Received: 09/24/2015

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September 24, 2015

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

RE: Commercial Demand Response Programs – Commercial System Relief Program and Distribution Load Relief Program

Dear Secretary Burgess:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") is filing with the Public Service Commission (the "Commission") amendments to its Schedule for Electricity Service, P.S.C. No. 10 – Electricity (the "Electric Tariff"), applicable to its customers in the City of New York and the County of Westchester, and its Schedule for New York Power Authority ("NYPA" or "PASNY") Delivery Service - PASNY No. 12 (the "PASNY Tariff"), applicable to delivery by the Company of power and associated energy to Authority Public Customers under PASNY No. 12.

The Company proposes to combine Rider S – Commercial System Relief Program ("CSRP") and Rider U – Distribution Load Relief Program ("DLRP") into new Rider T - Commercial Demand Response Programs and to make changes to CSRP and DLRP. The Company also proposes changes to General Rules 8.2, 8.3, 11, and 26.1, and Riders L, V and W. In addition, the Company proposes conforming changes to "Charge for Demand Management Programs" in the PASNY Tariff.

The Electric and PASNY Tariff leaves, which are identified in Appendix A, are filed to become effective on December 27, 2015.

Reason for Filing

The Commission's Order Adopting Tariff Revisions with Modifications, issued and effective March 13, 2014, in Case 13-E-0573 (the "2014 Order"), approved, with modifications, the Company's proposed Three-Year Incentive Payment for both CSRP and DLRP. In general, the Company's proposed changes are designed to simplify its

Received: 09/24/2015

demand response programs and increase participation in the programs.[1] In particular, the Company proposes tariff changes that will eliminate the Three-Year Incentive Payment and provide incentives coincident with the year in which demand response is provided.

Additional changes are proposed for consistency and housekeeping purposes.

Tariff Changes Proposed

Changes to CSRP and DLRP

New Rider T – Commercial Demand Response Programs combines the provisions of existing Rider S and Rider U and makes the following programmatic changes:

- Aggregators will be required to contract to provide at least 50 kW of Load Relief under the Voluntary Participation Option and/or the Reservation Payment Option of CSRP or DLRP. Currently, Aggregators must contract to provide at least 100 kW, while Direct Participants must provide at least 50 kW. This proposed change will enable more Aggregators to participate.

- Three-Year Incentive Periods and associated Three-Year Incentive Payments and Aggregator Network Resources will be eliminated under CSRP and DLRP. When the Company proposed the Three-Year Incentive Payment in Case 13-E-0573, the multi-year payment was intended to encourage customer re-enrollment from year to year, encourage customer performance during events, and improve the accuracy of demand response capability forecasting for system planning. However, experience with the Three-Year Incentive Payment over the last two years has not demonstrated that it meets these objectives. Of the 2014 megawatt enrollments, only 48 percent of DLRP enrollments and 60 percent of CSRP enrollments are currently qualified to receive the Three-Year Incentive Payment. In addition, the Three-Year Incentive mechanism has not been effective for the Company's long-term planning. Customers may enroll in different years and, therefore, become eligible for this incentive in different years. Because a customer may choose not to re-enroll in a program after completing a three-year term, the Company in any given year does not know the full extent of enrollments three years out. Furthermore, based on the Company's experience and Aggregator comments[2] and feedback,[3] the Three-Year Incentive has not been

[1] *See* Case 14-E-0423, *Proceeding on Motion of the Commission to Develop Dynamic Load Management Programs*, Order Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings, issued and effective June 18, 2015.
[2] Case 14-E-0423, *Order Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings*, Comments of the Joint DR Companies, January 26, 2015, pp. 3-4.
[3] In May 2015, Con Edison sent a 23-question survey to its DR program Aggregator customers. Nine of thirteen respondents strongly support replacing the Three-Year Incentive with a higher Reservation Payment rate.

