New York’s Mandatory Hourly Pricing Program

Case 03-E-0641

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NYS Department of Public Service
October 2009
Mandatory Hourly Pricing (MHP)

**Background**

- **September 1998** - Niagara Mohawk institutes MHP for its largest mandatory TOU C&I customers 2MW and above as part of Power Choice 5-Year Rate/Restructuring Plan

- **2000** DPS Pricing & Reliability Task Force - utilities design and implement voluntary hourly pricing programs for C&I customers.

- **April, October 2003** - Commission initiates Case 03-E-0641, Hourly Pricing Proceeding, and subsequently orders expansion of utility outreach & education efforts to promote more customer awareness of the existing voluntary hourly pricing programs.

- **May 2005** - Commission approves implementation of Central Hudson MHP program, filed in November 2004.

- **August/September 2005** - Hurricanes Katrina & Rita exacerbate already escalating natural gas and electricity prices. Commission directs utilities to file draft Mandatory Hourly Pricing tariffs and O&E plans, essentially fast-tracking implementation of mandatory hourly pricing programs for utilities’ largest, mandatory TOU, customers.

- **April 2006** - Commission issues Case 03-E-0641 Order adopting new Mandatory Hourly Pricing Requirements for all utilities.
MHP Implementation Goals

- Commission Goals
  - Reduce electric system peak demands
  - Shift customer load to less expensive off-peak periods

- Potential benefits
  - Reduce peak period commodity prices (for all customers)
  - Enhance peak period reliability
  - Mitigate wholesale market power
  - Reduce reliance on natural gas-fired electric generation
  - More equitable pricing of customer bills than provided by the existing, less exact, average energy rate.
MHP Expansion

- In Case 07-E-0479 NYSEG proposed to reduce its demand threshold for MHP customers from 1 MW to 300 kW by 2010. The Commission approved NYSEG’s plan in August of 2007.

- In Case 07-E-0523 Con Edison proposed to reduce the demand threshold for MHP customers from 1.5 MW down to 500 kW. The Commission approved MHP expansion for Con Ed customers in March of 2008.

- In July 2008, in Case 07-E-0949, Orange and Rockland was ordered to Submit plans to expand MHP to customers with demand between 500 kW and 1 MW.

- In June of 2009, in Case 08-E-0887, the Commission ordered Central Hudson to submit a plan for the expansion of MHP for customers with demand between 500 kW and 1 MW.
Utility MHP Implementation Schedules by Demand Level

- **Con Edison (1,500 kW)**
  - May 2006
  - Expansion 1 MW to 1.5 MW – Nov. 2009
  - Expansion 500 kW to 1 MW – May 2011

- **O&R (1,000 kW)**
  - May 2006
  - Expansion 500 kW to 1 MW – May 2010

- **National Grid (500 – 2,000 kW)**
  - September 2006

- **RG&E (1,000 kW)**
  - January 2007
  - Proposed Expansion 500 kW to 1 MW – Jan. 2011

- **NYSEG (1,000 kW) and**
  - January 2007
  - Expansion 500 kW to 1 MW – Jan. 2008
  - Expansion 400 kW to 500 kW – Jan. 2009
  - Expansion 300 kW to 400 kW – Jan. 2010

- **Central Hudson (1,000 kW)**
  - Spring 2005
  - Expansion 500 kW to 1 MW – Filed plan Sept. 21, 2009 for 2011 expansion
Retail Access Customers who purchase ESCO commodity service

- Interval meters installed in all cases,
- Each ESCO settles with NYISO using actual hourly loads of its MHP-ESCO customers
- Hourly load-integrated commodity pricing to MHP-ESCO customers not always provided; ESCO offers can vary between straight fixed prices to fixed/variable combinations

Customers receiving NYPA and/or other economic development power incentives for all or any portion of their service

- Exemption from MHP granted in Commission’s April 2006 Order
- Interval meters installed in all cases
- MHP exemption discontinued upon expiration of customer’s current economic development contract
## MHP Eligible Customers and Loads

