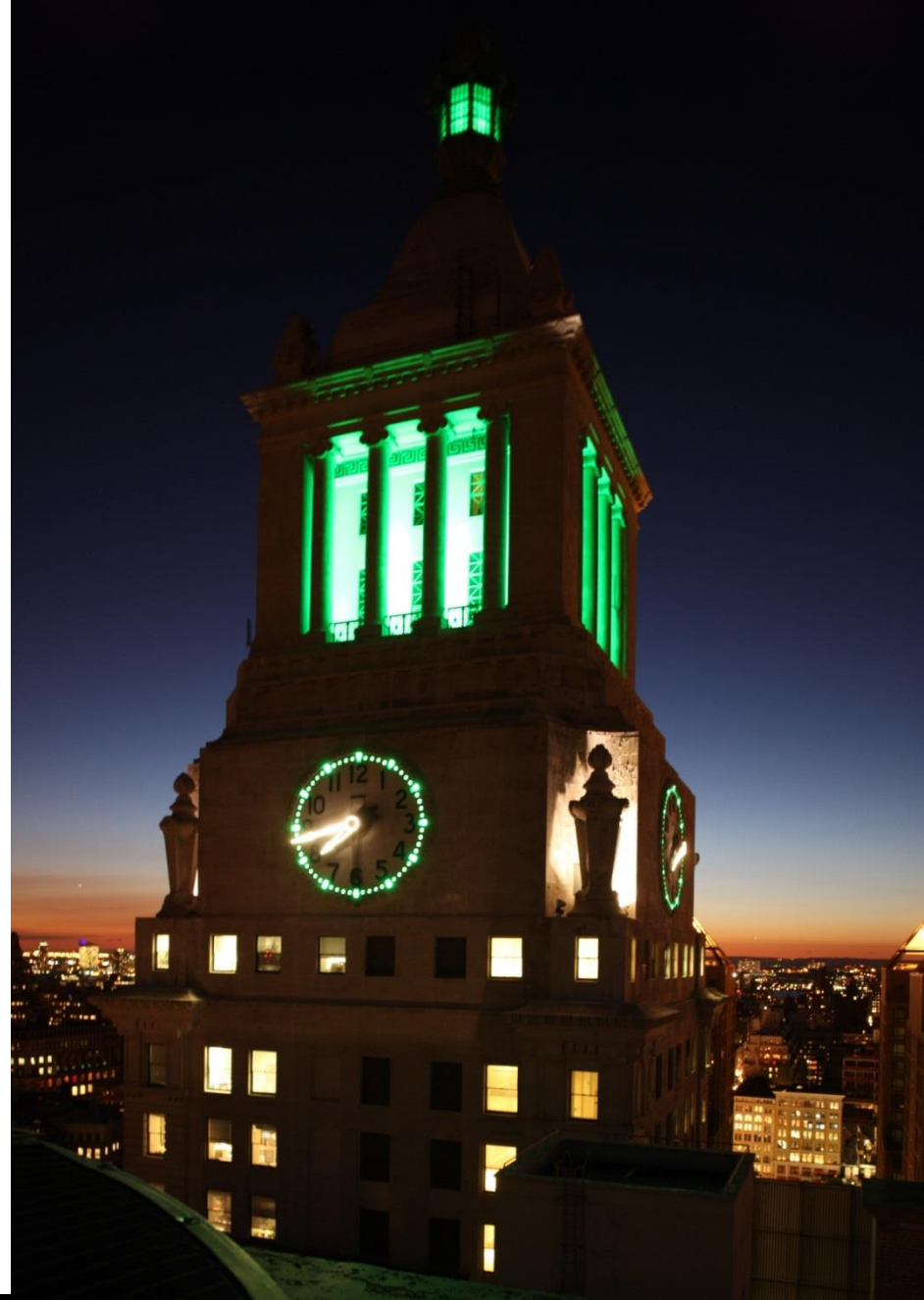


Energy Efficiency & Distributed Generation: The Implications for Utilities, their Business Model and Regulatory Structure

November 18, 2014

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Energy Efficiency and
Demand Management
Con Edison**



Forward-Looking Statements

This presentation includes certain forward-looking statements intended to qualify for safe-harbor provisions of the Federal securities laws. Forward-looking statements are statements of future expectation and not facts. Words such as "expects," "estimates," "anticipates," "intends," "believes," "plans," "will" and similar expressions identify forward-looking statements. Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed in reports the company has filed with the Securities and Exchange Commission.

