

Consumer Power Advocates

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Luthin Associates, Inc.

April 30, 2012

Dr. Sergej Mahnovski, Ph.D.
Senior Advisor and Director of Energy Policy
Office of the Mayor of New York City
253 Broadway - 10th floor
New York, NY 10007

Dear Dr. Mahnovski,

Thank you for taking the time last week to discuss issues of importance to our members. I would like to further explain some of the concerns we discussed last week. Specifically, I want to describe the treatment of distributed generators (DG) by the various entities that manage the electric system, and explain why that treatment is at odds with good public policy in some cases.

We fully support the City's environmental goals, and served on the Mayor's Task Force to help develop policy to achieve them. However, a recent DEP rule change regarding the definition and use of emergency generation is inconsistent with the progress we have made.

DGs provide needed reliability to the City's electrical system, both by providing generating capacity to the NYISO market, and by participation on various Con Ed reliability programs. Beyond that, from time to time Con Ed dispatchers have appealed to our members to operate their machines during critical peak periods to insure reliability of neighborhood networks, regardless that they have no tariff or contractual obligation to do so.

The recent DEP rule change prevents the use of DG except in emergencies. This eliminates emergency DGs from participating in the NYSIO capacity markets, and prevents the use of DGs in Con Ed's reliability programs.

We are concerned that the new DEP rule will adversely affect electric reliability, by preventing the use of emergency DG in Con Ed's network relief programs. These programs are designed to prevent the failure of local networks, and include various payments to participants. They are location specific, and it is possible that the emergency DG is critical to reliable operation of particular networks. Exclusion of these machines from the various Con Ed network relief programs will not only make these programs more costly to consumers, it may make them entirely untenable.

A second concern is the compensation paid DG operators who run their machines to provide reliability. As I alluded to above, we know of many instances when Con Ed dispatchers directed our members to operate their DGs or risk the reliability of the local system. These are situations where our members had no obligation to run, nor were they eligible for payments under any existing program. We believe fairness and efficiency require that the local utility should compensate every customer DG that it requests or directs to operate for reliability reasons.

The use of DG need not conflict with the City's environmental priorities. In fact, adequate compensation for the reliability contribution of DG supports those values. By denying reliability payments, DG is made a zero cost reliability solution for the electric system. Correct payments to

customers who provide reliability would require utilities to budget for those costs, and ultimately would lead them to develop solutions that make the best use of network reinforcements and efficient generation. That is the most economic and environmentally responsible way to insure reliability.

Thank you for the opportunity to comment on these important issues.

Very truly yours,

S// Catherine M. Luthin

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