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April 3, 2014

Honorable Kathleen H. Burgess
Secretary
New York State
Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223

RE: Rider L – Direct Load Control Program

Dear Secretary Burgess:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") is filing with the Public Service Commission ("Commission") amendments to its Schedule for Electricity Service, P.S.C. No. 10 – Electricity (the "Tariff"), applicable to its customers in the City of New York and the County of Westchester.

The Company is proposing changes to Rider L, its tariffed Direct Load Control ("DLC") program. The Tariff leaves, which are identified below, have a proposed effective date of July 1, 2014:

Tariff Leaf No.	Revision No.	Superseding Revision
211	5	4
212	4	3
213	4	3

Background

The DLC program is currently available to customers who agree to have a Control Device installed by the Company on their central air conditioning equipment. The Control Device allows the Company to remotely control the equipment to cycle the compressor, in order to provide load relief during an Event called by the Company or

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NYISO. In 2002, following a successful 2001 pilot program, the Company commenced the DLC program using Control Devices that communicate with the Company by pager. In 2013, the Company started using Internet-connected Control Devices.

Customers who enroll in the DLC program receive a Control Device free-of-charge plus a sign-up bonus. Customers billed under SC 1 – Residential and Religious receive $25, paid by check or gift card. Customers in other SCs and customers of NYPA receive a $50 payment.

Reason for Filing

The Company proposes to increase the number of customers participating in the DLC program by allowing customers to install and connect their own Control Devices and enroll in the DLC program through a Company-approved Service Provider (i.e., a provider registered with the Company to develop, maintain, and operate a communications portal that enables Internet-connected Control Devices to participate in the DLC program). This will leverage changes in communication technology and the growth in the market of smart, Internet-connected thermostats.[1] Customers will be eligible to enroll already-installed and newly-installed Control Devices from multiple Service Providers.

Tariff Changes Proposed

To incentivize participation, the Company proposes to provide sign-up bonuses and annual participation credits to customers who enroll a Control Device in the DLC program through a Service Provider. Customers will receive a sign-up bonus of $85, paid by check or gift card at the Company's discretion, after the Company has confirmed that it can communicate with the Control Device. The payment will compensate the customer for its first two years of participation in the DLC program.

To retain and reward participation beyond the first two years, the Company will provide an annual incentive of $25, payable by check or gift card at the Company's discretion, to customers who enroll a Control Device through a Service Provider starting with the third Summer Period (defined under this program as the period May 1 through September 30) after enrollment. Payment will be made after each Summer Period in which the Company can verify that the customer allowed the Company to control the Control Device for no less than 50 percent of the aggregate number of Event hours declared by the Company during that Summer Period.

[1] In its *Order Adopting Modifications and Tariff Revisions Related to Demand Response Programs*, issued and effective April 19, 2013, in Case 09-E-0115 (the "April 2013 Order"), the Commission noted, regarding new thermostat installations (p. 11), "The Company's proposed multi-pronged approach, including, in part, allowing customers a choice of thermostats, is a reasonable approach."

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Several "housekeeping" changes have also been made to Rider L. First, in the Applicability Section of Rider L, the obsolete sentence about the Peak Shaving Pilot Program was deleted. The Commission's *Order Adopting With Modifications Tariff Amendments Related to Demand Response Programs*, issued and effective March 15, 2012, in Case 09-E-0115 ("March 2012 Order"), approved the Company's November 2011 proposal to eliminate the Peak Load-Shaving Pilot for 2012 and instead add peak-load shaving as a reason for calling an Event. Second, in the section about the one-time payments made to customers who receive a Control Device from the Company, text about payment to "any customer of NYPA, NYCPUS, or COWPUSA" was replaced with "accounts billed under the PASNY Schedule." NYPA, NYCPUS, and COWPUSA served customers under the EDDS Schedule, P.S.C. No. 11 – Electricity, but that Schedule was canceled as of March 1, 2014, in Case 13-E-0030. NYPA continues to serve customers under the PASNY Schedule, P.S.C. No. 12 - Electricity. Third, the existing third condition about when an Event may be called (i.e., forecasted load level of at least 94 percent of the forecasted summer system wide peak or specific network peak) was replaced with a more accurate description of when the Company may call an Event to reduce system or network peak (i.e., when the NYISO activates its Special Case Resources Program).[2] Fourth, the definition of "Load Relief Period" was deleted, because it became obsolete when the Commission's March 2012 Order approved the Company's Rider L tariff changes, which included a new definition of "Event," which consolidated the "Emergency Event" and "Peak Load-Shaving Event" definitions.

Program Details

The Company is not proposing to increase the annual $4 million allocated to the DLC program. The Company anticipates that its use of Service Providers will reduce its enrollment and registration costs, due to reduced equipment, installation, and marketing costs compared to the existing DLC program component. The Service Provider-enrolled DLC program component is expected to utilize approximately $350,000 of the annual DLC program budget, based on current enrollment projections and estimated Service Providers' start-up costs. Service Providers will receive a negotiated start-up payment to cover the cost of website creation and process management, and an annual per-thermostat payment to cover marketing and ongoing program costs.

The proposed customer sign-up bonus was determined after consulting both with Austin Energy, which has successfully used vendor partners to enroll more than 4,000 customers with Control Devices under its Power Partner program, and with Nest, one of its vendor partners. The proposed sign-up bonus of $85 was set at the same amount as that used in Austin Energy's Power Partner program.[3] After discussions with likely

[2] The Commission's April 2013 Order directed the Company to call Events when the NYISO activates its Special Case Resources Program.

[3] http://www.austinenergy.com/wps/portal/psp/Residential/Offerings/Cooling+and+Heating/power-partner-thermostats

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Service Providers, the Company set the $25 incentive payment starting with the third summer period at a level that should be sufficient to incentivize customers to continue participating in the program.

On an ongoing basis, the Company will revisit available funding, and, depending on DLC program results, may allocate funds between the existing DLC program component and the proposed Service Provider-enrolled component based on cost effectiveness and success in the market. The Company may also consider expanding the number of Service Providers as future funding allows. In addition, it may file tariff changes in the future to amend the bonus payment and/or annual incentive amount based on market conditions and program accomplishments.

The benefits per thermostat are expected to be the same under the Service Provider-enrolled component as under the current DLC component, because both components will draw from the same customer demographic, and the number of Events will be the same for both. The Company utilized the Freeman, Sullivan & Co. model ("FSC")[4] to apply a Total Resource Cost ("TRC") test to the proposed addition of Service Provider-enrolled customers. Con Edison assumes the following for Control Devices enrolled through a Service Provider:

- Overrides will occur at the same rate as currently seen with Company-provided Control Devices.
- Events will be called, on-average, five times per year, with each Event lasting five hours.
- Each Control Device will represent 1.0 kW of reduction based on the Company's experience with residential DLC participants.
- There will be a 2.2 percent attrition rate per year.

Based on the above assumptions and a first-year enrollment of 2,000 customers with Control Devices, the Service Provider-enrolled DLC program component has a TRC score of 3.15.[5]

Conclusion and Notice

The Company is filing these changes to become effective on July 1, 2014. Newspaper publication of the proposed tariff changes will be made on April 11, 18, 25, and May 2, 2014. Copies of this filing are being sent electronically to the active party list in Case 09-E-0115, with hard copies sent to those parties that have not consented to electronic service.

Sincerely,

[4] This is the same FSC model used in the most recent demand response proceeding, Case 13-E-0573.

[5] This TRC may be understated given that customers who have purchased a Control Device may have a predisposition to participate.

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/s/ William A. Atzl, Jr.
Director
Rate Engineering Department