NEW YORK INDEPENDENT SYSTEM OPERATOR
10 Krey Boulevard ♦ Rensselaer, NY 12144

February 6, 2012

Hon. Jaclyn A. Brilling, Secretary
Public Service Commission of the State of New York
Three Empire State Plaza, 14th Floor
Albany, New York 12223-1350

Subject: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard

Dear Secretary Brilling:

Attached for filing in the above-entitled proceeding are Comments of the New York Independent System Operator, Inc. on the Proposed Rule Making Notice in the above captioned proceeding that was published in the December 21, 2011 New York State Register.

The NYISO is serving its comments on all parties, via electronic or surface mail, to the Active Party List established for this proceeding. A certificate of service is enclosed. Should you have any questions, please contact me by phone at (518) 356-6220 or by e-mail at cpatka@nyiso.com.

Very truly yours,

/s/ Carl F. Patka
Carl F. Patka
Assistant General Counsel

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 07-M-0548 Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard.

COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. ON THE TOTAL RESOURCE COST TEST USED TO ANALYZE MEASURES IN THE ENERGY EFFICIENCY PORTFOLIO STANDARD PROGRAM

The New York Independent System Operator, Inc. ("NYISO") respectfully offers these comments in response to the New York State Public Service Commission's ("PSC" or "Commission") Proposed Rule Making Notice, in the above-captioned proceeding, that was published in the December 21, 2011 New York State Register ("December 21 NOPR"). The comments herein address the importance of using accurate and reliable data to project and measure energy savings.[1]

The NYISO is the independent body responsible for providing open access transmission service, maintaining and planning for bulk power system reliability, and administering competitive wholesale markets for energy, capacity, and ancillary services in New York State. Among its duties is the reliable forecasting of peak demand, energy requirements, energy efficiency, and demand response for the New York Control Area.

Background

In its August 28, 2007 filing, Department of Public Service Staff ("Staff") recommended that the the Total Resource Cost ("TRC") test be used as the primary test to assess program effectiveness. The Commission adopted Staff's recommendation but, as the Energy Efficiency Portfolio Standard ("EEPS") case proceeded, the Commission

[1] These comments were prepared with analysis by Arthur Maniaci, Supervisor, Load Forecasting & Energy Efficiency, NYISO System & Resource Planning.

balanced the efficacy of the test by taking some non-TRC case-specific factors into consideration in order to accommodate certain programs that were deemed socially beneficial but did not pass the test.[2]

In its July 6, 2011 White Paper, Staff provided several options to the Commission for revising the TRC test, but in its October 25, 2011 Order, the Commission determined that the TRC test would not be revised at the time, but that it would consider revising the TRC test in the future.

Having the opinion that "maintenance of the status quo is unwise...." PACE Energy and Climate Center and the Natural Resources Defense Council filed a petition on November 23, 2011, requesting clarification of the Commission's October 25 decision regarding the TRC test, and that a process for revising the TRC test, and/or revising the application of the TRC test be instituted.

Comments

The NYISO bases its comments in response to the December 21 NOPR on what is required to satisfy the responsibility it is tasked with - to project an accurate forecast for purposes of system planning and maintaining electric reliability for New York State. It is essential that the NYISO receive accurate supply and demand data from the various sectors *e.g.*, generators, utilities, and energy efficiency program administrators. The data that factor into a TRC should be accurate, measurable, updated at regular intervals, and provide a balanced economic evaluation of supply-side and demand-side resources. If, however, energy efficiency projections resulting from inaccurate data used in a TRC test

[2] Case 07-M-0548, Order Approving Electric Energy Efficiency Programs with Modifications (June 24, 2009).

are included in the NYISO's energy forecasts, the reliability of electric service could be impacted because such projections are less likely to be obtained as expected.

