenhouse gas reductions through energy efficiency and renewable energy will not falter during the transition period toward the full implementation of the DSPP. While the Commission has launched a Clean Energy Fund Proceeding (#14-M-0094) that seeks to establish a bridge fund to smooth the transition to a more market-based DSPP structure, it is imperative that backstop mechanisms be put in place to ensure that clean energy deployment is not permitted to falter if the new marketplace does not promptly develop to fill any gaps created by any potential reductions in public subsidies. In addition, the REV model should provide opportunities for customers in all sectors to achieve valuable energy savings and the resulting environmental benefits those energy savings deliver. (Columbia Center for Climate Change et al, 3/27/14, p.4)

AEA's work is focused substantially on affordable multifamily housing. We are pleased to see that ensuring low income and underserved communities have access to DER and value-added services is listed as a desired outcome. We would argue that the participation of these groups in meeting our environmental and energy goals is crucial to success. New York should create programs and markets that ensure these communities have equal access to the same products and services as other households rather than inferior products that exacerbate economic and environmental inequality. In so far as adoption of DER by other sectors advances, these lower income communities must not be left behind nor forced to bear higher energy bills when they can least afford it. Many of these communities bear a disproportionate burden from our current polluting energy resources. As the Commission proceeds with REV, we respectfully



suggest an environmental justice component that ensures cleaning the air in these communities is a priority. Simply increasing the use of DER will not necessarily result in cleaner resources in general or in areas where cleaner resources are most needed.

II. Optimal Ownership Structures for Distributed Energy Resources (DER)

Please comment on the framework of analysis presented in the Staff Report, see pages 26-28, and discuss which of the potential approaches to utility engagement in DER and other models is preferable to ensure a robust DER market, and why.

The question of utility involvement in direct provision of DER will clearly be one of the most contentious issues in the REV proceeding. The desire to continue to promote competition and a vibrant and innovative marketplace is at the heart of this proceeding. Market participants will need assurances that there will not be monopoly power or advantage by the incumbent utilities. However, the staff correctly identifies a need for pragmatism rather than dogma on this issue,

...as noted below in the discussion of ESCOs, competitive markets for value-added services at the level of small customers have been slow to develop. At a minimum, the public interest will require that utilities be available to provide essential services that are not provided through competitive markets. Where a utility has imminent operational and planning needs and/or can provide resources that are not available in the commercial market, a pragmatic approach may be preferable to a theoretical approach to the optimal operation of markets in an as-yet-unrealized system. (Staff Report, p. 27)

We support the development of a marketplace for innovative products and services but believe there will be times when it may be necessary or preferable to allow utilities to own DER assets or otherwise enter the marketplace. In particular, not all DG need be behind-the-meter, and not all customers will be able to access products and services through the marketplace. There will be places where DG can help support the grid and a competitive RFP process may be inappropriate or too lengthy for the needed solution. There are communities where marketplace offerings will be unavailable or too costly for customers and the needs of the grid/state air quality

goals. In these instances it may be appropriate for the utility to be an active participant in the provision of goods and services though, in most cases, delivery will be through contractors and is likely to involve a “market” in that sense.

Given the need to ensure confidence in the market and increased investment and innovation, utilities should face restrictions on ownership. The restrictions may best be approached as a matter of process rather than quantity. For example, we believe the Commission should require that the utilities attempt to find market-based solutions before being allowed to own DER. For the REV to reach its goals, utilities will need to fully engage DER in planning as well as operations. The regulatory structure used to implement REV should ensure advance planning by the utility with an open and transparent process to identify the areas most in need of DER for system operations. This will enable the market to act to fill the need, with the utility/DSPP facilitating the process. If the market fails to do so, then the utility can step in and place DER to meet its system operation and Commission directed goals.

III. DSPP Identity

Please address the analysis contained in the Staff Report, see pages 24-26, as related to the question of whether incumbent utilities, or an independent entity, should serve as the DSPP.

