

**STATE OF NEW JERSEY
ENERGY MASTER PLAN COMMITTEE**

**COMMENTS OF CONSOLIDATED EDISON SOLUTIONS, INC. ON THE
DRAFT NEW JERSEY ENERGY MASTER PLAN**

On April 17, 2008, the Governor's Office of the State of New Jersey published a Draft New Jersey Energy Master Plan ("Master Plan") and asked interested parties to participate in public hearings and provide written comments on the Master Plan. Accordingly, Consolidated Edison Solutions, Inc. ("Con Edison Solutions") submits the following comments:

CORPORATE BACKGROUND

Con Edison Solutions is a retail energy provider serving more than 200,000 residential, commercial and industrial customers throughout the Mid-Atlantic, Northeast and Texas and maintains an office in Cherry Hill, New Jersey. In addition to retail energy supply, Con Edison Solutions offers its customers a number of energy related services, including demand response and energy conservation services, renewable energy and other distributed energy products. Con Edison Solutions participated in the initial Public Hearing held on July 10, 2008 in Newark, NJ.

GENERAL COMMENTS ABOUT DRAFT MASTER PLAN

First and foremost, Con Edison Solutions applauds the significant effort that went into developing the Master Plan. The Master Plan lays out environmentally sound strategies for regaining control of New Jersey's energy future.

From an energy efficiency perspective, there is a robust market with participants that include Fortune 500 companies (including New Jersey-based Honeywell and Trane), affiliates of utilities (including Con Edison Solutions), and small and medium-sized energy services companies, of which New Jersey has several. Con Edison Solutions and other energy services companies have extensive experience working with large customers to implement both demand response and energy efficiency strategies that are customized to meet the needs and capabilities of individual customers. Although Con Edison

Solutions does provide customers with the ability to integrate these projects with a retail energy supply contract, Con Edison Solutions also performs a significant amount of this work in situations where the local utility or another Third Party Supplier provides the customer's commodity service. Because of our ability to develop customer-specific strategies for energy efficiency in existing facilities, Con Edison Solutions - and other energy services companies - are uniquely positioned to help New Jersey achieve its goal to reduce energy consumption by 20% by 2020.

Con Edison Solutions also notes that a significant percentage of the Master Plan's goals can be achieved through guaranteed energy savings performance contracting in the state agency, municipal, university, school, and public hospital sectors' existing building stock represents over. Streamlined programmatic design models to facilitate performance contracting are available to the state along with significant supporting outreach vehicles.

Con Edison Solutions encourages the State to utilize guaranteed energy savings performance contracting as well as to structure programs to enable market participants in the energy services industry to utilize their expertise and customer relationships to support the Energy Master Plan's efficiency goals.

EXPANSION OF THE CIEP CLASS TO INCREASE HOURLY PRICING

Con Edison Solutions strongly supports the Master Plan's strategy for reducing peak electric demand by expanding that portion of the retail market in which customers see, and can respond in real-time to, the market price of the electricity they are consuming. As the Master Plan indicates, expanding real-time pricing for commercial and industrial customers with a peak demand of 600 kW by 2010 "will incentivize these users to reduce their demand during peak demand, when electricity prices are highest." This shift in usage will provide benefits to all customers by lowering energy prices and promoting customer-owned generation and combined heat-and-power installations and will ultimately lead to the development of new smart grid technologies.

Comments have been made by some public figures questioning the wisdom of expanding the CIEP class to industrial customers like those represented by the New Jersey Food Counsel due to the perceived inability to shift load¹. However, a customer's inability to shift their operations to off-peak hours should not be confused with the ability to shift some of their energy usage from high priced periods to lower priced periods. For example, energy management strategies that vary temperature setpoints on both refrigeration and air-conditioning systems can effectively use the thermal inertia of the food and internal spaces to reduce energy usage during peak periods without disrupting normal business operating schedules. Investments in other system improvements (e.g. thermal storage systems, free cooling during shoulder periods) can also be combined with load management strategies to reduce overall energy usage. In addition, customers in the 500 – 1000 KW range are large consumers of electricity and other products with sufficient business and operating knowledge to formulate operating plans or buying decisions in response to accurate market prices for energy. Suppliers such as Con Edison Solutions can customize commodity and energy services products to suit the individual needs of these customers. Among the products that Con Edison Solutions offers are renewable power as well as electricity pricing that can be either fixed, indexed or a hybrid of the two that fixes a component or a given volume of supply and has the remaining components or volumes in excess of predefined blocks float with market conditions. Although there are no barriers that preclude these customers from switching, the inability to readily identify and make these CIEP customers aware of the products and services available to them may be limiting the amount of switching that has occurred to date. In order to facilitate the information flow, Con Edison Solutions has asked the Board of Public Utilities to provide customers with the ability to authorize the release of their contact information to TPS or to establish rules where a TPS would pay a fulfillment house to perform targeted mailings to specific customer classes or sub-classes using customer data provided directly by the EDCs to the fulfillment house, thereby

¹ See transcript of July 11, 2008 BPU meeting “They cannot shift. Those refrigeration units have to work. We had conversations with them about best practices, Energy Star, that kind of thing. But it's very hard for them to shift. They're already doing energy efficiency.”

enabling suppliers to reach out to customers while protecting the confidentiality of customer-specific information.

Regardless of who supplies their electricity and the type of commodity contract selected, it is worth noting that all CIEP customers have the opportunity and economic incentive to invest in efficiency measures and participate in PJM administered demand response programs. Even those customers on fixed prices contracts have an incentive to reduce usage at peak periods as they can qualify for PJM energy payments based on the difference between the prevailing LMP and their retail price or capacity payments based on the prevailing RPM capacity price. Furthermore, customers with the ability to reduce their usage under predetermined conditions are able to negotiate more favorable commodity contracts from their Third Party Supplier. Therefore the perception that price responsiveness is undermined when CIEP customers switch to a Third Party Supplier for a fixed priced commodity supply contract has no merit.

CONCLUSION

Con Edison Solutions supports the Master Plan's recommendations to expand real-time pricing for commercial and industrial customers with a peak demand of 600 kW by 2010 and recommend the adoption of energy efficiency programs and guaranteed energy savings performance contracting mechanisms as essential tools to reaching the Master Plan's goals.

Respectfully Submitted,

/s/ Stephen Wemple

Stephen Wemple
Vice President, Regulatory Affairs
Consolidated Edison Competitive Shared Services, Inc.
For Consolidated Edison Solutions, Inc.
701 Westchester Ave. Suite 201 West
White Plains, NY 10604
914-993-2149

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