In order to achieve the highest possible level of accuracy in measuring program results and projected savings, the NYISO recommends that, whatever test the Commission deems most suited to EEPS requirements going forward, specifications for the test include periodic application of the test and rigorous requirements for data collection. In addition, the test should be applied *ex post*, once the results of impact evaluations are obtained, to ensure that all initially determined measures retain their cost effectiveness. If so determined, the resulting energy efficiency programs will provide economic benefits to program participants and, indeed, the entire state of New York.

The TRC Assumptions and Test Results Should Be Updated Annually

In order to achieve an accurate-as-possible projection of all of the components factored into achieving the state's energy efficiency goals, TRC tests should be conducted annually, with updates made to avoided energy, capacity, and underlying fuel costs. This approach will enable program administrators to maintain the cost effectiveness of the programs by adjusting program incentives, budget allocations, and other program components. For example, in the currently accepted EEPS methodology, TRC data such as marginal energy costs were based on 2006 or 2007 NYISO wholesale prices and projected by Staff for the lifetime of program measures. However, natural gas prices have fallen considerably since programs were approved in 2008, thus reducing the value of avoided energy costs. Such data should be updated annually to enable an accurate projection of program benefits.

Measure, Program or Portfolio?

One of the questions that has been raised regarding the TRC test is whether it should be applied for each specific measure, for a set of measures bundled into a program, or for set a of programs bundled into a portfolio. At present, there are more than 100 approved programs, with benefit-cost ("B-C") ratios ranging from just over 1 to values as high as 6 or 7 and a wide variation in between. There can be instances of good program design in which each and every measure need not be required to have a B-C ratio in excess of 1.0. For example, since the cost of travelling to a site can be a significant portion of the overall program delivery cost, there may well be some programs in the residential sector where the bundling of measures may be appropriate, as long as the entire program has a positive B-C ratio. Many authorized programs, such as Small Business Direct Install, Residential Energy Star, and Industrial Process Efficiency Program, are clearly non-measure specific. In these cases, multiple measures are included within a single program.

The important point is that program designers and policy makers are able to make an informed decision about whether specific measures should be included in a program. Without measure-specific information, it is possible that program design and program benefits are suboptimal.

In the case of block-bidding programs, through which third party suppliers provide aggregated energy savings to an EEPS program administrator, measure bundling may mask pertinent information. Projects must pass a TRC test in order to qualify for block-bidding programs, and specific measures must be listed on the bids,[3] but the

[3] NYSEG requirements for "Successful Bidders" at http://www.nyseg.com/UsageAndSafety/usingenergywisely/eeps/blockbid.html

measure-level information is not reported on a monthly basis. This impacts NYISO efforts because a lack of monthly data may affect the ability of the NYISO to develop an accurate energy and peak demand forecast since, without knowing the measures of the program, the NYISO may not be able to properly allocate the energy and peak demand savings to appropriate times of the year. Under such conditions it may not be clear exactly how to apply evaluation, measurement and verification standards to such programs.

Since details of program impacts are needed for proper planning of electric system reliability, the NYISO believes that the components of all programs should be reported at a sufficient level of disaggregation for program evaluation and system planning.

Program Participant Costs Should Be Monitored

The TRC test for EEPS programs includes program participant costs as well as program administrator costs. However, data on program participant costs are not being collected, hence a key input to the TRC is unknown. These costs should be collected and reported by program administrators as they implement programs in order to maintain accuracy of program results and projected benefits and costs.

Conclusion

The NYISO continues to support the Commission and all EEPS participants in their efforts to achieve the State's energy efficiency goals. The NYISO respectfully submits that the PSC should further refine the EEPS program measures and resulting data, as discussed above, which will enable the NYISO to better forecast future energy needs for New York and support the reliable operation of New York's power grid.

Sincerely,

/s/ Carl F. Patka

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Dated: February 6, 2012

CERTIFICATE OF SERVICE

I hereby certify that I am over the age of eighteen years and that pursuant to the rules for service in the above captioned proceedings established by the Secretary of the Commission, I served, on February 6, 2012, the Comments of the New York Independent System Operator upon the parties on the service list established for the above-captioned proceeding by electronic or surface mail.

/s/ Joy A. Zimberlin

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