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VIA ELECTRONIC FILING

Hon. Michelle L. Philips
Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building Three
Albany, NY 12223-1350

Case 18-M-0084 - In the Matter of a Comprehensive Energy Efficiency Initiative

Re: Comments on New Efficiency: New York Interim Review of Utility Energy Efficiency and Building Electrification Programs

On behalf of the undersigned, we appreciate the opportunity to provide feedback as part of the New York State Public Service Commission's ("Commission") interim review of the New Efficiency: New York ("NE:NY") portfolio of energy efficiency and building electrification ("EE/BE") programs for 2026 - 2030.

Our ambitious Climate Leadership and Community Protection Act ("CLCPA") needs an equally ambitious mobilization strategy that will help us fund the energy transition, build the needed workforce, and grow the market so that New York can not only meet its emissions reduction targets set by law but also achieve Governor Hochul's critical promise to deliver two million climate-friendly, electrified or electrification-ready homes by 2030, and New York's pledge as part of the U.S. Climate Alliance to quadruple heat pump installations by 2030. While a lot of what follows may apply across several or all programs, our comments were prepared with a focus on the pivotal NYS Clean Heat program.

Through its order in January 2020, the Commission initiated the first long-term, statewide, heat pump strategy in New York, also known as "NYS Clean Heat" or "Clean Heat," intended to serve as New York's primary

building electrification program, combining New York State Energy Research and Development Authority's ("NYSERDA") market development efforts with customer incentives to buy down the cost of installing heat pumps provided by the utilities. The Clean Heat Program provides incentives to accelerate adoption of eligible cold climate air source heat pumps, ground source heat pumps, and heat pump water heaters. In conjunction with the utility programs, NYSERDA was ordered to provide "meaningful market enabling development of workforce, supply chain, and consumer demand."[1]

(1) Growing the Market

The success of these programs, backed up by the requirements of the CLCPA and the necessary regulatory oversight of the Commission are essential for scaling and growing the emerging heat pump market. These programs must be set up to succeed and to send a clear market signal to all stakeholders to provide the needed business confidence to increase production, business investment, and workforce development, among other things.

It is vital that lessons from prior iterations of the Clean Heat program be applied forward for the 2026-2030 program cycle, including having an optional pre-approval process for projects, and putting guardrails in place to ensure utilities, as program administrators, have the visibility into project pipelines necessary to meet consumer demand. Any pause or significant interruption in program delivery[2] could lead to disruption for customers. Stop-and-start programs also substantially increase costs and trouble for contractors, wholesalers, and manufacturers, and can potentially introduce legal difficulties for these stakeholders if they are forced to break contracts or renege on their commitments.

The rapid acceleration of Clean Heat program uptake, and the speed with which some utilities surpassed their energy savings targets during the 2020-2025 cycle, are promising signs for the program's success and the potential for continued market transformation. To continue to drive impact and deepen program reach, it will be essential to meaningfully address the real cost and convenience barriers to expanding program uptake.

i - Addressing on-the-ground conditions

Recognizing that NE:NY program design has been an iterative process, we urge the Commission to require program design that strives to "meet people where they are" and evolves to be more responsive to the on-the-ground realities. We believe that a successful incentive program aligns with when customers are making decisions (i.e. furnace nearing end of life or has broken down and needs replacement). Programs need to be flexible enough and provide adequate incentives for households to address their needs when they arise.

- **Make applications simple and easy with quick approval**: Consolidate the application process by having one uniform application, across all regions and service territories to access programs and

[1] *Department of Public Service Staff Energy Efficiency and Building Electrification Report*, NYS Department of Public Service, December 2022, at p. 38.
[2] Looking at the example of Con Edison and Central Hudson, where high demand without the needed guardrails, led the companies to expend or be on pace to expend their full authorized budgets before the end of the authorized program period, leading to a pause in their Clean Heat programs in 2022.

determine eligibility. Additionally, having a single, easy to navigate, database of all eligible incentive programs can improve program navigability and reduce the research work required to determine which incentive programs exist and which of them one would qualify for. The Building Decarbonization Coalition's *Switch is On*[3] initiative and the recently launched *NODE Collective*,[4] are initiatives aimed at addressing this need for consumer education and simplified resources to learn about and access incentive programs.