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Energy Efficiency & Demand Management



Glossary

- CECONY: Consolidated Edison Company of New York
- O&R: Orange & Rockland
- NYSERDA: New York State Energy Research and Development Authority
- NYISO: New York Independent System Operator
- PV: Photovoltaic (aka solar)
- CHP: Combined Heat and Power
- EEPS: Energy Efficiency Portfolio Standard
- DSM: Demand Side Management
- DER: Distributed Energy Resource
- RPS: Renewable Portfolio Standard

Historic and Forecasted Growth Rates

Peak Demand*

	Historic 2002-2007 (Pre-Recession)	Historic 2008-2013 (Recession**)	2015-2019 Five-Year Forecast
CECONY Peak (%)			
Electric	1.8	(1.1)	0.9
Gas	1.0	1.6	2.8
Steam	(0.8)	(2.3)	(0.8)
O&R Peak (%)			
Electric	2.6	(0.6)	0.9
Gas	(0.8)	(0.6)	0.6

* Annualized growth rates shown

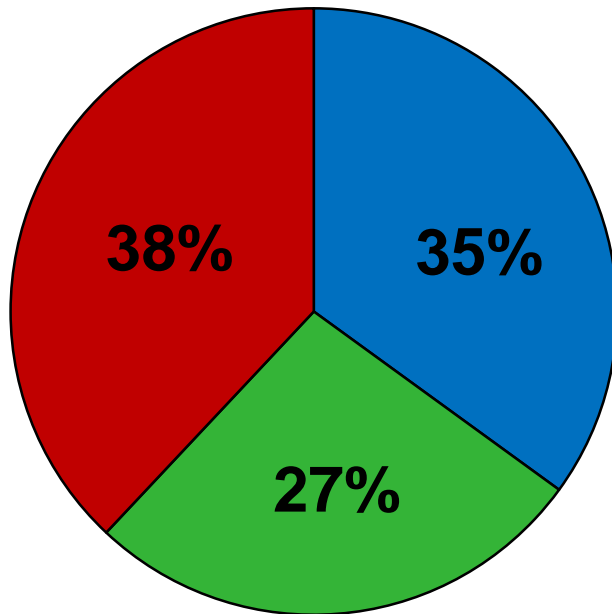
** Officially the recession began on Dec. 2007 and ended on June 2009

Source: Consolidated Edison Company of New York

Electric Consumption by Customer Class

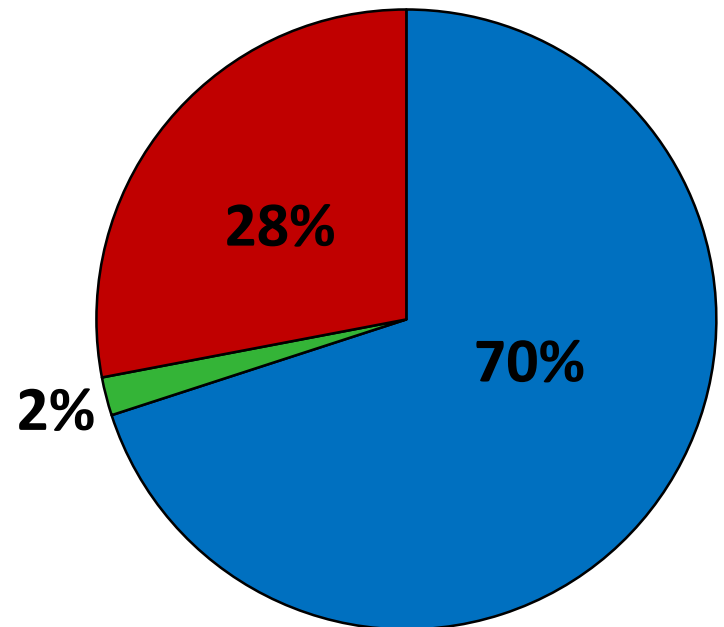
U.S. vs CECONY

U.S.