Received: 09/24/2015

conducive to market animation. There are several possible reasons for this: customer budget cycles typically look only one year ahead; the Three-Year Incentive has stringent qualification criteria; and smaller Aggregators may be disinclined to participate if they do not have the financial strength to wait for three years for payment. Finally, the Company procured a Demand Response Management System ("DRMS") that is used by grid operators and utilities around the world to facilitate the operational functions of demand response. The Company has learned that no entities served by the DRMS vendor have a delayed incentive model similar to the Company's Three-Year Incentive Payment. Also, no utilities in the state other than Con Edison offer a delayed incentive. Maintaining the multi-year incentive would result the Company having to pay the DRMS vendor for expensive system customization**.** The Company believes that replacing the current multi-year incentive with an increased upfront incentive will more effectively retain customers from year to year, attract new customers, and improve annual performance.

Assuming these changes are approved by the Commission, two months after approval, the Company will pay the Three Year Incentive Payments to Aggregators and Direct Participants for their resources that qualified for the Three-Year Incentive Payment by the end of the 2015 Capability Period. The Three-Year Incentive rate will be paid to qualified resources for each month of participation.[4]

Because the Three-Year Incentive will be eliminated, the Company proposes to increase Reservation payment rates, starting in the 2016 Capability Period. The newly proposed Reservation payment rates are based on the avoided infrastructure costs that were filed in the 2015 electric rate case, Case 15-E-0050. The new Reservation payments are cost-effective, because the Ratepayer Impact Test has a 1.04 benefit/cost ratio and the Total Resource Cost Test has a 1.38 ratio.

- The Company will continue to measure the performance of Aggregators under CSRP and DLRP by Network. The Company has added a definition of "Network," indicating that it refers to a distribution network or load area designated by the Company.

- The Company will allow participants that are not billed monthly using interval metering at the time of application an additional 29 calendar days to have their communications service operational. Participation can commence under the

[4] The Three-Year Incentive Payment rate will be applied to the kW levels used to calculate the monthly Reservation Payments for the year (2015) or years (2014 and 2015) in which the resources qualified for Three-Year Incentive payments (*i.e.*, the kW of contracted Load Relief multiplied by the monthly Performance Factor). The rate is $10 per kW per month under CSRP and $5 per kW per month under DLRP.

Received: 09/24/2015

Reservation Payment Option of CSRP or DLRP: (a) on May 1, if a completed application is received by April 1, interval metering is installed by April 1, and meter communications are operational by April 30; or (b) on June 1, if a completed application is received by May 1, interval metering is installed by May 2, and meter communications are operational by May 31. If the application is received by May 1, but the above deadlines for installation of interval metering and meter communications are not met, service may commence on July 1, provided the interval metering is installed by June 1 and meter communications are operational by June 30. Currently, the Company requires both the metering and communications to be operational at least 30 days in advance of service commencement, and service may commence on July 1 for participants not billed monthly using interval metering only if the application is received by April 1. Extending the deadline for the communications service to be operational will increase enrollment and facilitate more immediate participation. The Company plans, once the communications service is operational, to extract the meter data for the prior 30 days in order to calculate the customer's baseline.

- Applications under the Voluntary Participation Option of CSRP and DLRP will be accepted at any time, provided the required metering and communications service are operational. Currently, participation under both the Voluntary Participation Option and the Reservation Payment Option commence under the same time schedule, *i.e.*, no later than June 1 or, if interval metering was not used for billing at the time of application for CSRP or DLRP, July 1. Because Voluntary Participation Option customers are not paid monthly Reservation Payments, the Company believes there is no reason to limit enrollment for these customers to certain months. Rather, enrolling voluntary customers on an ongoing basis can enhance the Company's operational flexibility to respond to system conditions.

- An Aggregator will be permitted to increase its kW of pledged Load Relief in a Network under CSRP or DLRP during a Capability Period if it enrolls Customers whose Aggregator either exits the program or is suspended from enrollment in the program for noncompliance with Aggregator eligibility requirements or the Company's operating procedures. In such case, the Aggregator enrolling the Customers may increase its kW of pledged Load Relief up to the amount of the transferred Customers' existing kW pledges.

