STATE OF NEW YORK | EXECUTIVE CHAMBER

ANDREW M. CUOMO | GOVERNOR

For Immediate Release: April 24, 2014

GOVERNOR CUOMO ANNOUNCES FUNDAMENTAL SHIFT IN UTILITY REGULATION

Regulatory Changes to Spur Development of World-Class Energy System in New York State and Mitigate Climate Change Impacts

Governor Andrew M. Cuomo today unveiled plans for an energy modernization initiative that will fundamentally transform the way electricity is distributed and used in New York State. This unprecedented effort will create the power grid of the future and forever change the way consumers buy and use energy.

“For more than 100 years, the generation and distribution of electricity in New York has been largely unchanged, but today we taking a giant step from the status quo and leading the way on energy modernization,” Governor Cuomo said. “By introducing and embracing information technology and clean energy solutions, millions of New Yorkers will benefit from a 21st Century power grid, enabling them to better manage and reduce their energy costs while protecting and preserving the environment.”

Chairman of Energy and Finance for New York Richard Kauffman said, "New York is moving to a more market-based, decentralized approach with how it shapes energy policy. This new approach will help protect the environment, lower energy costs and create opportunities for economic growth. By developing innovative market solutions, Governor Cuomo is changing the energy industry into a clean, cost-effective and dynamic system that is more resilient to the impacts of climate change."

Under the direction of the state’s energy regulator, the State today initiated a proceeding that leads the nation in developing new policies to encourage and reward consumers to use new technologies to control energy usage.

Chair of the New York State Public Service Commission (PSC) Audrey Zibelman said, “The existing ratemaking structure falls far short of the pace of technology development that defines many parts of our economy. By fundamentally restructuring the way utilities and energy companies sell electricity, New York can maximize the utilization of resources, and reduce the need for new infrastructure through expanded demand management, energy efficiency,

renewable energy, distributed generation, and energy storage programs."

Under the Reforming Energy Vision (REV) initiative, utilities will actively manage and coordinate a wide range of distributed resources, or generate electricity from many small energy sources and link them together.

The initiative is a critical part of an overall effort by the PSC to improve system efficiency, empower customer choice, and encourage greater penetration of clean generation and energy efficiency technologies and practices. The actions taken today along with the opening of the Green Bank, NY Sun initiative, and future programs will improve the retail and wholesale markets and assure the success of energy efficiency and clean energy programs.

The best example of the value of modernizing the electric grid is the current inefficiency of peak demand. Peak demand for electricity happens on the hottest days of the summer when electricity demand skyrockets, but only temporarily. While it is understandable and prudent to ensure that demand for energy can be met at all times, it is also inefficient and costly. As a result, consumers are now forced to spend hundreds of millions annually to maintain the full capabilities of a system that is needed only on the very hottest days of the summer.

Finding ways to reduce peak demand represents the single largest savings opportunity for consumers in New York. The only way this savings can be realized is by modernizing the grid, and incorporating new technologies that are now available and continue to be developed all the time.

In the not-too-distant future, a typical residential customer might choose to install so-called smart appliances that share information automatically with the utility. With smart refrigerators, air conditioners and hot water heaters, the utility could signal tens of thousands of appliances in a particular region to change their usage to lower demand when demand for electricity skyrockets on a hot summer day. Meanwhile, consumers might install rooftop solar units that could feed excess power to batteries that to reduce power demand when the system needs it most. Consumers may even have apps on their smart phones to enable remote control of air conditioners so on the hottest days, one can return to a cool residence without the need to power the air conditioners when not home.

Actions such as these will lower overall energy costs as the utilities become more efficient. New transmission lines and power plants won't have to be built, and expensive peak power won't have to be used. When consumers become partners with the utility in the consumption and distribution of electricity, consumers reap the benefit of lower costs. These benefits apply equally to commercial and industrial customers. The changes will have a direct and lasting impact on millions of residential, commercial and industrial customers in New York.

As part of the initiative, the PSC will examine how existing practices should be modified to enable utilities to actively manage and coordinate distributed energy resources and provide a market enabling customers to optimize their energy priorities, provide system benefits, and be compensated for providing such system benefits. And consumers won't have to sacrifice their comfort as existing practices change accompanied by reductions in their utility bills.

The proceeding will also examine how the State's regulatory practices could be modified to incentive utility practices that best promote energy efficiency, renewable energy, least cost energy supply, fuel diversity, system adequacy and reliability, demand elasticity, and customer empowerment.

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