■ Commercial ■ Industrial ■ Residential

CECONY



■ Commercial ■ Industrial ■ Residential

Source: Bernstein Research, Consolidated Edison Company of New York



Energy Efficiency & Demand Management

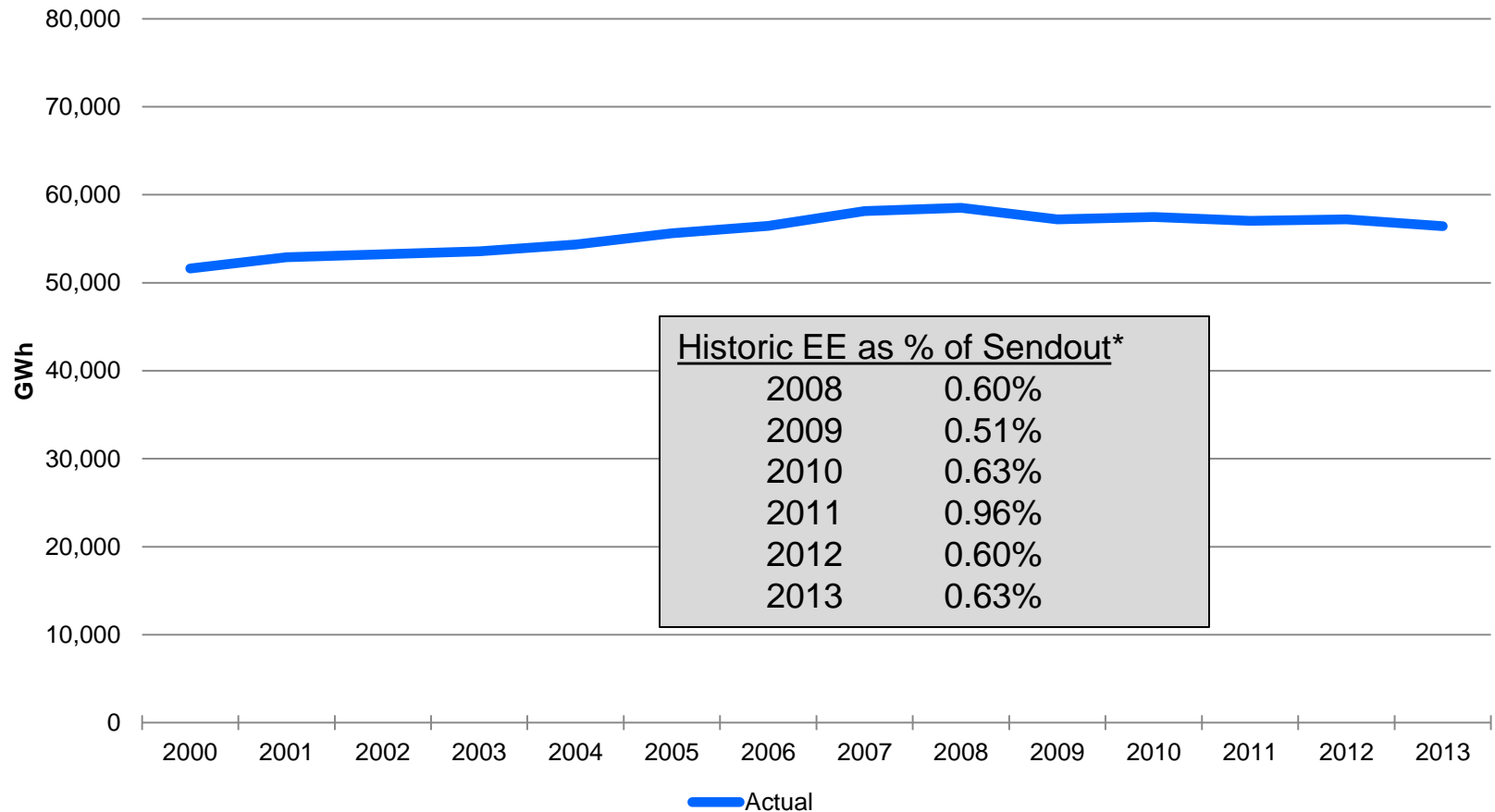
CECONY Programs

- 10 Energy Efficiency (EE) electric and gas programs (EEPS, 2009-2015)
 - 5 Electric, 5 Gas programs. Funded through bill surcharge
 - Commercial, small business, multi-family, and residential
 - Annual savings over 730,000 MWh, 281,000 participants; Gas over 1,000,000 Dth
- 4 Demand Response (DR) Programs
 - 2 Commercial programs, 2 Residential programs
 - Commercial DR overlaps with NYISO market based programs
 - Bill surcharge funded (some equipment through NYSERDA)