- As in the past, each Direct Participant and Aggregator, for its respective portfolio in the Network, will have a Performance Factor under the Reservation Payment Option of CSRP or DLRP. However, if enrollment is by a new Direct Participant or an Aggregator that did not participate in the program for the Network during the prior Capability Period, the Performance Factor will not be set in the Current Capability Period until the first month in which a Load Relief Period or Test Event is called in the Network. The Company proposes to apply retroactively the

Received: 09/24/2015

Performance Factor determined for that month, starting with the enrollment month, to calculate Reservation Payments for the prior month(s). In the past, the Performance Factor was assumed to be 1.0 until the first month in which a Load Relief Period or Test Event was called, resulting in potential overpayments for performance.

Under the current tariff, an Aggregator's Performance Factor for a Network will carry forward to the start of the next Capability Period. The Company has clarified that this will occur even if there is a change in the Aggregator's portfolio for that Network. For Aggregators that had enrollments in a given Network in 2015, the Aggregator's Performance Factor for that Network at the start of the 2016 Capability Period will be based on the cumulative performance and cumulative contracted Load Relief of its entire portfolio in that Network during the 2015 Capability Period.

- The section "Data Review," applicable to CSRP and DLRP, has been renamed "Administrative Review," because the review may include a review of records and/or operations to verify enrollment information and performance. Two other housekeeping changes have also been made to this section:

    - DLRP currently indicates that an Aggregator that did not cooperate fully and promptly with the review and/or the Rider and/or provided inaccurate information can be deemed ineligible to participate, but this is not stated in CSRP. For consistency, this provision will be applicable to both DLRP and CSRP under new Rider T.

    - Text in DLRP about reviews of Meter Data Service Providers is obsolete and has been omitted from the new Rider.

- The Company has clarified that payments will be made under the Voluntary Payment Option of CSRP and DLRP after the end of the Capability Period, but no later than the end of the calendar year. Currently, CSRP indicates that payment will be made after the end of the program year, and DLRP does not describe when payment will be made.

- Definitions have been added to new Rider T for "CSRP" and "DLRP." In addition, the current definition of "Network" in CSRP has been made applicable to both CSRP and DLRP.

- The current prohibition in CSRP and DLRP on making Performance Payments to customers participating in Rider W - Day-ahead Demand Response Programs (current Leaf 262 and Leaf 285) during concurrent hours has been corrected. As described in Rider W (Leaf 300), payments will be made under CSRP or DLRP

Received: 09/24/2015

during concurrent hours for Load Relief in excess of the Rider W accepted demand reduction bid.

- Service Classification ("SC") 15, which is obsolete, has been eliminated from CSRP and DLRP applicability. SC 15 - Delivery Service to Governmental Agencies was deleted from the Electric Tariff as of March 1, 2014, in Case 13-E-0030.

Changes Specific to CSRP

- The Company will expand CSRP to Westchester. This change is being made to conform to the Commission's directive to expand distribution demand response programs statewide.[5] To reflect the locational value of CSRP resources on the distribution system, the Company will pay the existing Reservation Payment Rate[6] in Westchester County and Staten Island, and a higher Reservation Payment Rate in other areas of the service territory. The Reservation Payment Rate per month will be $6 per kW in Westchester County and Staten Island, and $18 per kW in all other areas if, as of the last day of the month, the Company requested Load Relief in the Network from the Direct Participant or Aggregator for four or fewer cumulative Planned Events since the start of the Capability Period. The Reservation Payment Rate per month will be $11 per kW in Westchester County and Staten Island and $23 per kW in all other areas if the Company requested Load Relief in the Network from the Direct Participant or Aggregator for five or more cumulative Planned Events.

- Penalties and performance adjusted kW under CSRP will be eliminated to promote program growth and provide for consistency with DLRP. There is no penalty under DLRP, and performance has been consistent during Test Events over several years. Having a penalty requires a complex mechanism within CSRP to avoid over-penalizing customers for participation in multiple events. The use of a Performance Factor, which impacts monthly Reservation Payment amounts and is carried year-over-year, holds customers and Aggregators accountable for performance. Also, the increase in the proposed Reservation Payment Rate would commensurately increase the penalty rate, which could hinder program growth.

