

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the Commission  
To Investigate Competitive Metering  
For Natural Gas Service

Case 02-M-0514

In the Matter of Competitive Metering

Case 00-E-0165

In the Matter of Competitive Opportunities  
Regarding Electronic Service

Case 94-E-0952

**COMMENTS**

**Of The**

**DEMAND RESPONSE AND ADVANCED METERING COALITION (DRAM)**

**On**

**STAFF REPORT**

**Of**

**September 7, 2005**

**I. Introduction**

DRAM applauds the Staff for its willingness to have the State's position on competitive electricity metering evolve in response to feedback from stakeholders and developments in the New York State Retail Electricity Market. DRAM offers the following specific comments on certain components of the Staff Report.

**II. Developments on this Issue in other States**

Since the initial request for comments issued in this combined proceeding in November, 2004, there have been developments elsewhere in the U.S. on this issue.

In moving away from a competitive metering regime as recommended by Staff, New York State will join another large state that, as is the case in New York, considers the development of a robust and healthy competitive market for the retail electricity commodity to be a high priority. Earlier this year in Texas, the Governor signed legislation that effectively repealed the competitive metering system that was put in place in that state several years ago. Among the reasons cited in Texas for doing this were many of the same ones that Staff has cited in its September report. Overarching was the desire for advanced metering to be put in place so that it can be a constructive element in the development of healthy electricity markets.

### **III. Certainty**

The Staff Report recognizes that in order for New York State to have the benefits that advanced metering can yield, advanced metering systems need to be put in place. Staff further recognizes that removing utilities from the metering equation does not support an accelerated deployment of such meters and in fact may slow it from what it otherwise would be. While putting utilities back into the equation is important, so are the terms under which they are restored. On page 11 of the staff report, Staff states that there is no compelling reason to extend non-utility meter ownership to customers of less than 50 kW “at this time and at least for the next several years”. Staff goes on to say that “proposals for providing competitive options for electric customers below that threshold can continue to be considered”.

One of the keys to utilities making investments in advanced metering is often the certainty that they will be able to recoup their investment in such. This requires an atmosphere if not a regime of certainty. DRAM questions whether Staff’s statements cited above support the creation of such certainty.

### **IV. Depreciation of Metering Investments**

Staff notes on page 16 of its Report that meters were traditionally depreciated over a long expected service life. Staff notes, however, that technological developments, changing data needs in energy markets, and other factors might impact depreciation lives. Staff goes on to recommend that utilities file in rate proceedings an examination of the depreciation lives for meters.

DRAM supports this recommendation and notes that such a proposal was seriously considered for inclusion in the recently enacted Energy Policy Act of 2005 (EPACT). The provision would have provided for accelerated depreciation of 3 years for advanced meters. In the end, this provision, along with several others, was not included in the final bill enacted. DRAM believes nevertheless that passage by both bodies prior to that is recognition that meters deserve new consideration as hardware and software technology systems that deserve accelerated depreciation.

## **V. BPL and PLC**

In its report, Staff offers a separate section, beginning on page 18, that deals with the use of utility owned power lines for communications and data transmittal. While staff notes that most parties said in their initial comments that BPL provides more functionality at a higher cost than needed for metering, Staff may still have tied together BPL and PLC in a way that confuses the two issues and technology areas.

PLC is an existing communications option for advanced metering systems and continues to be deployed without any ties to deployment of BPL over the same system. BPL appears to hold considerable promise.

## **VI. Advanced Metering and Customer Density**

In discussion of standardization on page 14 of its report, Staff suggests that customer density may be a major factor in the economics of one type of advanced metering system over another, particularly with respect to the communications option

chosen. DRAM urges caution in this area as evidence suggests that there is no reason to exclude pro forma any technology from any particular deployment or application until the many different and specific factors that pertain to that situation can be determined and evaluated. It is of the utmost importance that functional capability always be the prime consideration, and that all technologies be allowed to demonstrate how they can meet such requirements.