The Staff Report correctly identifies many reasons for having the incumbent utilities serve as the DSPPs and we agree that on balance it is preferable to have utilities provide this function. Furthermore, while we certainly see the DSPP as a fundamentally new role for the utilities, we disagree with the staff analysis that the change in their monopoly function is “shifted from sheer physical delivery to management of a complex system of inputs and outputs while maintaining reliability.”(*Staff Report, p.26*) The utilities already manage a complex system of inputs and outputs while maintaining reliability. The advent of utility as DSPP provider,

however, will change the nature and reach of those inputs and outputs as well as how they are accounted for in market structures and rates and tariffs.

The utilities are best positioned to provide much of the information needed for an effective DSPP given their role and responsibility in managing the distribution system and their access to customer information. They also fall under the jurisdiction of the Commission, which must have the ability to effectively regulate and review the DSPPs. However, we believe that it is important to ensure that this new, additional, platform not create excessive new costs for consumers. The DSPP is, in essence, an ISO-type construct at the distribution level. The NYISO ensures fair wholesale markets and a reliable grid but it does require substantial financial support from the markets for its own operations. Recognizing that the REV vision is a DSPP that creates value for the consumer, if not implemented correctly it could have the perverse effect of raising costs without providing commensurate benefits. The role of the regulator must encompass ensuring that new costs necessary to create and run the DSPP are commensurate with the benefits, and less than what would otherwise be the cost of safe and reliable service.

In addition, while each utility territory has distinct needs and operating characteristics, they also have much in common and should operate similarly to the greatest extent possible. Given the desire to facilitate market-based mechanisms for providing DER products and services, uniform practices and standards in relation to DER are a must since DER providers will operate in multiple jurisdictions and similar requirements and practices will reduce costs. We urge the Commission to help create a uniform platform across the state to the extent possible while acknowledging the different system needs and customers served by, for example, Consolidated Edison versus Rochester Gas & Electric. Incumbent utilities have the information, customer relations and expertise to address local and specific needs. In particular, in the

downstate region we believe there is a critical need for expanded energy efficiency in multifamily buildings, which should be their own “sector” for program purposes. Utility- and NYSERDA administered programs have had great success in recent years but there are extensive opportunities for investment in energy efficiency and demand management in the multifamily building sector. In New York City in particular, with its strong and complex set of housing development and management firms attracted to the marketing potential of “green” and “sustainability,” the approach outlined in the REV can animate markets.

The staff report posed the following three specific questions related to the identity of the DSPP entity. First, “what would be the cost of an independent DSPP?” AEA does not have the expertise to answer this question. We do suggest, however, the cost should be evaluated against the cost of the avoided T&D expenses and with the benefits to consumers, the environment and the grid in mind. Second, “Are the functions of the DSPP necessarily tied to the real-time operation of the distribution system?” If the DSPP is to provide the benefits expected of it, at least some – though not all - of its functions will need to be tied to the real-time operation of the grid. In particular, demand response and some demand management services will need to be tied to real-time operations to provide the greatest benefits to the distribution system and the highest returns to the providers. If a primary goal is to increase system efficiency and lower costs through reduced need for peaking central generators, then there must be some real-time management of DER with verifiable results. Third, “Could the market management function alone be separated for performance by an independent entity?” We believe this would be possible but may not be preferable at this time given substantial time and money will need to be invested in developing the platform. Therefore, if an entity other than the utilities manages the



DSPPs there will be questions of ownership, regulatory authority and the ability to regulate and change the manager if necessary.

IV. Benefits and Costs

Discuss the preferred analytical framework to assessing benefits and costs, with particular attention to the different ways that benefits and costs may need to be considered in various stages of this initiative, and the methodologies and tools that may be appropriate to each. For example, what benefits and costs related to environmental externalities should be monetized in considering DER pricing? Consider that the outlook on broad, long-term benefits and costs that informs a Commission policy decision may be different from the business case supporting a utility investment plan, which may in turn differ from the analysis supporting a particular investment, or supporting the pricing of products and services that contribute to DSPP objectives.

