9. NEW YORK

(1999 Utility Statistics from www.eia.doe.gov)

Population (2001 Census Estimate) 19,011,378
Net Summer Capability (MW) 33,742
Electricity Consumption (MWh) 147,545,430

	Investor-Owned	Public	Federal	Coop-erative	Total
Number of Utilities	8	49	0	4	61
Percentage of Retail Sales	72.4	27.4	0	0.1	100.0

Mechanism:	System Benefits Charge
Creation:	Regulatory
Duration:	Present plan ends June 30, 2006. Will be reviewed in 2005.
Administrator:	NYSERDA (statewide public benefits corporation)
Budget:	$150million/year, excluding public power authority programs
Program Name:	New York Energy $mart
Benefit Measure:	Total Resource Cost, Participant Test, Utility Test
Incentives:	No incentives for utilities

Survey Questions

1. Process and timeline

   In May 1996 the Public Service Commission (PSC) declared its intention to establish system benefits charges (SBC) to fund public benefit programs during restructuring. Initial SBC rates were established in individual rate cases during 1997 and 1998. In January 1998 the PSC named the New York State Energy Research and Development Authority (NYSERDA) as the third-party administrator. In May 1998 NYSERDA filed initial plans. In July 1998 NYSERDA's plans were made effective by the PSC. In January 2001 the PSC extended the SBC for five years and expanded funding.

2. Organizational Structure

   The administrative operating arrangements were laid out in the March 1998 Memorandum of Understanding (the "MOU") among NYSERDA, the PSC and the DPS. The PSC establishes overall program policies and priorities, including budget priorities. NYSERDA, a legislatively created public benefit corporation, develops program plans for PSC approval and administers the New York Energy $mart (NYE$) programs, using a combination of in-house staff and outside contractors to implement programs through competitive responses to Program Opportunity Notices (PONs) and Requests for Proposals (RFPs). The DPS provides guidance and planning support to NYSERDA, and monitors program progress and evaluation. Two investor-owned electric distribution utilities (DUs) are running SBC-

supported low-income programs pursuant to PSC order.

The MOU also outlined the creation of the System Benefits Charge Advisory Group ("Advisory Group"). The Advisory Group meets regularly with NYE$ staff to provide guidance and direction for program design and implementation. They also act as the "Independent Program Evaluator," certifying evaluation results to the PSC.

The MOU indicated the Advisory Group would be made up of representatives of interested parties, including, the DUs, electricity generators, energy services providers, the research and environmental communities, and industrial, residential/small commercial, and low income customers. Presently the Advisory Group is made up of twenty three members, including members who liaison with the State Assembly and Senate.

The NYE$ programs are statewide, but organized by focus, not geography or customer group. The three major program areas delineated by the PSC are:

Energy Efficiency, Peak Load Reduction, Outreach and Education for customers;
R&D (including Environmental Monitoring and Protection); and
Low Income Energy Affordability.

NYSERDA has flexibility within the defined program areas, but may not transfer funds among the three major program areas without public input and PSC approval. NYSERDA can reassign funds within the three major program groups, giving NYSERDA flexibility to respond quickly to opportunities and challenges.

The NYE$ program does have some sector limitations. The programs are termed "statewide" but they are not available to customers of LIPA and the NYPA or others who do not pay the System Benefits Charge. This would include consumers on Long Island, and the municipalities and large industrial customers of NYPA.

NYSERDA contracts with consultants for administration and program process and evaluation assistance.

NYSERDA had a pre-existing statewide energy efficiency mandate. Staff were experienced with DSM programs, emerging technologies, energy planning and analysis. NYSERDA had existing technical assistance and R&D capabilities. Administrative controls were already in place. NYSERDA had a historically good working relationship with DPS staff. NYSERDA was experienced with a market-based approach, using competitive bidding through Program Opportunity Notices (PONs) and Requests for Proposals (RFPs). Their unique corporate identity allows for quick turn-around time, and flexible hiring and procurement practices.

NYSERDA now has a total staff of about 208 FTE and a total budget of about $200million/year. The SBC budget is close to $139million/year. About 110 FTE work on NYE$, the SBC program. Of these, about 76 are program staff and 34 provide a variety of support such as finance, contracting, analysis, etc.

3. Funding mechanisms

   Originally the SBCs were established within individual electric utility rate cases held during 1997-98. Their effective rates varied from 0.613mills/kwh to 1.01mills/kwh. The July1998 PSC Order established the following total allocations for the three-year life of the program: Energy Efficiency $161.6; R&D: $40.4million; Low Income: $29.3million; Environmental Disclosure: $3.0 million. Total: $234.3million.

   During the first three years, the SBC budget for the NYSERDA's NYE$ program was about $58million/year. The utilities retained about $20million/year for PSC-approved, on-going public benefits programs. The PSC allowed NYSERDA 5% of the budget, or $2.9million/year, for administration.

