

STATE OF NEW YORK

# Public Service Commission

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## PSC LOOKS TO TRANSFORM UTILITY REGULATIONS

— Utility Regulator Unveils 5 Core Policies to Enable Market, Customer-Driven Change—

Albany, NY—12/19/13— The New York State Public Service Commission (Commission) today announced it has commenced a process to transform its regulation of electric distribution utilities by articulating core policy outcomes intended to better align the role and operations of utilities to enable market and customer-driven change.

“The actions we have taken today demonstrates that our overarching policy objective is to ensure reliable access to electric power at just and reasonable rates by stimulating market innovation and economic investment in an environmentally sound manner,” said Commission Chair Audrey Zibelman. “We can no longer afford to think of energy efficiency and clean energy resources as peripheral elements of the electric system. Rather, the time has come to manage the capabilities of new customer-based technologies as a core, clean source of value to customers and the electric grid.”

In keeping with Moreland Commission recommendations, the process that commenced today will lead to a top-to-bottom restructuring of the State’s energy efficiency programs to help ensure that New Yorkers have access to reliable, clean and competitively priced electric power. The end goal of the process will be to give consumers greater freedom to manage their total energy bill. The five core policy outcomes expressed today by the Commission are as follows:

- **Empowering Customers:** A hallmark of an efficient consumer market is information and knowledge and ensuring the availability of tools to both procure supply and services

that consumers' value. By focusing on consumer needs, the Commission can best determine if regulation and the markets are effective at delivering policy objectives.

- **Leveraging Customer Contributions:** A key goal of the Commission's clean energy programs is developing sustainable robust markets that support innovation and encourage private financing to achieve market-sustaining tools to support deployment of energy efficiency measures and renewable resources deployment, as opposed to allowing continued dependency on ratepayer or other forms of government financing. As customers begin to invest in community-based energy systems, micro-grids and distributed supply resources, the State's market and regulatory systems should be designed to allow these resources to be used to maximize benefits.
- **System-Wide Efficiency:** Commission policies should encourage innovation in demand-management technologies, storage and distributed generation combined with market design and regulatory measures that facilitate and reward demand-side responsiveness, have the opportunity to substantially increase system-wide efficiency, support business model innovation and private financing of clean energy deployment that will result in reduced energy costs and lower production of greenhouse gases.
- **Fuel and Resource Diversity:** Successful market and regulatory design requires maintenance of fuel and resource diversity as a critical outcome. Increased use of clean and renewable generation on customer premises increases the diversity of supply. In addition, a stronger emphasis on demand response will effectively add a new type of resource. It is critical that the Commission ensures that the fuel mix remains diverse and its regulatory, market and grid systems are designed to accommodate and value this diversity.
- **System Reliability and Resiliency:** Assurance of a secure, reliable and resilient electric system remains and indeed is growing in importance as a critical feature of daily lives and the development of the State's economy. The Commission's policies and practices should ensure the deployment and use of customer-based resources that support achievement of economically efficient system resiliency.

In initiating this transformative proceeding, the Commission determined that better integration of consumer-oriented energy efficiency and clean-energy technologies and a more complete management of the electricity consumed in New York State will improve system-wide reliability, efficiency, and resiliency at just and reasonable rates for New Yorkers, while also ensuring appropriate energy supply and grid management decisions are made.

The Commission said it was obligated to ensure that clean energy programs and the roles and responsibilities of the regulated utilities and the retail markets is aligned to achieve robust market-driven investment that supports the deployment and use of economic energy efficiency

and clean technologies that are critical components of the New York's 21st century power system's design and operation. With that goal in mind, the Commission has begun the process of articulating the broad policy-based outcomes intended that would result in changes to its regulatory model, including performance- and outcome-based incentives that will be required to achieve broad policy objectives.

When the Commission began the System Benefit Charge (SBC), the primary vehicle to fund energy efficiency, almost 15 years ago, it recognized that along with research and development and support for low-income customers, energy efficiency and environmental protections are important elements of a comprehensive energy policy. In the time since the SBC was commenced, the retail and wholesale markets have aged and evolved, and so too has the Commission's understanding of the legal, policy and political barriers that are preventing energy efficiency and clean energy resources from achieving their full potential.

In its decision today, the Commission adopted for immediate implementation several improvements in the administration of energy efficiency programs for 2014-2015 that staff identified to better achieve the goals in the current programs. The Commission also identified a number of more complex technical or programmatic aspects of energy efficiency regulation and funding that require further examination and should be addressed as soon as practicable.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at [www.dps.ny.gov](http://www.dps.ny.gov) and entering Case Number 07-M-0548 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.