The REV should be developed to meet the state’s policy goals, and the state should use this opportunity to move forward not backward from its previous clean energy and air quality commitments. Thus there is an opportunity to establish rules for priority resources like energy efficiency and zero-emission technologies and value them appropriately, and the Commission should take this opportunity to move beyond RDM to performance-based rate making. As we discuss below, we firmly believe existing clean energy programs must be continued until the new constructs have been show they are achieving the same or better results. However, we would support the vision put forth by staff whereby utilities take a more direct role in providing energy efficiency products and services as part of their revenue requirement:

Under REV, utilities will more fully integrate the goal of bill reduction with the targeted use of efficiency to meet system needs. Rather than a specific program funded through a surcharge, efficiency will be one of the DER tools at the utility’s disposal. The DSPP will integrate energy efficiency into its system planning, targeting efficiency where it will produce maximum system value, and thus optimizing the economic value of energy efficiency expenditures for all customers. Efficiency programs may also be implemented on a territory-wide basis where this will enhance customer’ ability to manage bills and other objectives of the Commission. (Staff Report, p.21)

The transition of efficiency efforts from surcharge funded programs to part of the utility's system planning and operations does not mean the utility itself must – or should – be the actual provider. The expertise for delivery of energy efficiency currently resides in third party providers and by contracting for products and services this approach will support the innovative marketplace for energy efficiency, demand management and demand response.

There are a few different pieces to ensuring DER is valued and compensated with perhaps the most difficult piece being how to monetize the value these resources provide. The very premise of REV is that DER contributes benefits to the environment, public health, system efficiency, demand reduction, etc. This makes monetization of those very benefits a critical piece of success in transforming our energy markets. The Commission will need a thorough examination of how to value environmental benefits, avoided investments in T&D, reduced peak demand, etc. The Commission and the stakeholders should explore various models for ensuring benefits to utilities, customers, and society more broadly are valued appropriately and consistently. The value of particular DER will vary by type of resource as well as location. The Commission should explore methodologies that can be used by DSPPs as a basis for market development.

V. Transition for Clean Energy Programs

The Staff Report (see page 21) envisions the integration of distributed energy resources into DSPP system planning to maximize system value, with NYSEERDA's portfolio expected to refocus on market and technology transformative strategies to provide temporary intervention to overcome specific market barriers while continuing to provide access to clean energy for low-income customers. How can we ensure the transition from current renewable and energy efficiency programs without backsliding on the State's environmental goals?

The answer to this question is quite clear. The existing programs **MUST** be maintained until the markets envisioned under REV can be shown to be in place and effective in meeting



New York’s environmental and clean energy goals. Clear mandatory goals must also be set for new programs and the DSPPs. Anything short of this will undermine consumer and investor confidence and delay market success under the new vision. Program evaluations have shown current programs have been successful and that consumer awareness of efficiency and clean generation options is increasing. Financial barriers and ease of adoption remain the primary obstacles to greater customer engagement and market development. The key to decreasing the cost of these technologies is scale; simply reforming the energy vision may not drive demand sufficiently, at least in the near term. In addition, some populations will certainly continue to experience financial barriers even with increased market development and appropriate pricing to capture externalities, both positive and negative, and new and improved technologies will be developed, which means there will be a continued need for government programs. We also suggest that Commission develop strategies and plans to incorporate leveraging of the US Department of Energy’s low-income Weatherization Assistance Program administered by New York State Homes and Community Renewal and carried out throughout the State by local weatherization subgrantee agencies with direct access to these hard-to-reach utility customers.

(Please also see our comments on the development of a Clean Energy Fund, which are attached to this filing.)

VI. Enhanced Services

The Staff Report (see page 61) describes the potential for a regulated utility offering enhanced services to create revenues, some or all of which may accrue to revenue requirements. Please discuss the regulatory issues related to this potential, e.g. the definition of basic services, and the relationship between enhanced services offered by a regulated utility and the monopoly function of the utility.

The definition of basic services is and cannot be static. Under a new construct of innovation in the marketplace, what is “basic” will undoubtedly change over time. For example,



access to broadband was originally available to a limited population but is now considered fundamental and there is a public policy push to ensure access for all. Lower income and non-English speaking communities were left behind with adverse impacts on education and safety. We must not let this occur in our energy markets. In particular, basic service should include access to data usage information to facilitate participation in innovative markets. Advanced metering should, therefore, be evaluated for widespread deployment to avoid leaving vulnerable or poor populations behind.

