
New York's Mandatory Hourly Pricing Program

Case 03-E-0641

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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
 - Proposed Expansion 300 kW to 499 kW – Jan. 2012

- ❑ **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

MHP – ESCO Provisions & Exemptions

- ❑ 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

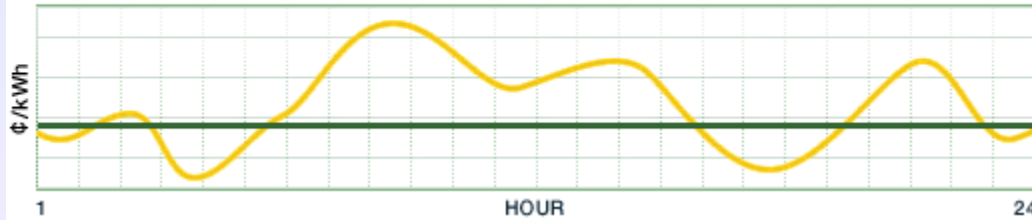
MHP Eligible Customers and Loads

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

MHP - ESCO Pricing Options

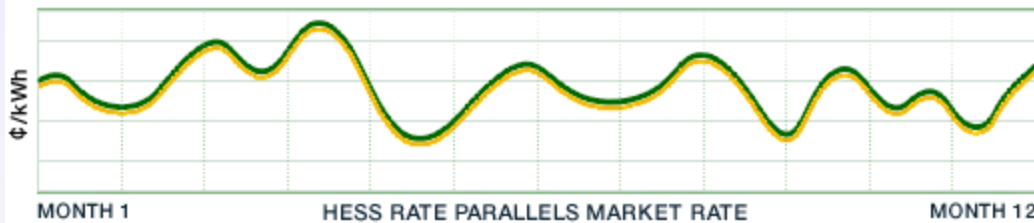
FIXED PRICE EXAMPLE

— MARKET PRICE
— HESS FIXED PRICE



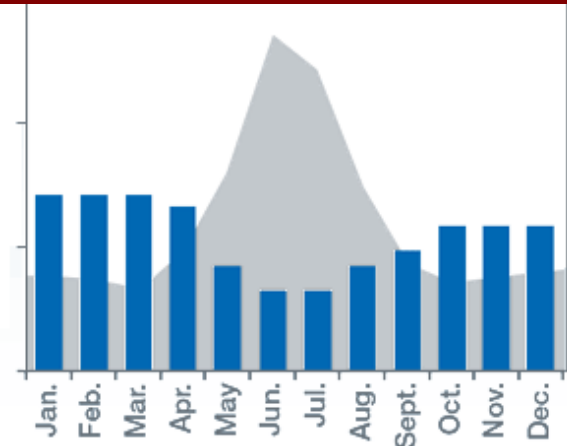
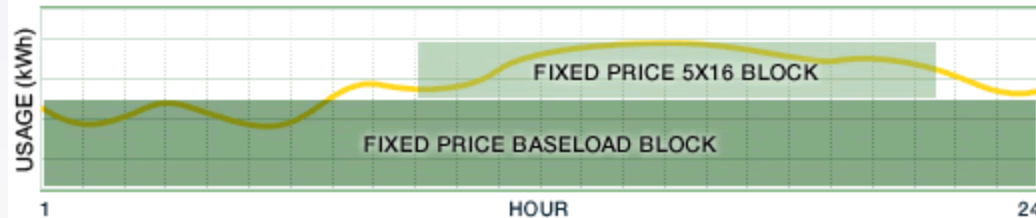
INDEXED PRICE EXAMPLE

