Consolidated Edison Company of New York, Inc.

Oil-to-electric Conversion
Pilot Program

Request for Proposals

December 12, 2018
Table of Contents

I. Introduction .................................................................................................................................................. 2
   A. Background ............................................................................................................................................... 2
   B. Pilot Description ...................................................................................................................................... 3
   C. Pilot Goals ............................................................................................................................................... 3

II. Scope of Work .............................................................................................................................................. 5
   A. Overview .................................................................................................................................................. 5
   B. Requirements .......................................................................................................................................... 5

III. RFP content ................................................................................................................................................ 7
   A. Proposal Response Format ..................................................................................................................... 7
   B. Proposal Submittal Instructions ............................................................................................................. 8
   C. Schedule .................................................................................................................................................. 8
   D. Company Contact Information ............................................................................................................... 9
   E. Review Process ....................................................................................................................................... 9

IV. General Information ................................................................................................................................ 10
   A. Background on Con Edison .................................................................................................................... 10
   B. Terms and Conditions ............................................................................................................................ 10
I. Introduction

A. Background

Consolidated Edison Company of New York, Inc. (the “Company” or “Con Edison”) is extending a Request for Proposals (“RFP”) from qualified parties (herein referred to as “respondents”) to work with the Company to identify a viable heating oil\(^1\)-to-electric (“OTE”) conversion pilot program in Westchester.

The Company is working with the New York State Department of Public Service and other stakeholders to achieve the policy goals of Reforming the Energy Vision (REV), and supports the State’s environmental objectives – including the longer-term vision to achieve 80% reduction in greenhouse gas (GHG) emissions by 2050. The Company believes this OTE offering is a key component towards establishing a pathway to the 80% GHG reduction. According to the New York State Energy Research and Development Authority (NYSERDA), thermal energy in New York State’s residential and commercial sector constitutes 37% of statewide net energy consumption and 32% of greenhouse gas emissions.\(^2\) 20% of households in the Northeast Census region use heating oil as their main space heating fuel, with 3.1 billion gallons of heating oil sold in 2016.\(^3\) Fuel oil combustion leads to a considerable amount of emissions – including particulate matter, sulfur oxides, and nitrogen oxides, along with 161.3 pounds of CO\(_2\) emitted per million BTU of energy.\(^4\)

In addition to the environmental benefits of avoiding fuel oil combustion, converting from heating oil to electricity will allow customers to leverage cleaner, renewable resources to meet their heating needs – e.g., through cold climate air-source heat pumps (“ccASHPs”), which extract more energy from the environment than the input energy required. Such technologies currently are hindered by several market barriers: customer awareness, contractor knowledge, and associated costs. A successful OTE program, if demonstrated to be feasible at scale, will 1) address these barriers, 2) provide the Company with a key roadmap towards viable heating electrification, and 3) inform other Company efforts – such as the Company’s pending petition related to Non-Pipeline Solutions (NPS), which is seeking to enhance customer adoption of electric heating to avoid increases in natural gas demand.

---

\(^1\) For the purposes of this RFP, customers currently utilizing propane will also be eligible for a conversion.


B. Pilot Description

Respondents’ solutions shall include space and water heating electrification coupled with home air sealing and insulation measures. Solutions shall put forth a holistic business model for conversions that, at scale, would result in net benefits to customers, contribute significantly to emissions reductions, and provide a sustainable path forward for wide-scale heating electrification.

The customer experience will also be addressed through this program. Heating oil prices are subject to a variety of market forces, and home oil bills are forecasted to increase by 20% for the 2018-2019 winter due to tightening global oil balances and potential supply disruption concerns. While having electricity as the source of energy for heating needs will not completely insulate the customer financially from market forces, electricity prices are relatively more stable based on recent historical experience. Additional benefits to the customer include comfort and convenience – sealing measures will lead to better insulation, while the removal of oil as a heating source will preclude the need for physical fuel deliveries.

C. Pilot Goals

With a successful pilot, the Company will gain knowledge that can be used to design a scalable residential home OTE conversion program and help further inform the Company’s efforts in reducing natural gas demand. The goals of the pilot include:

1. **Charting a sustainable path forward for wide-scale implementation of ASHPs.** The Company seeks to gain market insights into industry barriers to electrification – and how to strategically overcome them – from the following perspectives:

   a. Customers
   b. Contractors
   c. Distributors
   d. Suppliers
   e. Building heating typologies (e.g. forced air vs. hydronic) and effective retrofitting strategies

2. **Understanding and measuring emissions reduction and other environmental impacts.** The Company is interested in understanding the net environmental effect that a scaled program can bring, through – but not limited to – the following metrics:

   a. Greenhouse gas emissions (CO$_2$)
   b. Particulate matter
   c. SO$_x$, NO$_x$

---

6 U.S. EIA, “Winter Fuels Outlook.”
d. Coolant leakage impacts on net GHG benefits

3. **Identifying a cost-competitive business model for oil-to-electric conversions.** The Company understands that the “business as usual” case provides several financial barriers to OTE conversions. A successful pilot will explore and define a viable financial model that can be replicated at scale.
II. **Scope of Work**

A. **Overview**

The scope of the OTE pilot shall be limited to Con Edison electric customers in single-family homes in Westchester that are currently utilizing heating oil or propane. The Company is seeking a turnkey proposal that will address customer identification through installation, and expects a pilot duration of approximately one year – from Q1 2019 through Q1 2020. The Company welcomes respondents to provide a cost per home approach, and expects a preliminary budget of $500,000 for this pilot. If successful, the Company envisions potentially leveraging the pilot success into insights for Company beneficial electrification initiatives and/or a larger, programmatic offering.