On the other hand, “enhanced services” not available, easily used, or desired by mass customers should not be paid for by those customers. The consumer protection role of the Commission will be paramount during this proceeding to ensure fair market rules and positive outcomes for all consumers.

VII. Access to Data

Issues concerning access to data are currently the subject of a formal comment period Case 12-M-0476, pursuant to a Notice Seeking Comments issued February 25, 2014. Initial comments were filed June 2, 2014, and reply comments are due June 16, 2014, as detailed in a Notice issued April 3, 2014. Staff will review those comments before determining whether additional written input on issues related to access to data should be obtained through separate comments in this proceeding as well.

AEA strongly suggests that data access be an official component of this proceeding. Rules for data collection, access and use are critical components of ensuring a successful REV effort and for protecting consumers. Other proceedings, which are focused specifically on ESCO activities do not cover the full range of concerns. Furthermore, the proceeding referenced above has had limited number of parties participating given it is “below the radar” of the wider community interested in the future of our energy use. We believe advanced metering is critical to the success of the products and services envisioned under REV, and we believe achieving our



environmental and reliability goals as well ensuring equity in energy services demands that all customer classes have access to the means to understand and control their energy use and expenditures. Cyber security, privacy, consumer protection and regulation of marketing are critical concerns that should be further explored by the Commission and the active parties.

VIII. Other issues

This initial list of issues is drawn largely from the Staff Report, but contains other issues in response to concerns raised in the working groups or directly by parties, as we want to ensure that we include for consideration those policy issues of concern to the parties. Although the questions listed above are very broad, parties should use this section to raise their concerns not encompassed by our specific questions.

Customer Engagement

Customer engagement is seen as both an outcome and a necessary ingredient of success in this proceeding. At the same time, we have heard that consumers spend approximately 10 minutes per year thinking about their energy use and that motivation to use DER varies considerably and sometimes surprisingly among the general population. The Staff Report on p. 37 poses a number of questions regarding customer engagement. Without addressing each question specifically, we do suggest that engaging customers will necessitate easy access to data, proven cost savings, ease of implementation and confidence in the provider. Therefore, advanced metering and access to data is a critical first component as are information from trusted sources and financing that is easy to understand and access.

ESCO Facilitation

The staff report acknowledges that the retail market in New York has not developed as originally envisioned with ESCOs providing little in terms of non-commodity products and



services and making only minor inroads with small commercial and residential customers. As they note,

In most of the rest of the nation, an “ESCO” is a provider of energy services beyond mere commodity. ESCOs in New York, at the level of smaller customers, have generally been providers of commodity only. One aim of this initiative is to make New York’s use of the term “ESCO” consistent with the industry-wide use of the term – not by definitional fiat but by cultivating ESCO participation in a range of markets and services. (Staff Report, P.38)

It is important to note that there have been numerous complaints about ESCO behavior and the Commission cannot and should not presume that greater involvement alone will resolve consumer concerns about predatory and unfair practices. We strongly caution against over-reliance on ESCOs to provide the majority of benefits envisioned by REV without monitoring and assuring that past problems are rectified. We also oppose any attempt to strip utilities of their role in providing commodity service to those who choose them as provider and as a “provider of last resort.” Increased customer engagement should be complemented with increased consumer protection.

Interaction with the Wholesale Market

The utility acting as DSPP can and should use DER to satisfy local load to reduce the energy needed from the wholesale market by establishing its own rules for participation in demand management and demand response markets. The Commission and DSPPs should look for and suggest market rule changes at the wholesale level to harmonize the respective markets. For this reason we agree with staff that “the task of reconciling distribution-level activities with NYISO requirements may be simplified greatly if the DSPP acts not only as an aggregator but actively sets rules for DER participation in its own distribution-level market.” (Staff Report, p.46)

Microgrids

Microgrids may offer an important opportunity to engage communities with their energy sources and increase resiliency. The development of microgrids will take time and consideration and regulatory action. During this period, the Commission should carefully deliberate the parameters necessary to ensure microgrids offer environmental and broad community benefits rather than being simply a means for some discrete entities to assure themselves of a more reliable or cost effective energy supply. If microgrids are ultimately used to ensure community resiliency and energy security, the state should ensure that traditionally underserved communities are also provided with opportunities to use this approach to meeting their energy needs.