— MARKET RATE
— HESS RATE



FIXED AND INDEX COMBINATION PRICING EXAMPLE

— TYPICAL SUMMER DAY USAGE



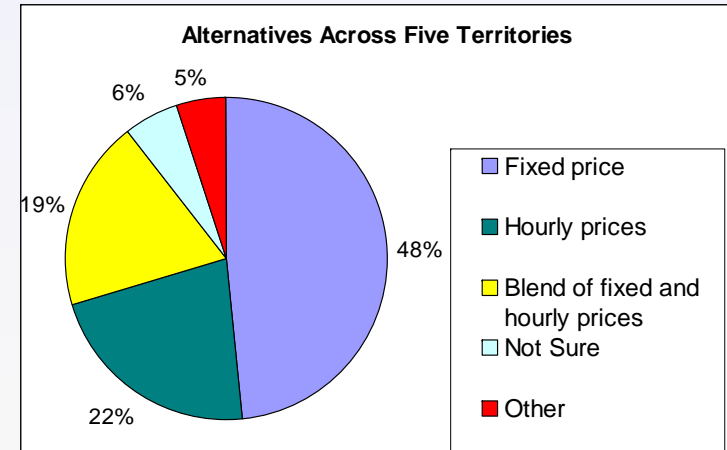
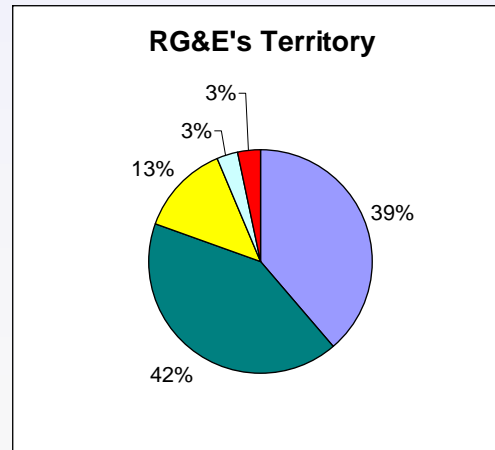
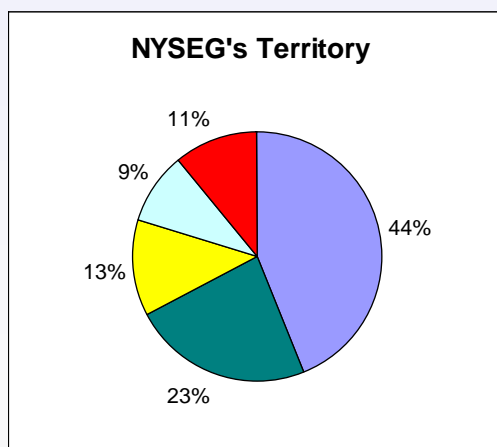
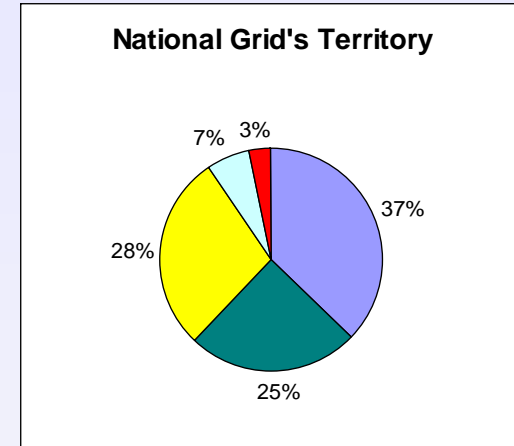
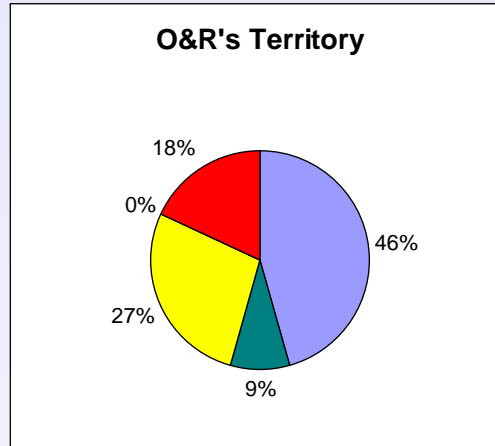
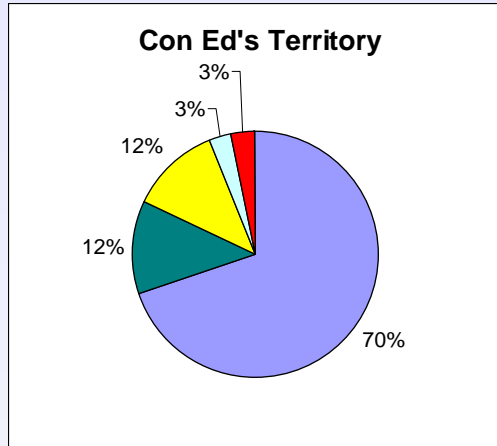
■ Market Price
■ MVP % of load locked in



— Index Price = Fixed Heat Rate
 X Monthly NYMEX Natural
 Gas Index
● Fixed Gas Price Purchase

MHP - ESCO Pricing Options

(results 2006-7 customer surveys)



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:

	<u>surveyed customers</u>	<u>response rate</u>
▪ Con Edison	676	20%
▪ O&R	67	36%
▪ National Grid	509	40%
▪ NYSEG	162	46%
▪ RG&E	113	30%

- 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%).

MHP 6-Month Survey Responses

(continued)

- ❑ **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".**

Methods for recovering Capacity Cost from MHP Customers

- 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.

Next Steps

- ❑ 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

- ❑ **"Customer response to day-ahead wholesale market electricity prices: Case study of RTP program experience in New York",** c. Goldman and B. Neenan, (July 1, 2004). *Lawrence Berkeley National Laboratory*. Paper LBNL-54761. <http://repositories.cdlib.org/lbnl/LBNL-54761>

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