CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Gas Demand Response Pilot Implementation Plan, 2025

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Case 23-G-0147

Contents

1 Executive Summary

Consolidated Edison Company of New York, Inc. (“Con Edison” or “the Company”) is proposing a restructured and improved Smart Usage Rewards for Natural Gas Customers Program in response to the New York Public Service Commission’s (“the Commission”) *Order Regarding Long-Term Natural Gas Plan and Requiring Further Actions* as part of the Gas Planning Proceeding ("GSLTP Order") in Case 23-G-0147 to develop a Gas Demand Response (“DR”) program.[1] Con Edison will establish a Gas DR Pilot Program (“the Program”) that aims to reduce net customer gas demand during peak hours on the coldest days of the year. Gas DR will be piloted for four years (Winter 2025/2026 through Winter 2028/2029) in Con Edison’s service territory, and with a proposed prescribed limit for the number of customers who can participate.

Con Edison intends to use the Program to gather insight into optimal gas DR operational and incentive parameters and customer response to program design and incentive levels. The Program will build upon lessons learned from the previous iteration of the Smart Usage Rewards for Natural Gas Customers Program that the Company piloted from 2018/19 Winter Capability Period through 2021/22 in addition to lessons from other gas DR programs that have been implemented in New York and North America more broadly.

This Implementation Plan outlines the key parameters of the proposed Gas DR Program, which consists of a Bring Your Own Thermostat (“BYOT”) Gas DR Pilot for Con Edison’s residential gas customers in 2025. Additionally, Con Edison will consider developing a Performance-Based Gas DR Pilot, primarily targeting Con Edison’s commercial and industrial (“C&I”) gas customers and multi-family buildings with centralized heating systems that will include looking at potential beneficial impacts from reduction to peak gas supply.

Con Edison will leverage existing capabilities and procedures from its electric DR programs into the Gas DR Pilot Program’s design with the goal of making participation attractive for all customers including existing electric DR customers, many of whom are often also gas customers, and aggregators. Additional incentives will be provided for customers in Disadvantaged Communities (“DACs”).

The Company is requesting a total funding allocation of $3,035,900. This includes $1,535,900 to administer the BYOT Gas DR Pilot over four capability periods and $1.5 million for additional consulting and research necessary to develop and propose a Performance-Based Gas DR Pilot for the 2026/2027 Winter Capability Period by the end of 2025. The Company seeks flexibility to reallocate financial resources across various components of the Gas DR Pilot Program as needed. If costs are higher than anticipated, the Company will notify DPS staff and

[1] Case 23-G-0147, *In the Matter of a Review of the Long-Term Gas System Plans of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc.* (“GSLTP Proceeding”), Order Regarding Long-Term Natural Gas Plan and Requiring Further Actions (issued September 20, 2024) (“GSLTP Order”).

requests the ability to defer the excess amount and recover these costs in the next Con Edison gas rate filing.

Following the submission of this Implementation Plan and pending Commission action on the Gas DR Pilot Program, Con Edison will continue preparing administrative functions to enable the launch of the BYOT Gas DR Pilot in time for the 2025/2026 Winter Capability Period. During this period, Con Edison will continue engaging customers and the market, and will provide quarterly updates to Department of Public Service Staff ("Staff") and respond to any Staff concerns and recommendations.

2 Introduction

2.1 Background to the Gas DR Pilot

Con Edison delivers natural gas to 1.1 million customers in Manhattan, the Bronx, the First and Third Wards of Queens, and most of Westchester County. Natural gas is delivered by interstate pipelines to Con Edison at various points in or near its service territory and is distributed to customers through approximately 4,400 miles of mains and 380,000 service lines.[2] Con Edison must have sufficient pipeline capacity available to meet its customers' demand on a peak design day. The design day customer demand only reflects gas used by firm gas customers and does not include, for example, the gas supply needs of customers taking interruptible delivery service or electric generating stations; to the extent interruptible customers require fuel on the coldest days of the year, they are required to use an alternate fuel.