B. Track 2 Rate Design Questions

New York has taken a number of progressive steps to remove barriers to energy efficiency and distributed generation including revenue decoupling mechanisms, net metering and standby rate exemptions for renewable generation. As the Commission knows, however, it will need to make more fundamental changes in utility regulation and the rate-making process to create the utility of the future.

Although the Commission posited many detailed questions about the ratemaking process, our initial responses below are more limited. We hope to see the Commission continue to solicit stakeholder input as first envisioned including rescheduling the Track 2 collaborative meeting originally scheduled for July 21, 2014. Further, given much of the REV depends upon successful implementation of new rate-making structures and creation of DSPPs, the Commission should be clear that existing utility programs for energy efficiency and utility support for the interconnection of distributed generation must continue or hopefully expand in the interim. Staff acknowledged in its report that:

The REV vision will need time to be fully actualized. A reasonable and realistic sequence will be essential, both for the making of key policy decisions and for the actual roll-out of infrastructure, tariffs and markets. Among other things, the full availability of DSPP markets to all customers will likely depend on standardization in the manufacturing of end-use and communications equipment associated with DER for small customers. (Staff Report, p. 65)

The proceeding to date has been nothing less than “fast-tracked” and while we believe changes in utility business structures to be more supportive of DER are overdue, we also believe the Commission should not rush, but should engage in thoughtful analysis and informed decision-making. Our comments in the related Clean Energy Fund proceeding also argue for continuation of the current EEPS, RPS and SBC programs until the markets envisioned through REV are showing verifiable results. The Commission has asked for input on using outcome-based ratemaking, long-term rate plans and appropriate rate designs, and we briefly address these below.

I. Outcomes-Based Ratemaking

We support outcome/performance-based ratemaking as a necessary step in the development of a more efficient energy system able to rely on cleaner resources. The outcomes must be clearly aligned with established state policy goals, which we discuss above in our Track 1 comments in this proceeding. These outcomes must, of course, be in addition to existing requirements for safe and reliable service.

In the interest of fairness, consistency, and facilitation of markets, there should be baseline objectives that are the same for all utilities. However, given populations, building stock, system needs and existing infrastructure vary considerably across the state, utility-specific metrics are also appropriate and necessary. In our discussion of goals under Track 1 considerations, we discuss the need for firm goals for emissions reductions, energy efficiency

and renewable generation. In addition to these statewide goals, the Commission should set informed DER goals for each utility as part of their rate plan and revenue requirements.

The fundamental challenge is to design a system where utilities are rewarded for increasing system efficiency, helping customers control costs, and using a cleaner and more local energy supply and where DSPPs serve as market broker for products and services that allow utilities to meet these goals. The structure for incentivizing utility support for DER should provide parallel incentives and disincentives. Ideally, utilities will have minimum standards to meet and then will be rewarded accordingly for surpassing those standards. Penalties for failing to meet the standards must “cost” the utility more than the cost of compliance to avoid the temptation to forego revenue/pay a penalty. The goal, of course, is to make incorporating DER beneficial and desirable to the utilities so that their vision of the future is in concert with state public policy goals and meeting and exceeding targets is in everyone’s best interests. Further collaborative discussion is necessary to determine the specific metrics that will encourage robust markets in DER and ensure utility support for and investment in energy efficiency in particular. Efficiency is almost always the least cost and most environmentally beneficial resource. Utility metrics should be established to obtain all cost-effective efficiency and the reduced demand factored into utility planning efforts. Flattening load and reducing peak demand should also be prioritized.

The utility model envisioned by this proceeding necessitates increased “visibility” of DER and increased planning for DER. The societal benefits of DER will be captured most completely when they reduce the need for central generation and investment in transmission. For this to occur, utilities must be required to engage in local planning efforts that include DER as a key component and DER must be verifiable and/or “visible” to the utility. To facilitate visibility

and verification and encourage demand management, New York needs more widespread advanced metering. The Commission should support utility investment in this effort as a necessary first step and sound investment in the utility of the future. Advanced metering supports and encourages customer engagement, allows utilities and the Commission to benchmark current penetration of DER and monitor progress toward set goals, as well as helping third party providers enter the DER markets.

