

New York's Hourly Pricing Program

Chris Graves

NYS Department of Public Service

August 2011

Slide 1

Hourly Pricing Program (HP)

Background

- ❑ September 1998 – Niagara Mohawk institutes HP for its largest mandatory TOU 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 Commercial and Industrial (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 HPP 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 Outreach and Education (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 Hourly Pricing Requirements for all utilities.

Utility HP Expansion Schedules by Demand Level

- ❑ **Central Hudson (1,000 kW)**
 - Spring 2005
 - Expansion 500 kW to 1 MW – Oct. 2011
 - Expansion 300 kW to 499 kW – Oct. 2012

- ❑ **Con Edison (1,500 kW)**
 - May 2006
 - Expansion 1 MW to 1.5 MW – Nov. 2009
 - Expansion 500 kW to 999 kW – May 2011

- ❑ **O&R (1,000 kW)**
 - May 2006
 - Expansion 500 kW to 1 MW – May 2010
 - Expansion 300 kW to 499 kW – May 2013

- ❑ **National Grid (500 – 2,000 kW)**
 - September 2006
 - Expansion 250 kW to 499 kW – May 2013

- ❑ **RG&E (1,000 kW)**
 - January 2007
 - Expansion 500 kW to 1 MW – Sept. 2011
 - Expansion 300 kW to 499 kW – Sept. 2012

- ❑ **NYSEG (1,000 kW) and**
 - January 2007
 - Expansion 500 kW to 1 MW – Jan. 2008
 - Expansion 400 kW to 499 kW – Jan. 2009
 - Expansion 300 kW to 399 kW – Jan. 2010

