

2019 BQDM Program Extension Auction Requirements

Revision History

Date	Version	Revisions
December 22, 2017	Initial Release	
February 12, 2018	Revision 1	Revised date in Section 4.2 Revised reference in Definitions section

Definitions

Annual Electric Savings (kWh): Estimated average energy savings per Project realized in a calendar year; kWh savings estimates will be based upon measure type, measure operation, and level of data available.

Applicant: Customer, aggregator or other third-party acting on the customer's behalf.

Bid: The Con Edison Contribution Requested (\$), as defined in the 2019 BQDM Program Agreement, by the Applicant to provide Peak Demand Reduction. The Bid will be evaluated in the BQDM Program Extension Auction clearing mechanism as an incentive rate (i.e., price per kW of Peak Demand Reduction). The Bid must not exceed the Maximum Incentive Level (refer to Section 4.1).

BQDM Area: The BQDM Area is defined by three Con Edison electric networks (known by Con Edison as Ridgewood, Crown Heights and Richmond Hill) served by the two substations identified as having a forecasted capacity constraint (identified by Con Edison as Brownsville No. 1 and 2 substations).

BQDM Event: The Company's request, given upon not less than 21 hours advance notice, for Peak Demand Reduction during the On-Peak Hours. After 2018, BQDM Events will be called at the same time as events called in the BQDM Area by the Commercial System Relief Program ("CSR"), as defined in General Rules 24, Rider T¹ of the most current rate schedule.

Certificate of Completion: Certificate provided by Applicant to Con Edison stating that a Project has been completed.

Final Incentive Offer Letter: Document issued by the Company presenting the updated incentive based on post-installation Inspections and M&V results.

Incentive Rate: The awarded Bid price per kW of Peak Demand Reduction.

Maximum Incentive Level: Maximum incentive amount that Applicants may receive from Con Edison as defined in Section ~~3.1~~ 4.1.

¹ <https://www.coned.com/-/media/files/coned/documents/save-energy-money/rebates-incentives-tax-credits/smart-usage-rewards/rider-t.pdf>

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Notice to Proceed (“NTP”): Notification provided by Con Edison to Applicants to proceed with the implementation of the Project.

Off-Peak Hours: All hours not considered On-Peak Hours.

On-Peak Hours: Hours when the BQDM networks coincident peak demand occurs, between June 1 and September 30, during weekdays, and between the hours ending 1200 through 2400.

Peak Demand Reduction (kW): Estimated average peak load reduction realized during On-Peak Hours; kW reduction estimates will be based upon measure type, measure operation, and level of data available.

Portfolio: Collection of all Projects submitted for a Bid.

Preliminary Incentive Offer Letter (“PIOL”): Document issued by the Company presenting the preliminary incentive based on auction clearing mechanism results.

Program Team: Con Edison employees working within the Company’s Targeted Demand Management team.

Project: Installation, implementation and operation of any equipment and/or software to provide Peak Demand Reduction. A Project may include one or more technologies per Con Edison electric account.

Sealed Bid: A Bid submitted in response to the invitation to Bid. Sealed Bids will be received up to a specified deadline/date and will be kept confidential between the Company and the Applicant throughout the auction process.

Scope of Work: Detailed narrative for each Project describing the work that is to be carried out to provide Peak Demand Reduction, broken out in deliverables and deadlines. Refer to Section 6 for the minimum requirements that should be outlined in your detailed Scope of Work.

Scope of Work Change Form: Form provided by Con Edison to Applicant to document any change to Scope of Work.

2019 BQDM Program Extension Auction Requirements

1. Brooklyn Queens Demand Management Program Overview

Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”) designed the Brooklyn Queens Demand Management Program (“BQDM Program”) to address a forecasted overload condition of the electric sub-transmission feeders serving the Brownsville No. 1 and 2 substations by reducing 69 MW peak load in the BQDM Area.² Approximately 52 MW of the peak load reduction will be achieved using a combination of non-traditional utility-side and customer-side solutions; 17 MW will be achieved using traditional utility infrastructure investment.