   On January 26, 2001, the PSC raised the SBC to $150million/year, with NYSERDA administering $139million/year. It extended the program for 5 years, until June 2006. NYSERDA may spend no more than 7% on administration or about $9.3million/year.

   The 1/26/01 PSC Order changed the SBC rate determination. The PSC set a total annual SBC fund of $150million, with utilities' contribution proportionate to their share of gross 1999 electric operating revenues. The resulting contributions were 1.23% of 1999 revenues. Utilities must transfer SBC funds to NYSERDA at least quarterly. Utilities were directed to determine their own SBC collection rates based on projected sales and to "true" them up annually.

   The 1/26/01 PSC and subsequent Orders included fairly detailed directions for the use of the funds over the five-and-a-half year period ending June 30, 2006:

   $436million for peak load reduction, energy efficiency and customer outreach and education;
   $200million for research and development;
   $114million for low-income programs (EE and access to benefits of competition).

4. Association with a long run resources plan

   With the advent of restructuring there is no long run resource planning to associate with. The market is supposed to respond to demand by obtaining needed resources.

   NYSERDA staff are involved in ongoing planning efforts that impact energy policy and demand forecasting such as the State Energy Plan, the Independent System Operator's demand management planning and the DPS Price and Reliability Task Force, convened by the PSC Chair to examine demand and supply issues.

5. Guidelines for program effectiveness and success

   Program focus, and therefore evaluation measures, was dictated by the PSC in various orders and opinions. The original 1998 goals established were to:
   - Promote competitive markets for energy efficiency services.

- Provide direct benefits to electricity ratepayers, or be of clear economic or environmental benefit to the people of New York.

These goals were amended by the PSC when it extended and expanded the SBC program. The new goals, as summarized in the "Revised Operating Plan" are to:

- Improve system-wide reliability [and peak reduction] through end-user efficiency actions.
- Improve energy efficiency and access to energy options for underserved customers [i.e. low-income].
- Reduce environmental impacts of energy production and use.
- Facilitate competition to benefit end-users.

NYSERDA's business approach puts an additional spin on criteria for success. They '"fund only programs that have the ability to develop the economy of New York.'" (Hall, N. pIV-30) NYSERDA is looking for long-term economic improvements and market transformation.

Although utility service area parity is kept in mind, it is not a rigid requirements. In fact the 1/26/01 PSC order required NYSERDA to focus on peak demand reduction in the southern part of the state, recognizing that might be a disproportionate use of resources. Over the five year period, NYE$ staff expect SBC expenditures will track parity fairly closely.

6. Pre-implementation program evaluation guidance.

All proposed programs must have measurable goals and objectives. NYSERDA uses the Total Resource Cost (TRC) test as the primary instrument for determining the cost-effectiveness of the NYE$ programs. It also uses the Participant test and the Utility test (considering NYSERDA's costs to be the "utility" costs in the test), when needed.

"Technical Evaluation Panels", which always include DPS staff, are assembled by NYE$ staff to review PONs and RFPs before release, and then to choose the best responses to PONs and RFPs, using the evaluation criteria mentioned above.

NYE$ staff receive program evaluation guidance from consultants, DPS staff, and the SBC Advisory Group. They continually refine evaluation metrics and performance measurement. They use evaluation to measures programs and process, to reveal opportunities to improve performance by changing program or process design.

Early evaluations were carried out on a measure-specific level and a program level. Key near-term measure-specific data items included:

- Annual energy savings estimates (seasonal allocations where applicable);
- Peak load reduction/capacity savings estimates (seasonal allocations if applicable);
- Average measure lives;
- Incremental cost of premium efficient measures vs. cost for standard efficient practice; and

- Other resource benefits (e.g. water, fuel, economic and environmental), where appropriate.

The long term outcomes NYE$ staff hope to cause and measure are changes in attitudes and behavior to support energy efficiency; improvements in infrastructure to support energy efficiency; changes in market share of energy efficient products; and changes in manufacturing standards and regulatory codes. They hope to look at models for causality to clarify the linkage between NYE$ programs and observed outcomes.

7. Results of program evaluation.

Independent program evaluation is increasing. The total evaluation budget for the first three years was about $700,000. As a result NYE$ staff did most of the evaluation legwork. Now two percent of the budget is allowed for evaluation, or $2.8million annually. Staff expect to get more specialized evaluation assistance, both in-house and from consultants.