- A Planned Event will be called under CSRP when the Company's day-ahead forecasted load level is at least 92 percent of the forecasted summer system-wide

[5] The Commission's Case 14-E-0423 *Order Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings*, issued and effective December 15, 2014, directed utilities to offer dynamic load management programs that could be "implemented on a statewide basis with minimal variations."

[6] The Reservation Payment per month under both CSRP and DLRP is equal to the applicable Reservation Payment Rate multiplied by the kW of contracted Load Relief multiplied by the Performance Factor. The CSRP Reservation Payment Rate in NYISO Load J is currently either $10 per kW or $15 per kW depending on the number of designated Planned Events.

Received: 09/24/2015

peak. In the past, a Planned Event was triggered at 96 percent. There were no CSRP events in 2014 and 2015. Making this change will allow the Company to increase the benefits of CSRP to the Company and its customers.

- Text that was in CSRP about making payments pursuant to a filed Statement, based on Requests for Proposals issued for certain networks, is obsolete and has been deleted.

Changes Specific to DLRP

- The Company has eliminated the six-event cap on required performance[7] and Bonus Payments for Bonus Periods and Bonus Hours under DLRP.[8] In the last five years, the Company has not called more than three events in a single Network in a given year, and the concept of Bonus Periods and Bonus Hours has complicated the program rules. Instead, the Company will increase the DLRP Reservation Payment Rate and provide higher payments based on the number of events called in a Network, consistent with CSRP. The Reservation Payment Rate per month will be increased to $18 from $6 per kW in Tier 1 Networks and to $25 from $15 per kW in Tier 2 Networks if, as of the last day of the month, the Company requested Load Relief from the Direct Participant or Aggregator for four or fewer cumulative Contingency Events since the start of the Capability Period. The Reservation Payment Rate per month will be set at $23 per kW in Tier 1 Networks and $30 per kW in Tier 2 Networks if the Company requested Load Relief from the Direct Participant or Aggregator for five or more cumulative Contingency Events.

- The Company will not make payments under DLRP to participants in Rider L – Direct Load Control ("DLC") Program. Currently, Rider L is available to participants in DLRP, but not CSRP. This change is being made for consistency. No DLC participants are currently enrolled in DLRP.

- Customers served under SC 5 will be allowed to participate in DLRP. Currently, customers served under SC 5 are allowed to participate in CSRP, but not DLRP, and the change is being made for consistency.

Changes to Other Tariff Provisions

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[7] Because the six-event cap is eliminated, the Performance Factor calculation (currently on Leaf 290) will no longer only include performance during events after the sixth event if that performance would result in a higher Performance Factor.

[8] Payment was $2.00 per kW per month if Load Relief was provided seven to nine times or $3.00 per kW per month if provided ten or more times in the current Capability Period (Bonus Periods); payment was $3 per kWh for each hour of Load Relief Period commencing in the fifth hour (Bonus Hours).

Received: 09/24/2015

- The Table of Contents of the Electric Tariff (Leaf 6) has been amended to indicate that Riders S and U are reserved for future use and to add new Rider T. A similar change was made to the summary of Riders on Leaf 177.

- General Rule 8.2, Emergency Generating Facilities Used for Self-Supply, and General Rule 8.3, Generating Facilities Used on an Emergency Basis for Export, currently indicate that generating facilities may be operated under Rider S and Rider U. Reference to Riders S and U in General Rule 8.2 has been deleted and replaced with reference to new Rider T. Reference to Rider S and Rider U in General Rule 8.3 has been eliminated, because export is limited under CSRP and DLRP to SC 11 customers. SC 11 customers may export pursuant to the Commission's Order of March 15, 2012, in Case 09-E-0115.