- **Create an optional pre-approval process:** Allow an optional pre-approval process for contractors and customers who want to ensure they will be eligible for the requisite incentive prior to undertaking the work as a means to reduce administrative burdens on the back-end of an EE/BE project and cut down on payment processing timelines. We note that a pre-approval process is currently required for some larger/complex projects accessing incentive programs.
- **Bridge the energy gap:** Utilities can provide short term rental of gas equipment to a household, for example, while work is being completed to get a heat pump installed as a temporary measure to reduce the likelihood of a building installing a new gas furnace system simply out of convenience or to address immediate heating needs.
- **Provide sufficient and flexible funding**: Some building owners will be ready to install multiple measures all at once, while others will need to sequence retrofits more slowly over time. Some amount of program budget flexibility will be necessary for the program to benefit the widest range of potential participants.
- **Consider creating a statewide "Emergency Replacement Protocol":** Because a large amount of heating equipment replacements occur in emergency situations, it is crucial to design programs so building owners are encouraged to preemptively replace equipment that is nearing the end of its useful life. More investment in barrier mitigation—e.g., electrical service upgrades—would enable early replacement programs and make the decision to install a heat pump easier for customers.

ii - Prioritizing affordability

It is essential that BE/EE programs are accessible and affordable, especially for low-moderate income households and disadvantaged communities. According to the PSC July 2023 Order, only one of the six electric utilities had reported savings that exceeded 42% achievement of the LMI electric EE savings target that was set for 2020-2025, and no utility had expended more than 27% of its total authorized LMI electric EE portfolio budget. We urge the Commission and the utilities to prioritize addressing known barriers to deeper program reach into LMI households and disadvantaged communities, and ensuring heat pumps are affordable for all New Yorkers through deeper, more durable incentive offerings.

- **Wrap-around program offerings:** Address major barriers to electrification such as electrical panel upgrades and building envelope improvements, especially in the draftiest homes, to make heat pump

[3] *Switch is On* is a collaborative campaign launched in 2019 that supports home electrification in California by providing tools, support, and resources to consumers and contractors. *See also*: https://switchison.org/
[4] *The NODE Collective* is a new nonprofit alliance that is working together to build the most comprehensive electrification incentive program database in the United States with a goal of making it accessible to all. *See also*: https://www.nodecollective.org/

adoption possible and to help keep energy bills manageable once heat pumps are installed. We support the proposals by some of the utilities to offer concurrent or integrated building Weatherization and Clean Heat offerings, and we urge them to offer assistance to program participants who need electrical upgrades in a similar way.

- **Servicing and Maintenance of Heat Pumps:** LMI residents who depend on incentives for heat pump installation should also receive support for regular servicing and maintenance of the heat pumps, preferably by the contractor who installed them.
- **Incentive stacking:** Allow for thoughtful incentive stacking/braiding. The utilities and NYSERDA are relying on Inflation Reduction Act ("IRA") funds to supplement the ratepayer funded NE:NY portfolio of programs . The Commission has ordered that NE:NY program proposals for 2026-2030 consist of at least 85% "strategic measures"[5] and zero "non-strategic measures."[6] In their filings, utilities have argued that strategic measures are more complex and costly for customers and will require higher incentives and support to motivate customer action, so incentive adequacy is a critical ingredient for program success. The utilities and the Commission should therefore review program criteria to ensure, as much as possible, ease of incentive stacking across different funding sources.

(2) Investing in and Developing the Workforce

We urge the Commission to prioritize and support greater investment in workforce education and development, while recognizing that these are, by their nature, multi-agency and multi-stakeholder responsibilities. The Commission has given NYSERDA the primary responsibility of overseeing workforce development as it pertains to the NE:NY portfolio for 2026-2030 and NYSERDA's filings need to include greater specificity on its plans for workforce development.

The currently proposed budget and workforce goals are not sufficient to build a workforce of the scale and diversity required to meet New York's Climate goals. The success of the EE/BE programs and New York's ability to meet its climate goals depends in large part on the presence of an adequate workforce that can implement and deliver on these programs. We therefore urge the Commission to revisit funding allocations and resources to NYSERDA, including consideration of repurposing funding and requiring more data sharing between the utilities and NYSERDA.

As part of growing the workforce, greater attention should be paid toward improving the experience for the existing workforce, by creating conditions that attract and support contractor investment and participation in

[5] "***Strategic measures/programs***": (1) permanently reduce and/or eliminate electricity or natural gas usage on an annual basis, which would not occur absent the program's intervention; (2) permanently reduce and/or eliminate electricity or natural gas usage on a peak-hour or peak-day basis, respectively (in areas of current or anticipated near-term supply constraints), which would not occur absent the program's intervention; (3) improve the building envelope resulting in near-term reduction in electricity or fossil fuel usage that will also serve to mitigate future winter peaking on the electric grid in the event the building's heating system is electrified; or, (4) permanently reduce and/or eliminate on-site combustion of fossil fuel usage on an annual basis, through the installation of efficient space heating or hot water electrification, which would not occur absent the program's intervention.