The Company has successfully been implementing the BQDM Program and projects that it will achieve its Peak Demand Reduction goals as scheduled and under budget. Based upon the BQDM Program’s success, as well as reductions in peak load forecasts and traditional infrastructure improvements, the New York State Public Service Commission (“Commission”) approved the Company’s request to defer additional traditional investments and deliver additional benefits to customers through an extension of the BQDM Program beyond 2018.³ The 2019 BQDM Program Extension (“BQDM Extension”) will enable the deferral of the Glendale Project, a traditional component of the BQDM Program.

With approval of the BQDM Extension, the Company will continue to provide financial incentives for qualifying technologies that will reduce demand and energy usage in eligible facilities. The Company has decided to pursue a BQDM Extension Auction to procure additional Peak Demand Reduction. Incentives will be set via an auction process.

Figure 1 illustrates the process that the 2019 BQDM Program Extension Auction will follow. Please note there are multiple actions that take place between each step in the process to move Bids/Projects forward to implementation and verification of Peak Demand Reduction. Refer to Section 4 for a detailed description of the process.

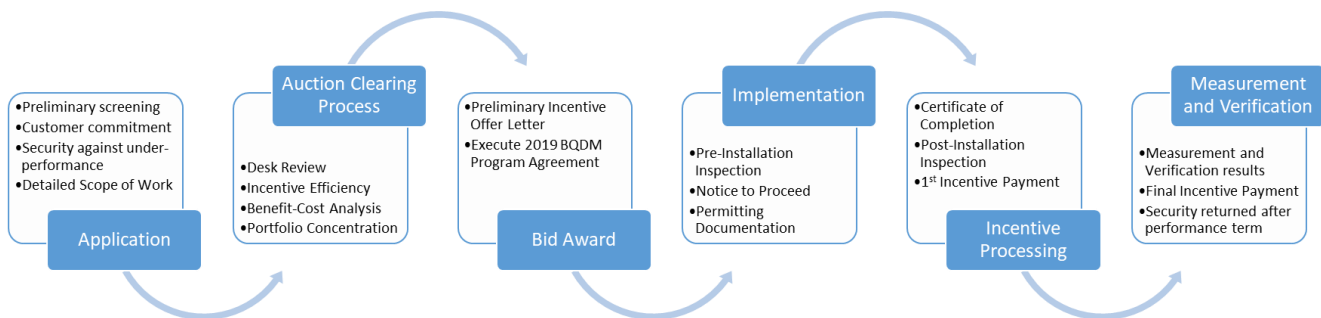


Figure 1: 2019 BQDM Program Extension Auction process

² Case 14-E-0302, *Petition of Consolidated Edison Company of New York, Inc. for Approval of Brooklyn Queens Demand Management Program* (issued December 12, 2014). See the definition of the BQDM Area in the following Definitions section.

³ Case 14-E-0302, *Petition for Extension of Time to Implement Brooklyn/Queens Demand Management Program*, Order Extending Brooklyn/Queens Demand Management Program (“Extension Order”) (issued July 13, 2017).

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If total needs are not met from the results of this auction, the Company may hold an additional auction in the future based on remaining funds available.

Through this auction, Con Edison is seeking advanced technologies to provide Peak Demand Reduction in the BQDM Area. Qualifying technologies include, but are not limited to, energy storage, advanced controls, and distributed generation (such as fuel cells, combined heat and power). Emergency and standby generators as well as lighting replacement measures are not considered advanced technologies for this auction and, therefore, are excluded from participation. Refer to Section 3 for more details on Project qualification. Incentives will be based on performance.

In the interest of committing funding for Projects that have minimal cancellation risk and guarantee Peak Demand Reduction, Con Edison will require that Applicants submit security protecting the Company and its customers against under performance per the rules stipulated in the 2019 BQDM Program Agreement (“Application”). The security must be submitted by the final application deadline, **April 2, 2018**. This document specifies the rules and timelines for the 2019 BQDM Program Extension Auction only.

2. Timeline

The Company has established the following BQDM Extension Auction schedule. Winning Applicants must comply with the schedule.