- Text in General Rule 11, Billing Applicable to Service Under Certain Economic Development Programs, (on Leaf 100), indicating how payment will be made for customers served under Riders P, U or V, has been deleted. Payments are made to Aggregators and Direct Participants based on performance as determined on the meter data.

- Text in Rider L – Direct Load Control Program (on Leaf 213) indicating that the program is available to DLRP participants, but not CSRP participants, has been changed. For consistency, Rider L participants may not enroll in either DLRP or CSRP.

- Text in Rider V – Emergency Demand Response Program (on Leaf 295) indicating that Rider V customers served under DLRP will receive the higher of the amount payable under Rider V or DLRP for concurrent load reduction and/or delivery hours has been corrected. As currently specified in CSRP and DLRP, Rider V customers participating in DLRP or CSRP during concurrent Load Relief hours will not receive Performance Payments under CSRP or DLRP.

- Text in Rider W – Day Ahead Demand Reduction Program (on Leaf 300), which indicates that Rider W customers served under DLRP will be paid under DLRP only for load reductions in excess of the Rider W bid during concurrent load reductions, has been revised, for consistency, to also apply to Rider W customers served under CSRP.

- Text on Leaf 341 and Leaf 343 related to the Monthly Adjustment Clause ("MAC") has been revised to reflect the combination of CSRP and DLRP into one Rider and to eliminate obsolete provisions. On Leaf 341 (MAC component 19), reference to "Rider U" has been changed to "the Distribution Load Relief Program under Rider T," and reference to the obsolete Targeted Demand Program approved in Case 0-E-1332 has been deleted. On Leaf 343 (MAC component 33): (a) "the Commercial System Relief Program ("CSRP")" has been

Received: 09/24/2015

changed to the "Commercial System Relief Program ("CSRP") under Rider T;" (b) reference to the Critical Peak Rebate Program and Network Load Relief Program has been deleted, because those programs are obsolete; (c) reference to Penalties paid under CSRP has been deleted, because the Company proposes to eliminate CSRP Penalties; and (d) text about CSRP penalties returned to 2010 participants after October 2011 has been deleted, because that provision was only applicable to customers or Aggregators enrolled in the 2011 CSRP.[9]

- "Charge for Demand Management Programs" on Leaf 26 of the PASNY Tariff has been modified to conform to the changes made to MAC component 33 described above.

Conclusion and Notice

The Company is filing these leaves to become effective on December 27, 2015. The Company will publish notice of the proposed changes on October 5, 12, 19, and 26, 2015. Copies of this filing are being sent electronically to the active party list in Case 13-E-0573 and Direct Participants and Aggregators enrolled in Rider S or Rider U in 2015.

Sincerely,

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

[9] *Order Adopting Modifications to Demand Response Programs*, issued and effective January 20, 2011, in Case 09-E-0115 *et al.*

Received: 09/24/2015

Appendix A

PSC No. 10 – Electricity: List of Tariff Leaves

Leaf No.	Revision No.	Superseding Revision No.
6	4	3
78	3	1
79	3	1
100	3	2
177	7	6
213	5	4
254	4	3
255	6	5
255.1	1	0
256	6	5
256.1	1	0
257	7	6
257.1	5	4
258	6	5
259	4	3
260	6	5
261	6	5
262	5	4
263	6	5
263.1	1	0
264	5	4
265	7	6
265.1	1	0
266	3	2
266.1	2	1
267	6	5
268	2	1
269	2	1
270	2	1
271	2	1
272	2	1

Leaf No.	Revision No.	Superseding Revision No.
273	2	1
274	2	1
275	2	1
276	2	1
277	5	4
278	6	5
279	6	5
279.1	1	0
280	4	3
281	6	5
282	6	5
282.1	6	5
282.2	2	1
283	5	4
284	5	4
285	5	4
286	4	3
287	5	4
288	3	2
289	3	2
290	3	2
291	7	6
291.1	2	1
295	2	1
300	1	0
341	1	0
343	6	5

PSC No. 12 – Electricity: List of Tariff Leaves

Leaf No.	Revision No.	Superseding Revision No.
26	3	1