From November 2018 to March 2022, Con Edison implemented a Gas DR pilot program to test "the feasibility of incentivizing customers to reduce net natural gas demand during the entirety of peak gas demand days … on very cold winter days."[3] In response to the Commission's GSLTP Order regarding long-term natural-gas planning, Con Edison will explore a restructured approach for gas DR offerings.[4]

Con Edison seeks to launch a BYOT Gas DR Pilot for the 2025/2026 Winter Capability Period. This Implementation Plan describes the characteristics of the BYOT Gas DR Pilot, as informed by Con Edison's operational requirements, and the capabilities of Con Edison's customers and the market using smart thermostat technology.

2.2 Gas DR Pilot Objectives

The BYOT Gas DR Pilot will test the feasibility of incentivizing customers to provide net

[2] Data as of January 2025.

[3] GSLTP Proceeding, Gas System Long-Term Plan for Consolidated Edison Company of New York, Inc. and Orange & Rockland Utilities, Inc. (filed November 29, 2023) ("Final GSLTP"), p.44.

[4] GSLTP Proceeding, GSLTP Order, p. 48.

reductions of natural gas demand during peak gas demand hours (from 6:00am to 10:00am) on the coldest days of the winter.

The overall goals of the BYOT Gas DR Pilot are to:

- Understand the magnitude of load reduction that customers are able to provide following notification over a 4-hour window from 6:00am to 10:00am ("event");
- Test customer engagement as measured by number of customers enrolled and participant reaction;
- Inform the process of setting program incentive levels; and
- Provide data on reliability and repeatability of total reductions during events, as an input to Con Edison's peak day gas demand forecasting process and peak hour infrastructure capacity requirements.

The BYOT Gas DR Pilot will be offered initially in the 2025/2026 Winter Capability Period and will continue being offered through the 2028/2029 Winter Capability Period. Con Edison will evaluate the results of the BYOT Gas DR Pilot during and after this period to determine if it should be established as a full program.

3 BYOT Gas DR Pilot Description

The BYOT program is a residential and small commercial electric DR offering that supports electric system reliability primarily by using Wi-Fi enabled thermostats to control participants' central air conditioning units and reduce energy demand at times of critical system need. Customers have the ability to remotely control their central air conditioning units online through a personal computer or mobile device at all times and thus can override events called by Con Edison regardless of the customers' location. Direct Load Control has been offered in Con Edison's electric service territory since 2002. To implement the principles in the Reforming the Energy Vision ("REV") proceeding, since 2014 the Company offers a Bring Your Own Thermostat ("BYOT") option that allows customers to enroll a thermostat through certain service providers or thermostat manufacturers.

Con Edison proposes a similar BYOT DR option for natural gas customers to reduce gas usage at peak times in the period starting November 1 and ending March 31. Customers will participate in the BYOT Gas DR Pilot by providing their own control device and enrolling through a service provider (i.e., smart thermostat manufacturers). Through the BYOT Gas DR Pilot, Con Edison will target customers who have previously enrolled in the electric BYOT program, as well as new customers who have eligible Wi-Fi thermostats. Service providers that currently participate in the electric BYOT program will be eligible, and encouraged, also to participate in the BYOT Gas DR Pilot.

The BYOT Gas DR Pilot offering will allow customers to enroll a thermostat through service

providers and receive a one-time sign-up incentive. Under the BYOT Gas DR Pilot, Con Edison is proposing an upfront sign-up incentive of $15 per device and $20 if the device is located in a DAC.

The BYOT Gas DR Pilot seeks to enroll up to 12,000 participating customers by 2029. This estimate is based on the previous Gas DR Pilot, where the Company enrolled over 6,970 devices by the end of the pilot. The proposed budget (see section 5.1) includes incentive payments for customers and service providers, marketing for BYOT Gas DR Pilot enrollment, set up fees, and administrative costs.