The Company is flexible towards different solutions, but puts forth these general guidelines:

1. **Whole-home electrification.** While ccASHPs will serve as the space heating energy source, proposed solutions should also include a plan to address other needs for thermal energy sources – cooking, domestic hot water, drying, etc.

2. **Home sealing and insulation.** The Company realizes that in order for an electric heating initiative to be effective, targeted homes must be properly weatherized and insulated. Proposals shall incorporate a plan to offer sealing measures in conjunction with new equipment, where applicable.

3. **New construction.** In addition to home retrofits, the Company also welcomes proposals that put forth a competitive solution that targets new, single-family home construction.

4. **OPTIONAL: storage + solar combinations, demand response (DR) connectivity.** While storage + solar and DR connectivity are not required as part of this pilot, the Company acknowledges that the value proposition of whole-home electrification may be enhanced with an offering that includes one or more of these options. Solutions shall be limited to the current regulatory framework and shall not require additional approvals.

B. **Requirements**

The Company requests that the following components be incorporated into respondents’ proposals.

1. **Customer recruitment strategy.** Respondents must put forth a detailed strategy to identify, target, and acquire potential customers for this pilot. The Company expects that respondents

---

7 If respondents propose whole-home electrification, oil tank removal must be included as part of the proposal.
shall be able to effectively reach their target audience with minimal reliance on Company resources or customer data.

2. **Financial analysis.** Respondents must put forth a detailed financial analysis that provides a cost-competitive solution for the respondent, customers, and the Company. Please see below in this section regarding special rate structures/recurring incentives – neither of which shall be considered.

3. **Incorporation of existing incentives and other market support.** The Company and NYSERDA both have existing rebate incentives in place for ccASHPs and other heat pump equipment. Respondents shall address how they anticipate leveraging these in order to optimize customer value.

   a. **Con Edison**
      - Residential distributor incentive

   b. **NYSERDA**
      - Heat pump incentives
        - https://www.nyserda.ny.gov/all-programs/programs/air-source-heat-pump-program
      - Sustainable Westchester Clean Heating & Cooling initiative
        - https://www.nyserda.ny.gov/All-Programs/Programs/Clean-Heating-and-Cooling-Communities
        - https://sustainablewestchester.org/

The Company will **NOT** consider the following in respondents’ proposals.

1. **Ground-source heat pumps.** At this time, the Company is choosing to focus on ccASHPs as the core technology for the OTE pilot.

2. **Untested technologies.** The OTE pilot is not a research and development program, and therefore the Company will not consider unproven or pre-commercial technologies.

3. **Special rate structures and/or recurring incentives.** The Company is seeking proposals that can put forth a cost-competitive offering without the need of either a special rate or recurring incentive. By doing so, a successful pilot will provide a sustainable path forward for wide-scale adoption without the need of sustained financial support.
III.  **RFP content**

A. **Proposal Response Format**

The response must include the proposal, which shall not exceed 10 pages (excluding appendices). Proposal shall include high-level estimated FTE hours to be expended for this proposal. The written proposal response for the OTE pilot should be organized as follows:

1. **Cover Letter**

   The cover letter should be one page and should contain:

   a. The legal name and address of Respondent;
   b. The name, title, and telephone number of the individual authorized to negotiate and execute the agreement;
   c. A signature of a person authorized to contractually bind the Respondent’s organization;
   d. A statement that the vendor has read, understands, and agrees to all provisions of the RFP; and
   e. A summary of any alterations to the terms and conditions in the RFP.

2. **Table of Contents**

   Include a clear identification of the proposal by section and by page number.

3. **Executive Summary**

   In this section the vendor shall provide an executive overview and general description of the key features of its proposal. In this section, the vendors shall provide the following:

   a. Highlight past industry-specific work related to the Company’s requirements;
   b. Estimate the cost and emissions reduction per home;
   c. Include relevant experience with ccASHPs and home sealing, experience with acquiring residential customers in single-family homes for both types of measures, and any Westchester-specific residential market experience; and
   d. Any other relevant information that is deemed appropriate and noteworthy.

