

Utilities are Willing and Capable Partners to Help Achieve CLCPA Goals

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By The Utility Consultation Group¹

Key Insights

- Utilities provide energy delivery services to virtually every resident and business in New York State, and have been doing so reliably and cost-effectively for more than a century.
- The vast majority of the energy infrastructure in the State was built by independent utilities, and those same utilities operate and maintain that complex energy infrastructure today.
- Beyond energy delivery, utilities also offer programs to help customers access clean energy, and provide assistance to the most economically-vulnerable customers. These programs are advancing critical clean energy resources, like energy efficiency, electric vehicles, and heat pumps (electric and dual-fuel systems). Utilities' knowledge of their infrastructure and relationships to their customers make them essential partners in the clean energy transition the Climate Leadership and Community Protection Act (CLCPA) requires.
- Utilities stand ready to do more, including: electric utilities building renewable generation and storage resources and making additional investments in the electric grid, utilities helping more customers adopt new clean energy technologies, transforming the gas system to deliver low- and no-carbon fuels, and developing thermal energy systems.
- Utility service is subject to State regulation, providing independent oversight of the costs, performance and future direction of the State's critical energy delivery systems. The New York State Public Service Commission (PSC) is well-positioned to continue coordinating and leveraging the State's utilities' capabilities for this important and challenging transformation.
- The new proceeding established by the PSC to track the implementation of the CLCPA, including an annual report by Department of Public Service Staff on progress, costs, and benefits of implementation, demonstrates the PSC's central role in achieving energy transformation in the State's regulated utility industry. In addition to the decarbonization pathway study required by the new CLCPA proceeding, a study of the interrelationships between the electric system and the gas system in serving customers' needs as both systems are being decarbonized should be considered.

¹ The Utility Consultation Group (UCG) was formed in December of 2020 in connection with the Climate Action Council (CAC or Council) to provide expertise to the Council and act as a resource for its Advisory Panels as they develop recommendations for the Council. The participating utilities include: Consolidated Edison Company of New York, Inc.; Central Hudson Gas and Electric, Inc., The Municipal Electric Utilities Association of New York State; National Fuel Gas Distribution Corporation; National Grid; New York State Electric and Gas, Inc.; Orange and Rockland Utilities, Inc.; and Rochester Gas and Electric, Inc.

The Role of Utilities Today

New York State's utilities serve over 20 million residents – almost every person in the State – providing safe and reliable energy delivery service for more than a century. Utilities provide access to essential services, and their prices, terms of service, and investment returns are all regulated. Utilities operate complex and technical energy systems – electric, gas and steam – around the clock, maintaining those systems to operate reliably. Utilities constantly monitor weather events and other conditions that would impact those systems, proactively planning for responses, and working to restore service rapidly when outages occur. Most utilities also offer a variety of programs related to their energy delivery service that add value to the commodity being delivered. These programs help their customers be more efficient in their usage, adopt beneficial new technologies, and provide additional economic assistance for the most vulnerable customers.

Utilities are woven into the fabric of the communities they serve. They employ more than 30,000 people in New York State, using highly skilled workers and providing good union jobs with technical training, health and retirement benefits, and the potential for career advancement. Utilities' call centers, customer offices and many support functions are also local, providing more union jobs and community benefits.

Utilities are also uniquely accountable and regulated in the people's interest by the PSC. The PSC's mandate is to "ensure access to safe, reliable utility service at just and reasonable rates," and its administrative processes, including public and open hearings and meetings to promote participation and weigh the needs of all stakeholders, provide transparency into changes that may impact these essential services. The PSC's oversight enables New York to implement nation-leading energy policy that considers many factors such as customer impacts, the continued reliability of energy systems, overarching goals such as the clean energy transition, and operational feasibility.

The State's Energy Infrastructure

New York's utilities have served its residents for over 100 years, constructing and modernizing most of today's energy transmission and distribution system, building the State's fleet of zero-carbon nuclear facilities as well as many of the conventional power plants that are currently relied on to provide reliable, uninterrupted power, and constructing 50,000 miles of gas pipeline infrastructure. More recently, from developing Advanced Metering Infrastructure to interconnecting renewable generation, utilities continue to invest on behalf of our customers to bring them new and innovative energy services.

Utilities Are Addressing Climate Change and Bringing Clean Energy to Customers Now

Because of their history, capability, and commitment to their customers and the State, utilities are critically important in CLCPA implementation to meet the law's targets while maintaining grid reliability and meeting the dynamic needs of our customers. As climate change increasingly impacts the State with more extreme weather, utilities have maintained and continue to modernize their storm-resistant underground gas delivery systems and have already been planning and building more resilient infrastructure. Utilities' new investments consider climate risks and enhance the resilience of our energy infrastructure for customers and stakeholders. The electric utilities are also capable of directly developing renewable power, storage, and the

transmission resources needed to meet CLCPA's targets, alongside other developers in the State.