Utilities also must be required to engage more fully in local distribution planning. This effort must go beyond transmission and load projections to identifying the most beneficial locations for DER with respect to system efficiency and reducing the need for system upgrades. Ideally, the planning effort will identify opportunities for DR as well as efficiency and DG.

The Commission should consider near and long-term outcomes with near term outcomes being those actions necessary to establish the framework for continued progress given it may be necessary for larger capital expenditures in the early years of the transition. The necessary infrastructure, or so-called “bridge investments,” (i.e., advanced metering) are items the Commission should consider for early utility incentives.

The Commission also asked if utility “inputs” would be a proper metric to assess performance, for example employees per MW served or cost per distributed MW or customer. Such inputs should not be the basis for incentives given there is no clear relationship between the inputs and the desired outputs other than reducing costs, which could adversely impact service or meeting other goals. The preferred metrics would be more directly related to the REV goals themselves, which if implemented correctly should help control the cost of service.

II. Long Term Rate Plans

AEA supports the concept of longer term rate plans providing periodic, if not annual, reviews are conducted and that there are strong provisions for reopening the rate plans for failures to achieve milestones or required outcomes.

Earnings sharing mechanisms remain useful under a new vision for utility service but will need careful development to balance providing sufficient incentives for utilities without creating the opportunity for a “windfall” that should more appropriately accrue to the rate payers. In addition, the sharing mechanisms could differ based on whether or not the savings are created by meeting the clear goals of REV versus other activities.

III. Rate Design

We cannot comment on the specific questions raised by staff at this time, but believe the rate design process will become more complicated and even more important under a new energy vision. Rate design will need to account for the value of new products and services and their impacts as well as the overall goals of the REV. We believe advance metering and time of use rates will be important considerations, as will changes in technology over time with increased charging of storage or vehicles, for example. Additional dialogue will be key in establishing rate designs that stakeholders believe are fair to consumers and effective to achieve the Commission’s goals.

C. Conclusion

We thank the Commission for the opportunity to comment on this important undertaking. The vision identified in the Staff Report holds great promise but will require thoughtful and deliberate implementation; we look forward to working with the Commission and other active parties to ensure the REV proceeding produces a cleaner, more efficient energy supply for all New Yorkers without disrupting the state’s current success stories.

Respectfully Submitted,



David Hepinstall, Executive Director



Valerie Strauss, Director of Policy & Regulatory Affairs

July 18, 2014

ATTACHMENT (copy of comments submitted to NYSERDA)**COMMENTS OF THE ASSOCIATION FOR ENERGY AFFORDABILITY, INC.
REGARDING ESTABLISHMENT OF A CLEAN ENERGY FUND****I. Introduction**

The Association for Energy Affordability respectfully submits these comments to NYSERDA for consideration as NYSERDA develops a proposal to create a Clean Energy Fund upon expiration of the existing and separately administered Renewable Portfolio Standard, Energy Efficiency Portfolio Standard and System Benefits Charge.

The Association for Energy Affordability (AEA) is a non-profit organization dedicated to achieving energy efficiency in new and existing buildings in order to foster and maintain affordable and healthy housing and communities, especially those of low-income families. AEA representatives engage in a broad range of educational, technical and construction management activities and services to promote this mission and develop the industry that advances and sustains it.

AEA has been an active participant in the Renewable Portfolio Standard (RPS), Energy Efficiency Portfolio Standard (EEPS), Green Bank (GB) and Reforming the Energy Vision (REV) proceedings. We also work closely with NYSERDA and Consolidated Edison on program implementation and review. Our senior staff includes recognized and respected experts on clean energy solutions and energy efficiency in multi-family buildings.

We understand the Commission's desire to have a single fund for clean energy programs and support merging the funds providing the Commission adopts clear energy efficiency and emissions reductions goals with funding mechanisms and program parameters to ensure state



public policy goals are met. AEA offers the following comments to help NYSERDA staff as it prepares a proposal for creation of a Clean Energy Fund to support efficiency and renewable generation programs post-2015. We also are submitting related comments to the Commission under the REV proceeding and will continue to engage as an active party and dialogue participant in clean energy program development.