HP Implementation Goals

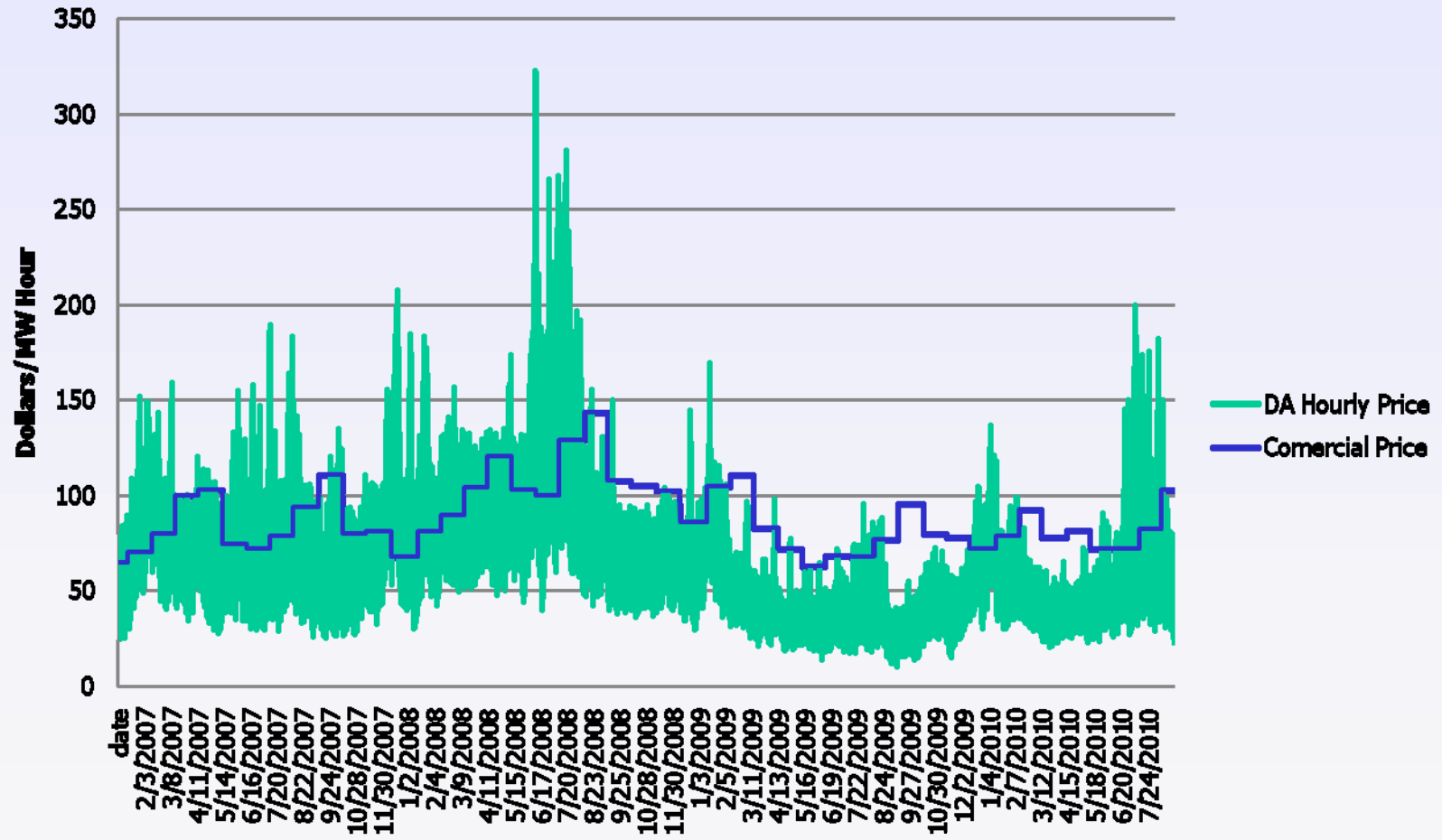
❑ Commission Goals

- 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.

Comparison of Central Hudson's current Commercial rate and the Day Ahead Hudson Valley Hourly Price



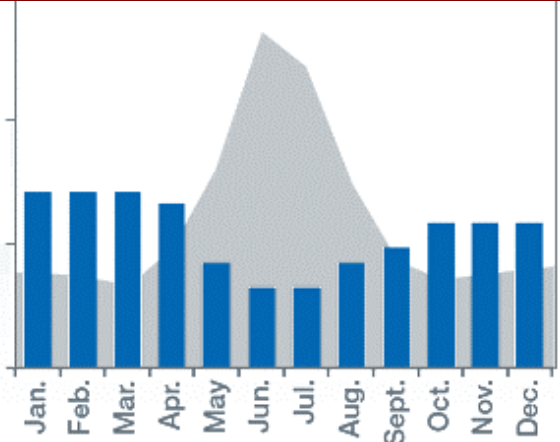
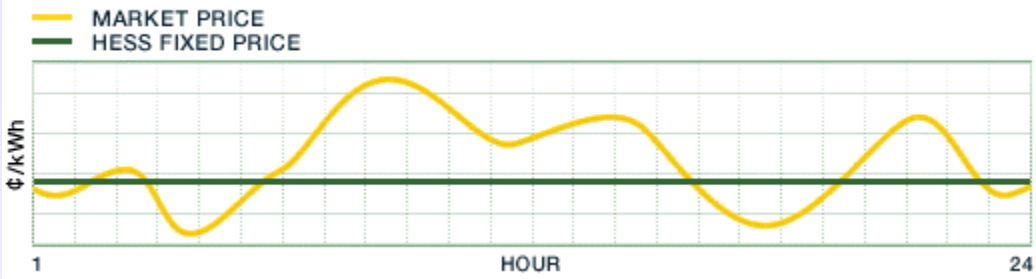
HP – ESCO Provisions

- ❑ 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 HP-ESCO customers
 - Hourly load-integrated commodity pricing to HP-ESCO customers not always provided; ESCO offers can vary between fixed, variable, or a combination of fixed and variable prices.