Table 1: 2019 BQDM Extension Auction Schedule

Date	2019 BQDM Extension Auction Schedule
December 22, 2017	Release BQDM Extension Auction rules
January 16, 2018	BQDM Extension Auction webinar
March 1, 2018	Application preliminary review deadline
April 2, 2018	Application and security deadline
June 1, 2018	Auction Preliminary Incentive Offer Letter date (auction award date)
June 15, 2018	Deadline for applicants to submit comments regarding PIOL
June 29, 2018	Final date to return signed 2019 BQDM Program Agreement
August 31, 2018	Pre-installation inspection completed (if deemed necessary)
October 30, 2018	Final date to be issued NTP
November 2, 2018	Final date to provide Con Edison with proof of permitting documentation for battery Projects
December 4, 2018	Final date to provide Con Edison with proof of permitting documentation for all other Project technologies
March 1, 2019	Major equipment deliverables on-site
May 1, 2019	Project must be operational (partial incentive) (Certificate of Completion deadline)
June 1, 2019	Post-inspection data collection and analysis begins
November 30, 2019	All final incentive payments will be issued based on M&V results after this date

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3. Project Eligibility

Eligible Projects must use a qualifying technology, be located within the BQDM Area, and each Portfolio must total at least 50 kW of Peak Demand Reduction.

3.1. Portfolio Peak Demand Reduction Requirement

An Applicant's Portfolio must total of at least 50 kW of Peak Demand Reduction. There is no minimum Peak Demand Reduction requirement on a Project level.

3.2. Qualifying Technologies

Eligible Projects must use one or more qualifying technologies. Qualifying technologies include, but are not limited to, distributed generation (such as fuel cells, combined heat and power), energy storage, and advanced controls.

To be considered as an "advanced controls" Project, the control system should include:

- Two-way connectivity (can both send and receive data or commands) capable of responding to dynamic conditions in an automated fashion; OR
- A Building/Energy Management System ("BMS" or "EMS") capable of on-demand control of one or more energy consuming building systems (mechanical, ventilation, electrical, and/or lighting)

3.3. Non-qualifying Technologies

Emergency and standby generators, and lighting replacement measures are not considered advanced technologies for this auction and, therefore, are excluded from participation.

Additional examples of equipment or measures that alone are non-qualifying technologies are: variable frequency drives, energy monitoring only systems, equipment scheduling or setbacks, economizers (air or water side), and temperature resets (condenser water, chilled water supply, or supply air).

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3.4. BQDM Area

Eligible Projects must fall within the BQDM Area, see Figure 2. The Company recommends that Applicants send the active customer Con Edison electric account number, customer name and address to DSM@coned.com to determine customer eligibility prior to submitting an Application. Customer account number is a requirement for verification.



Figure 2: Geographical Map of BQDM Targeted Networks

To qualify for the incentive, winning Projects must be completed and a Certificate of Completion must be delivered to Con Edison by **May 1, 2019**.

2019 BQDM Program Extension Auction Requirements

4. Program Process

4.1. Program Application – 2019 BQDM Program Agreement

To be considered as a participant in the program, Applicants must submit a completed Application along with security requirement by the application and security deadline of **April 2, 2018**. Refer to Section 4.2 for details on security requirement.

Applicants interested in receiving early feedback, and the opportunity to resubmit, may submit an Application by pre-screening deadline of **March 1, 2018**. Applications received after March 1, 2018, will not receive early feedback before the Application and security deadline and may be rejected by Con Edison if the Application is incomplete. Refer to Section 4.3 for details on pre-screening.

Each Applicant will submit an Application that will become a Bid. All BQDM Extension Auction Bids will be treated as Sealed Bids.

Bids are capped at Maximum Incentive Level

All incentives will be capped at the LESSER of:

- One hundred percent of the Project cost estimate minus any incentive or funds from other Con Edison programs or funds from other agencies, or
- One hundred percent of the actual Project costs, or
- Five million dollars per Bid

Projects with the highest chances of winning an incentive award will have:

- The lowest incentive requested per kW of Peak Demand Reduction reduced; and
- The lowest ratio of total Project cost to kW of Peak Demand Reduction level

4.2. Security Requirement

Financial assurances will be required to ensure that qualifying technologies will be installed and operational on or before the contracted in-service date. Applicants must submit security by the application and security deadline of ~~March 1~~ **April 2, 2018**. Security will be calculated at \$150 per kW of Peak Demand Reduction or 30 percent of the requested incentive, whichever is less.