II. CEF Framework

A. Provide a Plan Through 2025

The Public Service Commission has directed NYSERDA to put forth a plan for a CEF for 2016-2020, but we strongly suggest that NYSERDA also provide goals and program outlines for 2020-2025. NYSERDA and the Commission have acknowledged repeatedly that continuity and clarity are essential for continuation of clean energy investments, which frequently have relatively long lead times for business and project development. Likewise, obtaining the essential reductions in air pollutant emissions to combat climate change and protect our environment and public health require ongoing commitments. The Governor, Commission and NYSERDA have all supported the NY-Sun program with a ten-year commitment. Other technologies, existing or yet to be developed, including those supporting movement toward near zero energy use in buildings, deserve a similar longer term commitment. New York has a goal of lowering emissions by 80% by 2050, and has new federal obligations under the EPA's Climate Action Plan. Establishing interim goals and ensuring funding support is essential to meeting these longer-term emissions reduction commitments, as well as fulfilling initiative number one of the state energy plan for an energy efficiency commitment that "...promotes broad and deep uptake of efficiency measures across all fuels, and strategically addresses market barriers and gaps to maximize deployment."



B. Track and Achieve Results

As indicated in our comments in the Reforming the Energy Vision proceeding, we believe existing clean energy programs should continue, with modifications, until the changes anticipated under REV are in place and providing verified results equivalent to or better than the existing programs. NYSERDA's proposal for a Clean Energy Fund should include a 10-year program to match the Governor's NY-Sun commitment and include phasing out programs and funding support only in concert with evidence that reforms under REV are fulfilling their anticipated role in animating markets, creating the utility of the future and ensuring a cleaner, healthier environment. Low income customers, and the owners and property managers of affordable multifamily housing, are unlikely to be as active in the retail markets for distributed energy resources and their access and participation will need to be served by market transformation programs that can successfully address the barriers to their participation through targeted deployment of resources from the Clean Energy Fund.

New York should establish aggressive but achievable long-term goals for efficiency and renewable energy, with interim targets and other related metrics. AEA and others suggest the achievable targets of 50% renewable energy by 2025, 20% of projected demand met by efficiency by 2025, and 80% reduction in greenhouse gas emissions by 2050. Interim metrics and detailed market-based strategies for decreasing incentives over time, similar to the newly adopted MW-block approach under NY-Sun, can be developed on a technology or program specific basis with stakeholder input while ensuring progress towards these overarching goals.

In addition to overarching state goals, there should be energy and market animation metrics to track progress. These should be a combination of MWh or MW goals (saved or generated) and customers served but should be actual achievements. Transitions away from



direct incentive programs should be done in a transparent fashion with advance notice to help market adaptation.

III. Program Implementation

A. Continue with Identified Improvements

New York is an acknowledged leader on clean energy and state residents have benefited from the investments made to date. The RPS and EEPS programs have delivered benefits surpassing their costs even under rigid and restrictive evaluation criteria. Changes anticipated from the REV proceeding could accelerate market transformation and increase gains for consumers but without a smooth transition New York could find outside investment decline or disappear and could see its gains to date erode. With continued funding and sound metrics for transitioning some programs from incentives to the market or performance-based ratemaking by the utilities, New Yorkers can continue to reap the benefits of energy efficiency and clean, distributed generation.

The Commission and NYSERDA identified improvements for energy efficiency programs in late 2013. NYSERDA and the Commission should expeditiously pursue those program improvement activities rather than letting new initiatives be delayed or placed “on hold” during the Clean Energy Fund and REV proceedings. Allowing increased flexibility by program administrators during this period may both spur innovation and permit early testing of ideas relevant to the reformed energy vision. Additional regulatory actions can also help ensure cost-effective use of ratepayer funds during this transition period. These include reform or elimination of standby rates that impede adoption of distributed generation; increased support for on-bill and property-assessed financing to make efficiency, demand management and distributed generation more affordable; more appropriate evaluations of the cost/benefit equation/TRC in

efficiency and renewable programs to account for and prioritize social and environmental benefits; re-evaluation of the balance between NYSERDA's whole building approach to efficiency implementation and utilities' measure specific incentives phased over time in a portfolio of buildings; and streamlined interconnection for clean distributed generation.