- ❑ Even if customers choose to purchase commodity service from an ESCO, changing consumption patterns can lower the prices customers are offered.
 - Reducing usage during hot summer afternoons will reduce consumption of the most expensive power
 - Shifting usage to early morning, night, and weekend hours when power cost are lowest can lower cost

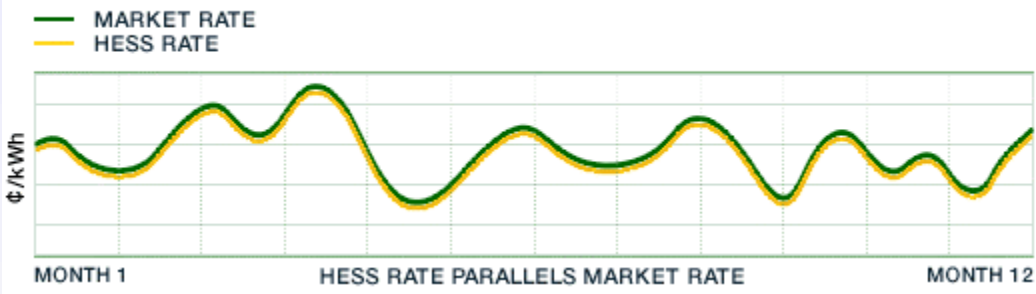
HP - ESCO Pricing Options

FIXED PRICE EXAMPLE



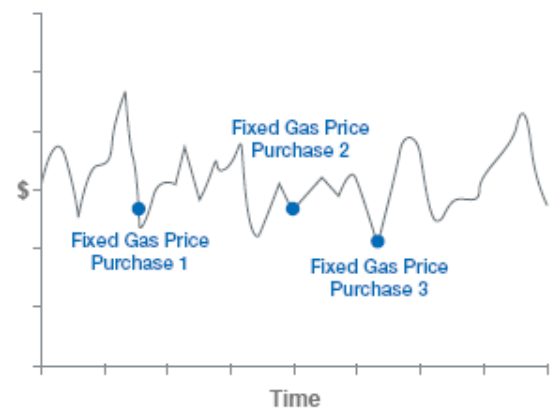
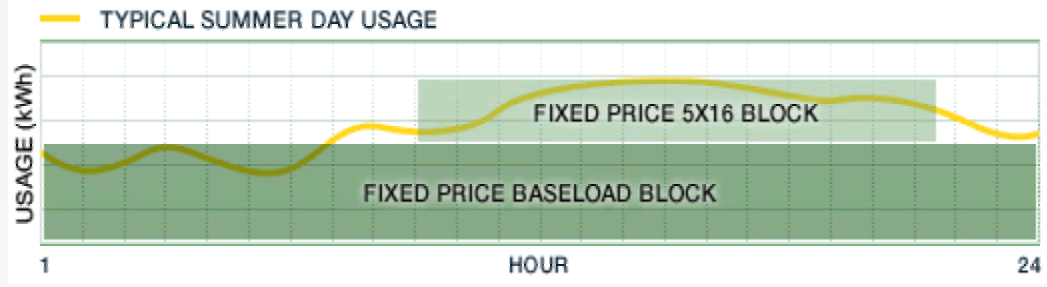
█ Market Price
█ MVP % of load locked in

INDEXED PRICE EXAMPLE



HESS RATE PARALLELS MARKET RATE

FIXED AND INDEX COMBINATION PRICING EXAMPLE



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

Additional Sources of Information about Commission's HP Program

- ❑ **Commission's HP 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

- ❑ **Central Hudson Rate Cases**
2005 Retail Access Collaborative 05-M-0332
2008 Rates Case 08-E-0887 (Expanded HPP to 500 kW)
2009 Rate Case 09-E-0588 (Expanded HPP to 300 kW)

- ❑ **Dept. of Public Service Staff contact:**
Christopher Graves
Principal Economist
Ph#: (518) 486-2639
E-mail: christopher_graves@dps.state.ny.us