3.1.1 Marketing, Outreach, and Customer Engagement

Overall, the marketing strategy for the Gas DR Pilot Program will be similar to that of the Electric DR program. In addition to other efforts, Con Edison expects to cross-market the Gas DR Pilot Program with its Electric DR programs to reach customers who have already expressed interest in DR participation.

For the BYOT Gas DR Pilot, this will occur through the residential-targeted channels that the current BYOT Electric program uses with additional targeted marketing to grow enrollment. Con Edison will prepare marketing collateral used to educate customers on the BYOT Gas DR Pilot by partnering with smart thermostat manufacturers to send targeted emails to customers promoting the program. Additionally, the Company will add Gas DR Pilot Program details to the Smart Thermostat web page.[5]

3.1.2 Engaging Disadvantaged Communities

Con Edison is committed to fostering stronger collaboration with customers and stakeholders in Disadvantaged Communities, as defined by the New York State Climate Act, as part of the transition to a clean energy future. In addition to prioritizing marketing and outreach efforts across different customer segments in DACs, Con Edison is providing an additional $5 incentive for DAC residents.[6]

Con Edison's engagement with DACs will occur through targeted emails that communicate program incentives and additional educational collateral for DAC customers to learn more about the benefits of DR in their communities. Con Edison will track and report on Gas DR Pilot participation from customers in DACs, including how incentive costs and program benefits accrue in these communities. This effort supports the CLCPA goal of attributing 40% of the overall benefits of spending on clean energy and energy efficiency programs, projects, or

[5] Gas DR Pilot Program details will be added to the Con Edison Smart Thermostat Webpage: https://www.coned.com/en/save-money/rebates-incentives-tax-credits/rebates-incentives-tax-credits-for-residential-customers/bring-your-thermostat-and-get-85.

[6] The Company utilizes NYSERDA's Disadvantaged Communities map to determine which customers in its service territory to identify eligible DAC customers: https://www.nyserda.ny.gov/ny/disadvantaged-communities

investments to DACs.[7]

3.2 Operational Parameters

Table 1 summarizes the key parameters for the BYOT Gas DR Pilot.

Table 1. Summary of BYOT Gas DR Pilot Parameters

Parameter	Definition
Event Trigger	• The event trigger will be based on a forecasted low temperature at the Central Park weather station as forecasted by Con Edison 24 hours in advance of the event day.[8] • For the 2025/2026 Capability Period, the trigger is estimated to be 15°F. The event trigger may be reassessed prior to each Capability Period.[9] • Con Edison will have the right to call events based on the forecasted Event Trigger but is not obligated to call an event.
Frequency of Events	• Based on previous 10 years of weather data, Con Edison projects an average of 3-5 events per capability period per customer with the 2025/2026 Winter Capability Period event trigger of 15°F. • Con Edison may call one or more Test Events per capability period, depending on the frequency of Planned Events.
Capability Period	• November 1 through March 31.
Contracted Hours	• 4-hour period (6:00am to 10:00am), 7 days a week (weekdays, weekends, and holidays), during the Capability Period.
Notification Time	• An advisory notification will be provided to participants in advance of the event.
Load Relief	• The benefit to Con Edison's gas system is the load relief achieved during a 4-hour event period, compared to the customer's estimated usage ("Load Relief").

[7] Additional information about Con Edison's approach to DACs is available in the Company's Supplemental Disadvantaged Communities Report.

[8] Con Edison may call a test event to understand how participants respond.

[9] The anticipated event trigger may change based on re-assessment of the system after the 2024/2025 winter prior to the 2025/2026.

4 Performance-Based Gas DR Pilot Proposal

Con Edison intends to file an additional implementation plan prior to the end of the year highlighting a Performance-Based Gas DR Pilot during the 2026/2027, 2027/2028, and 2028/2029 capability periods. To file this proposal, the Company plans to engage consulting support and stakeholders to determine the parameters and program design for the Performance-Based Gas DR Pilot. This engagement will help the pilot meet its objectives, listed in Section 2.2, as well as provide reliable benefits to customers and the overall gas system.