B. Support Underserved Populations

In the quest to drive further progress in adoption of energy efficiency and distributed generation and market transformation that reduces reliance on incentive programs, we must not lose sight of the fact that "one size" does not fit all situations, and that many existing programs have been successful and can continue to be important avenues for some technologies and some consumer groups that would otherwise not have market access.

As NYSERDA and the Commission have both acknowledged, there will be sectors of the public that will continue to be unable to access energy efficiency and clean generation through the marketplace. To help address this concern, the state's approach to clean energy should include the following:

- Recognition and treatment of multifamily buildings (defined as all residential properties with 5 or more residential units, with no upper limit) as a separate sector for program design and implementation purposes;
- Assurance that programs or market animation activities of any type, designed and implemented by either the utilities and/or NYSERDA, will address housing where low and moderate income households live, including multifamily, affordable or supportive housing, and other predominantly rental properties where the negative consequences of the "split incentives" issue are most pronounced and must be addressed;
- Assurance of equitable access to Green Bank supported financing that can help provide equal access to distributed energy resources -- especially but not solely energy efficiency resources -- for low-income households and affordable multifamily housing; and



- Development of strategies and plans to incorporate leveraging the US Department of Energy’s low-income Weatherization Assistance Program administered by New York State Homes and Community Renewal and carried out throughout the State by local weatherization subgrantee agencies with direct access to these hard-to-reach utility customers.

Since many communities with affordable multifamily housing bear a disproportionate share of the environmental and public health impacts of energy generation, the state should also take steps to ensure that these impacts are mitigated and that these communities are able to economically benefit from the new energy vision the state proposes.

C. Assist with Advanced Metering and Data Access

Meeting the REV proceeding goals will, in our view, necessitate well planned promotion of wide spread advanced metering technology in the mass market, including the residential and multifamily building sectors, in order to allow customers to manage their energy use and ensure verifiable results that can be used in utility planning and operations. Advanced metering and data acquisition will be fundamental to customer engagement, demand management, demand response and smooth integration of energy storage and distributed generation. NYSERDA should consider how and where its programs will be needed to facilitate widespread adoption of advanced metering and data acquisition in support of the reformed energy vision of the future.

D. Implement Fuel Neutrality for Efficiency Programs

The new Clean Energy Fund should remove barriers to comprehensive energy efficiency efforts where non-electric energy use must be addressed and where fuel switching can greatly improve emissions and therefore environmental quality and public health outcomes. Exclusion of dual fuel or interruptible gas and oil heated multifamily buildings from participation in the



State's energy efficiency programs has led to lost opportunities for energy efficiency savings and emission reductions. Current programs also prevent comingling of funds, which can cause confusion and which prevents implementation of cost-effective and environmentally beneficial efficiency solutions. We acknowledge there are equity considerations in using electric ratepayer funds for non-electric DER projects and for serving customers who obtain electricity from different providers than heating fuel but the REV is precisely the forum for a more comprehensive approach to meeting our energy needs. Fuel neutrality is particularly important when addressing the energy upgrade opportunities in old housing stock in many sections of New York where low-income households often live.

IV. Conclusion

In summary, we support the concept of a single clean energy fund and the changes being discussed within the REV proceeding. New York needs a 10-year plan with interim goals for clean energy and emissions reductions, with specific programs changing over time as some existing efforts transition to non-incentive based implementation. Existing state support for technologies and markets should not decline unless and until animated markets and utility programs are showing verified results in producing the desired and necessary outcomes. Energy efficiency should be prioritized as a cost effective means of stabilizing customer bills, engaging consumers, and decreasing the need for costly new generation since the best megawatt is the one not used. We also believe it is the state's proper role to ensure all sectors have access to and can afford clean energy resources, including low and moderate income consumers who are hardest hit by high energy bills.

Respectfully Submitted,



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