Utilities inherently play a crucial role in CLCPA planning and implementation. They are responsible for some of the State's largest clean energy efforts. In just the past year, low and moderate income New York residents have benefitted from utility-led energy efficiency programs, with electric savings of 47,300 megawatt hours and gas savings of 633,600 million British Thermal Units, and annual greenhouse gas emissions reductions of approximately 55,500 metric tons of carbon dioxide equivalent. Gas distribution systems' leak-prone pipe replacement programs have prevented the release of over 400,000 metric tons of CO₂e emissions since 2011, making gas systems safer and cleaner today and capable of transporting advanced fuels like renewable natural gas and hydrogen in the future. Utilities not only work at scale, but they also innovate: deploying nation-leading programs to install electric vehicle charging stations, helping animate the market for electric heat pumps, designing new consumer energy solutions that leverage AMI, planning and developing the future energy delivery networks needed for a decarbonized energy sector.

Utilities' deep knowledge of their systems and their unique ability to implement policy goals make them important partners in the clean energy transition. Utilities have installed over 7000 electric vehicle charging stations in their service territories, working to solve the "chicken or egg" electric vehicle infrastructure problem. Utility Clean Heat incentives are also reducing emissions while expanding the heat pump market across the state.

The State Should Leverage the Utilities to Do More to Help Meet CLCPA Goals

Electric utilities should be allowed to play a central role in building the transmission and renewable generation resources necessary to achieve the CLCPA's ambitious renewable generation and clean energy targets. Siting utility-owned energy storage systems at specific points in their service territory can relieve transmission congestion, provide peak load support, enhance system stability, accommodate higher renewables penetrations, and promote electrification. Moreover, allowing electric utilities to build and own renewables, which could provide benefits directly to low-income customers or customers in disadvantaged communities, can cost-effectively increase renewable penetration while also providing bill assistance to our most vulnerable customers. Electric utilities can add diversity and stability to the renewable generation supplier mix, and their strong credit ratings provide the potential to use lower-cost debt than private developers may be able to in order to create long-lived assets utility customers can benefit from for decades – at very attractive costs for customers after the assets are depreciated. Under pending legislation, utilities can also help decarbonize the State through direct ownership of thermal energy systems. The CLCPA's goals are ambitious enough that we need everyone to contribute.

Utilities are also proposing to do more today to decarbonize gas distribution systems. A number of different paths to decarbonization have already been proposed, including integrating renewable natural gas into the fuel mix, developing pilots and programs to purchase gas that is certified to be produced, processed and delivered with dramatically reduced methane emissions, incorporating hydrogen into the State's portfolio of clean energy fuels and developing carbon capture technologies. These actions should be supported by the State to continue driving down emissions associated with the gas network and the overall energy system.

Utilities are committed to giving customers access to the clean energy future the CLCPA envisions and can better help it succeed if they are provided greater opportunity for input into ongoing CLCPA implementation processes than have been provided to date. We continue to support the achievement of the CLCPA goals and can provide vital expertise and experience in helping the CAC and its subgroups understand the complexities of the existing systems and how to decarbonize the gas system with alternative fuels.

The energy system transition will be complex and must be done carefully to support safety (including public safety and safety of utility workers) and reliability in meeting customers' needs. New electric loads such as heat pumps and electric vehicle fast-charging stations require large amounts of energy quickly and may necessitate new ways of planning electric service. Electric reliability, always important, may become even more critical as the State begins to rely more on intermittent resources and pursues additional dispatchable resources. Utilities are ever focused on the reliability of their systems and plan and invest proactively to maintain continuous service for customers. The utilities' unique knowledge of their distribution systems makes them indispensable partners in meeting CLCPA targets.

The PSC recently initiated a proceeding in which it will track the implementation of the CLCPA. In addition to monitoring progress on bulk-power renewable energy, emissions from electric and gas systems, and costs and benefits achieved, the order initiating the proceeding highlights activities already being undertaken by the utilities that will be instrumental in achieving CLCPA goals, including: comprehensive energy efficiency programs for both gas and electric customers; building electrification programs; demand response programs for both gas and electric customers; transportation electrification offerings; clean energy alternatives to traditional infrastructure investments; alternative fuels; and bulk power renewable energy programs and transmission programs to facilitate renewable energy delivery in the State. The UCG appreciates and supports the aspect of the order requiring proposals of decarbonization pathways for the gas system. The UCG members believe that a fully integrated technical study that evaluates electrical system future needs coupled with the decarbonization and utilization of gas resources should be conducted to inform this important transition.