## **VII. Proprietary Networks**

In its discussion of standardization on page 14 of the Report, Staff states that utilities “should be prohibited from installing networks and systems that are proprietary and not open to access by other manufacturer’s meters and systems”. DRAM suspects that this statement overstates Staff’s likely intent to expand upon the need for open communications and data flow/access. The fixed network that is essential to enabling an advanced metering system is in most cases provided to the utility as a proprietary technology product which has been selected by the utility after a competitive evaluation of available technologies. The selection of a proprietary technology should not be confused with data openness and access on a network. The latter comes with the former in most cases.

## **VIII. The Energy Policy Act of 2005**

As Staff notes in its report, a new Federal Energy Bill was enacted in August that included provisions which directly relate to this competitive metering proceeding. The Energy Policy Act (EPACT) amends the Public Utilities Regulatory Policy Act (PURPA) and in doing so asks that State consider two questions: First, should its utilities offer time-differentiated rates to electricity consumers to help the latter manage their electricity usage and reduce their bills? Second, do the total benefits exceed the total costs of advanced metering such that all electricity consumers in the state should be provided with advanced metering that enables those consumers to participate in time-differentiated rates and other demand response programs? Also of relevance to New York State is the fact

that these EPACT provisions state that consumers in states where retail competition exists and who are supplied by a competitive commodity supplier should have the same rights to such rates and such meters as those consumers who are served by non-competitive suppliers or LSE's.

DRAM believes that Staff is correct that its report should be viewed in light of the new federal statute and believes the nature of Staff's recommendations help set the stage for New York's implementation of the considerations required by EPACT.

## **IX. Mass Market Applicability**

In its discussion of the role of metering in Electricity Competition (page 9) Staff continues to express a lack of confidence in the possibility that advanced metering and demand response are applicable now, as opposed to at some point in the "long run", to the mass market. DRAM continues to maintain the opposite, that indeed mass markets may hold the most promise for demand response and its enabling technologies to be institutionalized as a new component of a smart grid and optimized electricity system. Evidence continues to mount though efforts like the Statewide Pricing Pilot (SPP) in California that mass market customers are not adverse to dynamic pricing and other demand response programs; in fact those customers who experience such options express high degrees of satisfaction. Similarly, Ontario, Canada and Victoria, Australia have determined that the benefits exceed the costs and that advanced metering should be deployed to all consumers. One issue here is the definition of advanced metering, which, if cast incorrectly, leads to much higher costs. We note the definition included in the EPACT provisions requiring advanced metering of all federal buildings – that advanced metering be metering that provides, at a minimum, hourly interval data retrieved daily.

DRAM believes that the consumer centric nature of the metering provisions in the new Energy Policy Act (EPACT) are instructive in this regard. The purpose of putting forth a standard for states to consider regarding time-differentiated rates and the metering that enables such is to "enable the electric consumer to manage energy use and cost

through advanced metering and communications technology”. In other words, the focus is not just on the benefit to utilities, retail marketers and other industry actors, but on providing the technology to customers for the benefit of customers.

DRAM believes that pilots on metering and demand response are valid if done for the right reason, i.e. as a phased in approach to a deployment to determine operational and implementation issues. DRAM questions the necessity of pilots done to test customer interest in demand response, as ample evidence, gathered over the past three decades, exists of the price elasticity of the mass market to electricity prices. New York should continue to keep an open mind on the mass market and as part of its EPACT implementation approach this topic from the standpoint of a rebuttable presumption of why the mass market should not be enabled for demand response, as opposed to the question of whether it should be. Indeed, the literature shows that mass market customers are the most price responsive.

## **X. Conclusion**

In conclusion, DRAM wishes to reiterate its overall support for the Staff Report. Its core element, that utilities may represent the path of greatest economic efficiency and greatest speed of deployment, should be adopted by the Commission as it is in the interests of all New Yorkers, consumers and electricity industry participants alike.

Respectfully submitted,

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