Failure to meet contracted Peak Demand Reduction during BQDM Event days may result in liquidated damages; refer to the 2019 BQDM Program Agreement Terms and Conditions for more details.

If Applicant is not awarded an incentive on the auction award date of June 1, 2018, the security will be returned in full by August 1, 2018. If an Applicant is awarded an incentive on the auction award date of

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June 1, 2018, the security will be returned after the performance period has been completed. Security will be forfeited by any Applicant that is selected and cancels a Project.

4.3. Project Pre-Screening and Desk Review

Pre-screening: Pre-screening will start upon the receipt of an Application. For those Applications submitted by March 1, 2018, Applicant will receive early feedback and the opportunity to resubmit the Application. The pre-screening will assess (1) whether the Application is complete and includes all required attachments, and (2) whether the Bid is below the Maximum Incentive Levels specified above.

Desk Review: If the Project passes pre-screening, Con Edison will initiate a desk review. This will entail reviewing the accuracy of the Applicant's engineering assessments and cost estimates and developing a Measurement and Verification ("M&V") Plan. The M&V Plan will outline Project-specific M&V requirements. Con Edison will use the cost estimates, Peak Demand Reduction, and Annual Energy Savings determined during the desk review in the auction clearing mechanism. During this phase, Con Edison's consulting engineer conducting the desk review may call the Applicant or the customer for additional information. Timely responses by Applicants to requests for additional information will be critical to ensuring that the desk review is completed on time and the Application is moved to the auction clearing mechanism.

4.4. Auction Clearing Mechanism

Projects will be selected for an award based on the BQDM Extension Auction clearing mechanism further elaborated upon in Appendix A.

The BQDM Extension Auction is a multiple award, pay-as-bid auction, meaning that the auction will have several winners and each winner will be awarded the price it bids as an Incentive Rate, assuming the Bid meets the Maximum Incentive Level criteria as defined in Section 4.1. Con Edison will select Projects to award incentives in the auction clearing mechanism based on the clearing criteria described in Appendix A.

Applicants will be notified of their awarded Bid on the auction award date of **June 1, 2018**. Incentives will be paid upon Project completion and based on performance as described in Section 4.11.

Con Edison may make changes to the auction clearing mechanism for future auctions based on market feedback and auction experience.

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4.5. Sign and Return Preliminary Incentive Offer Letter and M&V Plan

Awardees will receive a PIOL and an agreed upon M&V Plan for any Project that clears the auction. If Con Edison does not require any additional data to establish the baseline of the existing conditions for M&V purposes, Con Edison may be able to issue an NTP at the same time as the PIOL.

The PIOL will be issued on **June 1, 2018**, with comments due back to the Company by **June 15, 2018**.

The PIOL will expire on **June 29, 2018**, if not signed and returned to Con Edison.

The M&V Plan will include Con Edison's preliminary estimates of Peak Demand Reduction and Annual Energy Savings as well as Project costs. Sample M&V plans are available upon request.

4.6. Pre-Installation Inspection

Con Edison may inspect the existing condition of the Project site to confirm that work has not started prior to installation. In order to be eligible for incentives, work may not begin until a pre-installation inspection has been completed and an NTP has been issued by Con Edison. To expedite the process, Con Edison may conduct the pre-installation inspection prior to issuing the PIOL or prior to receiving a signed PIOL. It is important for the customer to avoid delaying scheduling the pre-installation inspection if contacted by Con Edison or Con Edison's consulting engineer. As part of the pre-installation inspection, Con Edison may request BMS data for key points for M&V purposes. Alternatively, Con Edison may install data loggers to measure key system parameters. If data loggers are required, it may take up to six weeks to collect site data and another two weeks to prepare a pre-installation inspection report. This report may be made available to Applicants upon request.

If a pre-installation inspection is required, it must be completed by **August 31, 2018**.