5 Gas DR Pilot Program Budget

5.1 Budget Breakdown

5.1.1 Overview

This section outlines the budget for the delivery and administration of the BYOT Gas DR Pilot Program for four years (November 2025 to March 2029) and to fund additional research required for the development of a Performance-Based Gas DR Pilot implementation plan. Con Edison is requesting $3,035,900 for the implementation of a four-year BYOT Gas DR Pilot and Performance-Based Gas DR Pilot proposal development.

Budget amounts are based on estimates of adoption within Con Edison's customer base. Con Edison will inform Staff of any material revisions to the Gas DR Pilot Program that are the result of customer participation that differs from expectations. The Company requests the flexibility to reallocate funds within the overall budget estimate for the duration of the Gas DR Pilot Program.

5.1.2 Budget Proposal

Con Edison requests the following initial funding to support the first capability period of the Gas DR Pilot:

1. **Bring Your Own Thermostat (BYOT) Program**: This includes costs associated with the implementation and management of the BYOT initiative. Table 2 below provides a summary of the estimated budget for the four-capability period delivery of the BYOT Gas DR Pilot. Con Edison has estimated the budget on an annual basis. The cost estimate for customer Incentives in the BYOT Gas DR Pilot Budget is approximately $182,000 for the four capability periods. Administration costs include expenditures for incremental marketing, outreach, evaluation, measurement & verification, and other customer engagement activities. Implementation costs include expenditures provided to the Company's third-party implementation vendor and funds allocated for the day-to-day operation of the BYOT Gas DR Pilot.

Table 2. BYOT Gas DR Pilot Budget for Program Implementation, 2025-2029

Category	2025/2026	2026/2027	2027/2028	2028/2029	Total
Implementation	$210,000	$250,000	$275,000	$295,000	$1,030,000
Administration	$75,000	$78,800	$82,700	$86,800	$323,300
Incentives	$106,500	$ 45,600	$15,200	$15,200	$182,600
Total Budget	$391,500	$374,400	$372,900	$397,000	$1,535,900

2. **Performance-Based Program**: Table 3 below provides a summary of the estimated budget for additional consulting and research necessary for the development and proposal of a Performance-Based Gas DR Pilot for the 2026/2027 Winter Capability Period. The Company will adjust and propose additional expenditures in its final proposal to be filed before the end of 2025.

Table 3. Performance-Based Gas DR Pilot Proposal Budget, 2025-2026

Category	2025/2026
Consulting	$1,500,000
Total Proposal Budget	**$1,500,000**

***Re-filed implementation plan will include adjusted program parameters to include performance-based considerations*

5.2 Reporting and Benefit-Cost Analysis

Con Edison proposes to update this implementation plan annually and submit an annual report to summarize pilot performance and share lessons learned. Updates to the implementation plan and annual report shall be submitted annually by July 1.

Con Edison has developed a Benefit Cost Analysis ("BCA") Handbook to provide a common methodology for calculating benefits and costs of projects and investments related to gas demand reductions and/or supply-side additions. A program is considered to be cost-effective when the BCA Societal Cost Test ("SCT") result is 1.0 or greater, i.e., providing more benefits than costs to society.

Con Edison will evaluate the cost-effectiveness for the Gas DR Pilot Program using the Gas BCA Handbook,[10] and report on the cost-effectiveness of the Gas DR Pilot Program using the SCT in its annual report.

[10] Case 19-G-0066, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service,* Petition of Consolidated Edison Company of New York, Inc. for Approval of Specific Non-Pipeline Alternative Projects – Appendix A: Gas Benefit-Cost Analysis Handbook (filed December 22, 2021).

5.3 Cost Recovery Mechanism and Process

The Company proposes to recover costs associated with the Gas Demand Response Pilot Program costs as incurred through a surcharge on the Monthly Rate Adjustment (“MRA”) statement, applicable to Firm Sales and Firm Transportation Customers.