4. **Proposal**

   This is a response to the requirements outlined in this RFP. Respondents shall provide a section on each of the following:
a. Customer recruitment strategy  
b. Operational plan, including installation (if applicable), QA/QC, and customer support  
c. Financial analysis (clearly quantifying benefits and costs)  
d. Incorporation of existing incentives  
e. Benefits to the customer, the Company, and the respondent  
f. Approach to capturing and transferring insights from the pilot with the Company  
g. Detailed cost estimate (including breakdown across customer incentives, marketing, sales, and implementation)  
h. Proposed payment structure (e.g., share upfront vs. at milestones vs. pay-for-performance)  
i. Project risks and mitigation strategies  
j. Timeline and realistic milestones  

5. Key Personnel  

Respondents should describe their staffing plans to manage the proposed programs. Bidders must identify key program managers and other team members who will be assigned to support program delivery efforts. Include a clear description of staff location, roles, and responsibilities and the allocated percentage of time each will devote to the program. Provide a short biography and resume for each key member, including all subcontractor employees allocated to the process. Include detail on prior work these key individuals have done together, if applicable.  

6. References  

References must be provided where applicable. Description of previous experience should include the geographic area, program size and scope, participation goals and achievements, and relevant program metrics for cost-effectiveness calculations.  

7. Glossary of Terms  

Respondents will provide a glossary of terms that is specific to the proposal.  

B. Proposal Submittal Instructions  

Responses are to be submitted electronically via email to dl-OTE@coned.com, in PDF format, by **Wednesday, January 23, 2019**.  

C. Schedule  

Please see below for the RFP schedule:
<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date(s)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFP issued</td>
<td>Wednesday, December 12, 2018</td>
</tr>
<tr>
<td>Proposals due</td>
<td>Wednesday, January 23, 2019</td>
</tr>
<tr>
<td>Evaluation, selection, and contract negotiations</td>
<td>Month of February 2019</td>
</tr>
</tbody>
</table>

*The Company reserves the right to change any of the above dates.

### D. Company Contact Information

All inquiries shall be directed to the contact below:

dl-OTE@coned.com

### E. Review Process

The Company utilizes a standard approach for evaluating proposals and selecting vendors. This is a multi-step process that is conducted by a Company team. The process is designed to evaluate proposals on an equal basis with the objective of selecting the vendor which provides the greatest overall value to the Company.

Proposals will be evaluated using the following process:

1. **Content Review**
   
   Each submitted proposal will be reviewed to ensure that all elements described in the Proposal Response Format above have been provided. Failure to submit a complete proposal or a proposal without elements in the format may result in the proposal being rejected and disqualified from further evaluation.

2. **Short List Vendor Selection**
   
   The vendors who demonstrate the greatest potential value to the Company during the Content Review will be invited for an Oral Presentation to interview with the evaluation team to demonstrate their ability to deliver on the their proposal.

3. **Proposal Pricing**
   
   Proposal pricing and structuring of payments to respondents (e.g. upfront vs. at milestones vs. pay for performance) will be evaluated and incorporated into the vendor scoring and proposal evaluation. Pricing and payment structuring is a significant factor in overall proposal evaluation.

4. **Selection of Finalists**
   
   Finalists will be selected and contract negotiations will begin based on the Content Review, the Oral Presentations, and Proposal Pricing.
IV. General Information

A. Background on Con Edison

Consolidated Edison Inc., the parent company of Con Edison, is one of the nation's largest investor-owned energy companies, with approximately $13 billion in annual revenues and $47 billion in assets. The company provides a wide range of energy-related products and services to its customers through the following subsidiaries: Consolidated Edison Company of New York, Inc., a regulated utility providing electric, gas, and steam service in New York City and Westchester County, New York; Orange and Rockland Utilities, Inc. (“O&R”), a regulated utility serving customers in an approximately 1,300-square-mile-area in southeastern New York State and northern New Jersey; Consolidated Edison Solutions, Inc., a retail energy services company; Consolidated Edison Energy, Inc., a wholesale energy services company; Consolidated Edison Development, Inc., a company that develops, owns and operates renewable and energy infrastructure projects; and Con Edison Transmission, Inc., which invests in electric and natural gas transmission projects.

This RFI is led by Con Edison only and does not involve O&R or the unregulated businesses of Consolidated Edison, Inc.

B. Terms and Conditions

It is the sole responsibility of the Respondent to read and understand all of the terms and conditions, components, appendices, and other requirements of this RFP. Failure to comply with the bidding instructions may disqualify a respondent from further consideration.

The Company may modify the scope, characteristics, or requirements of the RFP and the resulting contract at any time in order to achieve cost effectiveness and ease of contract administration. Proposals may be rejected by the Company if the Proposal is incomplete or deviates from the RFP requirements.

This RFP may be cancelled or delayed at any time at the sole discretion of the Company. This RFP does not constitute an order or any obligation on the part of the Company.

An award may be made only upon the execution of a contract between the Company and the selected respondent.

All proposals become the property of the Company and disposition of the Proposals shall be at the sole discretion of the Company.

Bidders must comply with all Con Edison contract requirements. Requirements can be found on the Company’s Oracle EBS site.
This page is intentionally left blank.