4.7. Notice to Proceed

After the pre-installation inspection report is completed, Con Edison will issue an NTP to allow Project work to begin. Depending on the findings of the pre-installation inspection, the kW savings estimate(s) may change. The NTP will show the updated incentive level. The amount of time it will take Con Edison to issue the NTP will depend on several factors:

- Applicants' availability for the pre-installation inspection – the earlier the pre-installation inspection is complete, the sooner Con Edison can issue the NTP
- If Con Edison deems that it does not need system parameter data to establish a baseline for a Project, the NTP will be issued along with the PIOL, after the completion of the pre-installation inspection
- If Con Edison requires the output of the BMS or install data loggers, the NTP will be issued within **45 days** after the pre-installation inspection

The final date to be issued an NTP is **October 30, 2018**.

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4.8. Submit Permitting Documentation

To ensure that the Project is moving forward, a construction permit or proof of permit submission must be submitted to Con Edison by the deadlines described in this section.

For lead acid battery Projects, receipt of submission of the TM-1 application⁴, as instructed by Fire Department of City of New York (“FDNY”), is required by **November 2, 2018**. When filing the TM-1 application to the FDNY, please ensure all technology is UL listed, and submit a cover letter that states participation in the Con Edison BQDM Program, including the program year, and all applicable deadlines.

For other battery types, a Letter of No Objection from the FDNY is required by **November 2, 2018**.

For all other Projects, the final date to provide Con Edison with proof of permitting documentation or proof of exemption is **December 4, 2018**.

4.9. Install Equipment and Operational Status

Con Edison reserves the right to hold periodic Project status calls with Applicants to determine whether the Project is on schedule and to assess any aspects that require assistance from Con Edison.

If there is a change in the Scope of Work, a Scope of Work Change Form must be submitted and all work must stop until Con Edison gives the go-ahead to proceed. If the change in the Scope of Work results in a lower Peak Demand Reduction, Con Edison reserves the right to adjust the incentive awarded based on the new Peak Demand Reduction by keeping the awarded Incentive Rate.

Major equipment deliverables must be on-site by **March 1, 2019**.

After the equipment is fully operational, the Applicant must sign and deliver the Certificate of Completion along with all itemized invoices to Con Edison by **May 1, 2019**.

⁴ http://www.nyc.gov/html/fdny/pdf/fire_prevention/otmb_tm_1.pdf

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4.10. Post-Installation Inspection

Con Edison will inspect the post-installation condition of the site to determine eligible incentives. If it deems necessary, Con Edison will install data loggers or download BMS data for M&V purposes.

It may take Con Edison **up to three weeks** to review a Certificate of Completion as well as Project invoices and complete a post-installation inspection.

All awarded incentives will be subject to change based on the determination of Peak Demand Reduction through the post-installation M&V process.

Post-installation inspection data collection and analysis must begin no later than **June 1, 2019**.

4.11. Incentive Payment

Once Peak Demand Reduction and incentives are finalized by the Program Team, Con Edison will email a Final Incentive Offer Letter and mail an incentive payment. Fifty percent of the incentive will be paid upon completion of the Project; the remaining balance of the incentive will be paid based on performance and the results of BQDM M&V evaluation protocol.

The first incentive payments will be issued after **January 15, 2019**.

The Projects must be installed and operational; and the Certificate of Completion along with itemized invoices must be delivered to Con Edison by **May 1, 2019**. Any delay in the completion of the Project will impact the final incentive payment.

All final incentive payments will be issued after M&V and after **November 30, 2019**.

5. Collusion and Other Prohibited Activities

Collusion with other Applicants prior to, during, or after the auction is strictly prohibited. Collusion and other prohibited activities include, but are not limited to: discussing Bid strategies with other program participants, engaging in any activity with the intent of impacting the clearing mechanism of the auction in a manner inconsistent with competitive behavior, or taking any action to undermine the competitive nature of the auction and otherwise benefit from Company compensation with no intent or expectation of providing the amount of Peak Demand Reduction or Annual Electric Savings submitted into the auction. The Company shall have the discretion to determine when collusion or other prohibited activities have occurred and to take any appropriate action, including barring participation in future auctions or programs, and reporting the activity to the New York State Department of Public Service (the "NYDPS"), and the Commission and any other appropriate state or federal agencies.