[6] "***Non-strategic measures/programs***": (1) jeopardize the advancement of Strategic energy efficiency and/or building electrification programs or measures; (2) increase the use of fossil fuels; (3) have an Effective Useful Life of six years or less; (4) do not promote conservation behaviors and result in use of more energy through increased operation of a measure; or (5) are naturally occurring energy efficiency that results from codes and standards, or through routine market adoption which typically occurs without targeted financing options, rebates, or incentives.

these programs. We urge the Commission to encourage measures that provide greater support and reduce administrative burdens on contractors and stakeholders.

- **Faster payment process:** A slow payment process is a significant barrier to contractor participation, especially for small businesses who may not be able to sustain big delays in their cash flow, causing a large disadvantage to small firms that may want to participate in these programs but cannot compete against larger firms.
- **Progress payments:** Consider expanding incentive progress payments which could help improve the accessibility of these rebate programs.[7]
- **Contractor training and support:** Continue to invest in contractor training and support in navigating incentive applications and paperwork. This is especially important given approximately 40% of applications to the Clean Heat program included some level of error requiring correction from contractors.[8]
- **Streamlined applications and audits:** Reduce duplicative paperwork and consolidate quality checks/inspections as discussed in the previous sections above.

(3) Designing programs to match the ambition of New York's climate goals and commitments

As we enter the 2026-2030 NE:NY program delivery period, we are nearing New York's climate target deadlines and commitments. It is absolutely critical that program budgets and design evolve to drive greater impact and incorporate lessons from the 2020-2025 program delivery period. In the spirit of program innovation and evolution, we suggest that the Commission and the New York State Department of Public Service Staff further explore the following:

- **Moving incentives upstream:** Clean Heat currently has a midstream incentive channel for heat pump water heaters. For example, National Grid grew its heat pump water heater distribution midstream offering from 18 units in 2022 to 751 units in 2023.[9] NYSEG and RG&E doubled their customer adoption of heat pump water heaters after launching their midstream heat pump water heater distribution offering last year.[10] Given the early success of these midstream programs, consideration

[7] For example, the progress payment model in the Affordable Multifamily Energy Efficiency Program ("AMEEP") has been seen as critical to help fund retrofit projects, especially for households that would otherwise struggle to cover the full cost of construction. AMEEP allows for 40% of the total incentive amount to be paid out when 60% of the measures in the approved scope of work have been completed.

[8] *NYS Clean Heat 2022 Annual Report*, jointly filed by Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric & Gas Corporation, New York State Energy Research and Development Authority, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, April 3, 2023 at p. 12.

[9] *NYS Clean Heat 2023 Annual Report*, jointly filed by Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric & Gas Corporation, New York State Energy Research and Development Authority, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, April 1, 2024, at p. 22.

[10] *Ibid* at p. 25.

should be given to expanding midstream offerings as a way to reduce payment delays and paperwork for contractors, leveraging distributor purchasing power and incentive to move inventory.

- **Updating the Qualified Product List ("QPL")**: Several utilities have proposed updating the QPL for Clean Heat incentives to bring it in line with federal standards, including the IRA. We strongly encourage any discussions around updating the QPL to involve market stakeholders[11], including product manufacturers because of the important policy implications and the need for higher efficiency products to be considered.
- **Clean Heat that better meets the needs of complex/large heating electrification projects:** As noted by the utilities in their filings, building owners are often unable to carry out full BE and EE measures in a short span of time and often need to stretch out projects over a longer time period. Flexible financing and incentive arrangements could help to better support projects in this context. Additionally, the utility proposals do not contain enough detail on addressing these larger projects, though the Commission has specifically asked that the proposals address this question.
- **Opportunities for neighborhood scale decarbonization**: Cross utility and cross program collaboration to leverage economies of scale, coordinate efforts and minimize neighborhood disruptions, while accelerating heat pump adoption and driving down project costs. By consolidating and leveraging resources, we can reduce the total cost of the energy transition, create additional savings for ratepayers, ensure continued energy reliability and safety, and encourage an equitable distribution of clean energy benefits.[12]

Conclusion

A durable, well-funded and designed Clean Heat program, within the context of a comprehensive EE and BE portfolio of programs, has the potential to shift the market away from fossil fuels and toward cleaner, zero-emission electric technologies while delivering affordable energy bills, improving health outcomes, helping to sustain and grow a secure workforce, and reducing climate pollution. With the right ingredients for success, this portfolio has the potential to help New Yorkers accelerate, and fund, the energy transition toward a cleaner and more affordable future.

Respectfully submitted,

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[11] For example, Northeast Energy Efficiency Partnerships ("NEEP"), which provides the specifications upon which the existing QPL is based, could also inform these discussions.
[12] *See* Building Decarbonization Coalition's "*Neighborhood Scale: the Future of Building Decarbonization*" https://buildingdecarb.org/wp-content/uploads/BDC_Neighborhood-Scale-Report_WEB.pdf

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