The "Report to the System Benefits Charge Advisory Group: Initial Three-Year Program. January 2002" www.nyserda.org/02sbcreport.html describes many details of program goals, evaluation methodology and results (see the Report's Appendix C).
Some of the reported results as of 6/30/01 were:

312.5million kWh/yr saved from installed measures
927.7million kWh/yr anticipated saved from funds committed
126.1million kWh/yr clean generation from funds committed
216.9 MW demand savings from installed measures
521.3 MW anticipated demand savings from funds committed
$0.016/kWh average program cost
$902/KW average program cost
$119.1million anticipated energy bill reductions from funds committed
NOx anticipated annual emission reductions: 960 tons
SO2 anticipated annual emission reductions: 1,680 tons
CO2 anticipated annual emission reductions: 671,915 tons
$617.7million anticipated co-funding and leveraged investment
2,311 jobs sustained or created

The ratio of co-funding and leveraged funds to SBC committed funds was 3.1. NYE$ Program portfolio level Benefit Cost ratio was 1.4. Comparing $119.1million in bill savings to the total of SBC and leveraged funds equals a 14.5% return on investment.

The PSC requires detailed SBC Program status and evaluation reports biennially and NYSERDA files interim reports. PDF files with the full text of the evaluation reports containing budget status, as well as process and progress results through the period of the report can be accessed at the NYSERDA website.

8. Financial or performance incentives

There are no financial or performance incentives for utilities.

New York Energy $mart Programs

Business and Institutional Energy Efficiency Programs
- Commercial/Industrial Performance Program
- Energy Smart Schools Comprehensive Energy Strategies Program
- Advanced Monitoring Program
- Peak Load Reduction program (including Cooling ReCommissioning)
- New Construction Program
- Smart Equipment Choices Program
- Premium-Efficiency Motors Program
- Small Commercial Lighting Program
- Commercial HVAC Program
- New York Energy $mart Loan Fund
- Commercial and Industrial Innovative Opportunities Program
- Technical Assistance Program
- Energy Audit Program
- FlexTech Program

Residential Energy Efficiency Programs
- Energy Star Products and Residential Energy Star Marketing
- Energy Star Products Bulk Purchase Program
- Keep Cool (Room Air Conditioner Bounty) Program
- New York Energy Star Labeled Homes Program
- Home Performance with Energy Star
- Residential Technical Assistance Program
- Residential Special Promotions Program
- New York Energy $mart Communities Program
- Residential Comprehensive Energy Management (CEM) Program
- Website Hosting and Re-Design

Low-Income Energy Affordability Programs
- Low-Income Aggregation Program
- Low-Income Oil Buying Strategies Program
- Low-Income Energy Awareness Program
- Low-Income Forum on Energy (LIFE)
- Low-Income Assisted Multifamily Program (AMP)
- Assistance Home Performance with Energy Star and Weatherization Network Initiative

Research and Development Programs
- Wholesale Renewable Energy Market Development
- End-Use Renewable Energy Market Development
- Willow Plantation Development
- Environmental Monitoring, Evaluation and Protection Program
- Municipal Water and Wastewater Treatment
- Alternative Fuels Power Generation and Energy Storage

Distributed Generation -= Combined Heat and Power
Next Generation Energy Efficient Technologies
Enabling Technologies for Peak Load Management
Time-Sensitive Pricing Demonstrations

Resources

New York Energy Research and Development Authority (NYSERDA)
www.nyserda.org
Gary Davidson, NYSERDA, Assistant to the President
518-862-1090x3289 gsd@nyserda.org
Brian Henderson, NYSERDA, Director, Energy Efficiency Services
518-862-1090x3305 bmh@nyserda.org
Larry Pakenas, NYSERDA, Energy Analysis Program Manager
518-862-1090x3247 ljp@nyserda.org
Peter Smith, NYSERDA, Vice President for Programs
518-862-1090x3320 prs@nyserda.org

"Report to the System Benefits Charge Advisory Group: Initial Three-Year Program. January 2002" at www.nyserda.org/02sbcreport.html;
"New York State Energy Plan, June 2002" at www.nyserda.org/sep.html
"System Benefit Charge: Revised Operating Plan for New York Energy $mart Programs (2001-2006), June 12,2002" at www.nyserda.org/sbc2001-2006.pdf

New York Public Service Commission (PSC) and Department of Public Service (DPS)
www.dps.state.ny.us
Fred Carr, NY DPS, Utility Supervisor,
518-474-1932 frederick_carr@dps.state.ny.us
Craig Jones, NY DPS, Utility Supervisor,
518-474-1932 craig_jones@dps.state.ny.us
John McLaughlin, NY DPS, Energy Efficiency Analyst
518-489-2883 John_mclaughlin@dps.state.ny.us

For PSC orders and opinions related to Case 94e0952 go to
www.dps.state.ny.us/fileroom.html#
"Memorandum of Understanding Between New York Public Service Commission, New York State Department of Public Service and New York State Energy Research Development Authority", dated 3/11/98, amended 9/00 and 12/01.

Hall, Nick (TecMRKT Works) and Sumi, David (PA Consulting Group) "A Comparative Examination of the Northwest Energy Efficiency Alliance and the New York Energy Research and Development Authority" prepared for the State of Wisconsin Department of Administration, Division of Energy. October 2001. Communication from the author.