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6. Technical Data Requirements

To process an Application, the BQDM Extension Auction requires an engineering analysis to substantiate the Peak Demand Reduction and Annual Energy Savings. The BQDM Extension Auction also requires detailed estimated installation cost data. This information is required as per the Company's Benefit-Cost Analysis (BCA) Handbook (refer to Appendix A for further information). The following section summarizes the Project cost estimate and baseline data requirements. This is the minimum information that should be included in the Scope of Work and submitted in the Application package. Project requirements for the BQDM Extension Auction may change.

6.1. BQDM Program Agreement M&V Requirements

Applicants Project(s) must remain operationally available for at least three years or until the date specified in the Project plan or Addendum 2 of the 2019 BQDM Program Agreement. Advanced technologies that are not considered to provide constant or permanent Peak Demand Reduction will be required to participate in CSR until 2026.

6.2. Cost Estimate Requirements

Applicant must provide the following, separated by measure type:

- Application to any other incentive, rebate or funding program; including dollar amount.
- Projects should be broken down by labor and material costs, at minimum.
- Include manufacturer or distributor quotes or estimates for major pieces of equipment contributing a significant portion of the Project cost.
- Include a narrative describing the scope of the Project and summarizing the major elements of the proposed cost including those above as well as:
 - Installation of the measure-specific equipment
 - The basis for assumed labor rates
 - Controls (labor and materials)
 - Structural (labor and materials)
 - Electrical (labor and materials)
 - HVAC (labor and materials)
 - Piping (labor and materials)
 - Metering (labor and materials)
 - Commissioning

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6.3. Baseline Requirements

A minimum of one summer month of pre-installation equipment-level metering of energy consumption and demand at an average 15-minute interval, or comparable data as appropriate to verify the baseline conditions and post-installation performance and operation.

The minimum requirements that should be outlined in your detailed scope of work are the following:

- Project description (including customer type/ market segment)
- Pre- and post-installation conditions
- Cut sheets and technical data for equipment and/or software
- Operating hours
- Control/operation strategy
- Proposed demand reduction calculations (including emissions and noise level, if applicable)
- Parasitic loads
- Proposed savings calculations
- End of life disposal plan

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Appendix A – BQDM Extension Auction Clearing Mechanism

Con Edison will utilize the BQDM Extension Auction clearing mechanism for procuring Peak Demand Reductions in 2019 for the BQDM Area. An auction mechanism will be utilized to maximize the MW procured for a set budget within certain program constraints. The auction will clear up to a set cost and exhaust the remaining balance of the BQDM Program budget. The auction will be cleared in a three-step process outlined below.

- **Incentive Efficiency** – First, all Projects will be ranked in terms of their awarded Bid per kW of Peak Demand Reduction, also known as a Projects Incentive Efficiency. The Peak Demand Reduction will be determined during the desk review process. The initial portfolio will consist of the Projects with the best Incentive Efficiencies until the auction budget is filled.
- **Benefit-Cost Analysis (BCA) Ratio** – Next, the portfolio will be reviewed in terms of its overall benefit-cost ratio. Each Project in the portfolio will be assessed using the Societal Cost Test defined by Con Edison’s BCA Handbook⁵ to determine whether the portfolio meets Con Edison’s benefit-cost ratio target. Each Projects total cost, Peak Demand Reduction, and Annual Energy Savings will be inputs to the BCA calculation. The total cost, Peak Demand Reduction and Annual Energy Savings from the desk review will be applied. If the portfolio fails to meet Con Edison’s threshold, Projects within the portfolio with the poorest benefit-cost ratios will be replaced by Projects with the best benefit-cost ratios of the Projects that have not been selected.
- **Portfolio Concentration** – Last, Con Edison will review its portfolio to manage portfolio performance risk. No single auction participant (Applicant) will be awarded more than \$5 million in terms of incentives across its portfolio of submitted Projects combined across all auctions for 2019.

⁵ <https://www.coned.com/-/media/files/coned/documents/our-energy-future/our-energy-projects/coned-bcah.pdf?la=en>