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th></th>
<th>Full Service</th>
<th></th>
<th>Retail Access</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customers</td>
<td>Load(MW)</td>
<td>Customers</td>
<td>Load(MW)</td>
<td>Customers</td>
<td>Load(MW)</td>
</tr>
<tr>
<td><strong>Consolidated Edison</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 1.5 MW (currently on MHP)</td>
<td>740</td>
<td>2,433</td>
<td>119</td>
<td>411</td>
<td>621</td>
<td>2,022</td>
</tr>
<tr>
<td><strong>Orange &amp; Rockland</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 1 MW (currently on MHP)</td>
<td>77</td>
<td>204</td>
<td>35</td>
<td>115</td>
<td>42</td>
<td>89</td>
</tr>
<tr>
<td><strong>National Grid</strong></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SC 3A (&gt; 2 MW) (Started 1998)</td>
<td>185</td>
<td>870</td>
<td>30</td>
<td>116</td>
<td>155</td>
<td>755</td>
</tr>
<tr>
<td>SC 3 &gt; 500kW (currently on MHP)</td>
<td>671</td>
<td>647</td>
<td>129</td>
<td>127</td>
<td>542</td>
<td>520</td>
</tr>
<tr>
<td><strong>NYSEG</strong></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 400kW (currently on MHP)</td>
<td>780</td>
<td>593</td>
<td>200</td>
<td>149</td>
<td>580</td>
<td>444</td>
</tr>
<tr>
<td><strong>RG&amp;E</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 1 MW (currently on MHP)</td>
<td>171</td>
<td>485</td>
<td>50</td>
<td>137</td>
<td>121</td>
<td>348</td>
</tr>
<tr>
<td><strong>Central Hudson</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 1 MW (currently on MHP)</td>
<td>48</td>
<td>213</td>
<td>22</td>
<td>35</td>
<td>26</td>
<td>178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,672</td>
<td>5,445</td>
<td>585</td>
<td>1,090</td>
<td>2,087</td>
<td>4,356</td>
</tr>
</tbody>
</table>
MHP - ESCO Pricing Options

**Fixed Price Example**
- Market Price
- Hess Fixed Price

**Indexed Price Example**
- Market Rate
- Hess Rate

**Fixed and Indexed Combination Pricing Example**
- Typical Summer Day Usage

**Graphs and Charts**
- Market Price
- MVP % of load locked in
- Fixed Gas Price Purchase
- Index Price = Fixed Heat Rate
  - X Monthly NYMEX Natural Gas Index
  - Fixed Gas Price Purchase
MHP - ESCO Pricing Options
(results 2006-7 customer surveys)

Con Ed's Territory
70%
12%
12%
3%
3%

O&R's Territory
46%
27%
9%
18%

National Grid's Territory
37%
25%
7%
3%

NYSEG's Territory
44%
13%
9%
11%

RG&E's Territory
42%
39%
3%
13%

Alternatives Across Five Territories
48%
19%
6%
5%

Legend:
- Fixed price
- Hourly prices
- Blend of fixed and hourly prices
- Not Sure
- Other
MHP 6-Month Surveys

- Commission’s April ’06 Order required utilities to survey eligible customers six months after MHP implementation.
  - **Survey instrument developed jointly among utilities and Staff**
  - Staff mailed surveys to customers and compiled the response data for the utilities
  - **Response data sent to utilities for post processing and reflection in utility 6-Month Evaluation Reports filed**
    - Con Ed and O&R - January 23, 24, 2007
    - National Grid – July 30, 2007
    - NYSEG and RG&E – December 2007
MHP 6-Month Survey Responses

- Response rates for the surveys:

<table>
<thead>
<tr>
<th>Utility</th>
<th>Surveyed Customers</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Con Edison</td>
<td>676</td>
<td>20%</td>
</tr>
<tr>
<td>O&amp;R</td>
<td>67</td>
<td>36%</td>
</tr>
<tr>
<td>National Grid</td>
<td>509</td>
<td>40%</td>
</tr>
<tr>
<td>NYSEG</td>
<td>162</td>
<td>46%</td>
</tr>
<tr>
<td>RG&amp;E</td>
<td>113</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Customer population across the utilities are very different. Majority (53%) of Con Edison respondents were Commercial Office Buildings, while the majority of National Grid respondents were Manufactures (34%) and Educational institutions (20%).
Majority of respondents received information about hourly pricing from their utility, and to a lesser extent from ESCOs.

Most respondents didn’t feel they had necessary information to develop a strategy for responding to hourly pricing.

Many customers thought hourly pricing would have no or little affect on their business.

The biggest barriers customers see in responding to hourly pricing are: “insufficient resources to pay attention to hourly pricing” and “inflexible labor schedules”.

The most popular action customers plan to take over the next 12 months in responding to hourly pricing is to “improve energy efficiency”.
Utilities recover the cost of capacity in different ways

- **NYSEG and RG&E** recover capacity based on the customers individual demand during the system peak for the previous year (capacity tag). Central Hudson will use this method starting in 2011.
- **Con Edison and O&R** use a monthly demand charge to collect capacity.
- **National Grid** converts capacity cost to a kWh cost and recovers it during weekday peak hours.

ESCOs are also using a variety of methods to recover capacity.
Utilities filed 3 year evaluations of the MHP program in first quarter of 2009.

Staff will summarize utility filings, survey ESCOs, and provide a report to the Commission.

Commission may consider parties recommendations to: expand MHP further, change how capacity is recovered from MHP customers, and enhance customer outreach.
Additional Sources of Information about Commission’s MHP Program

- **Commission’s MHP Case Website:**
  http://www.dps.state.ny.us/Mandatory_Hourly_Pricing.html or
  http://documents.dps.state.ny.us/public/Common/AdvanceSearch.aspx under case 03-E-0641


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