 - 385 MWs enrolled, 44,182 participants in 2014
- Brooklyn-Queens Demand Management Program (BQDM)
 - Targeting demand reductions in specific geographic area to defer infrastructure
 - \$200M filing for program approval in PSC review; proposed MAC surcharge
 - REV-like demonstration project
- Demand Management Program (DMP)
 - 100 MW system-wide coincident peak demand reductions as part of mitigation plan for potential Indian Point closure
 - Joint administration with NYSERDA
 - 1.3 MW achieved, 24.8 MW committed, 17.3 MW in the pipeline

Source: Consolidated Edison Company of New York

CECONY Historic Volume

CECONY Delivery Volumes (Weather Normalized)

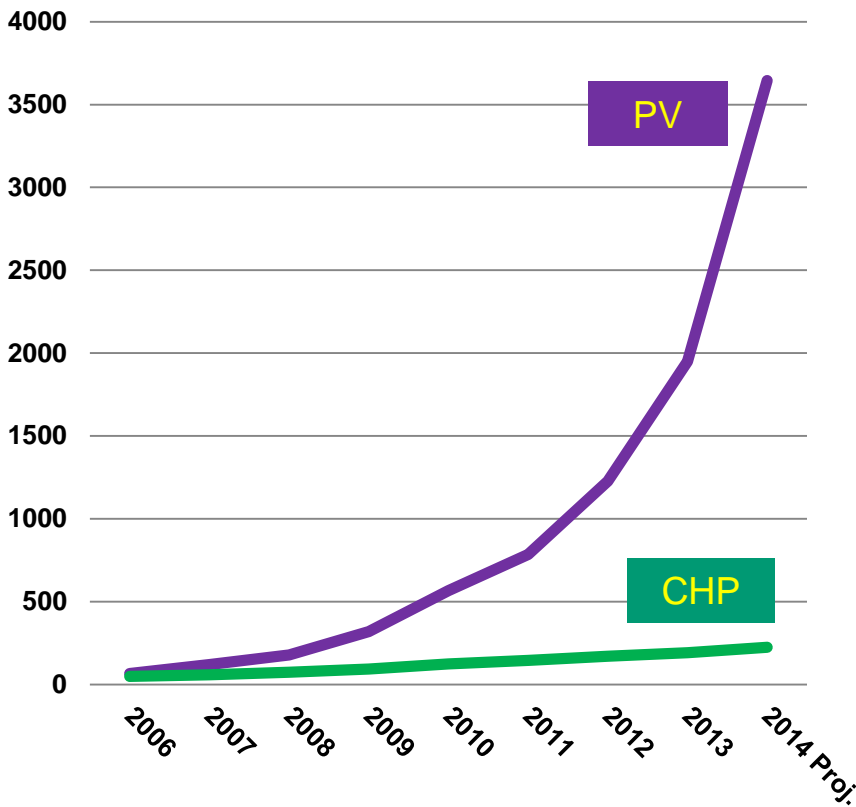


* Includes CECONY and NYSERDA EEPS, NYSERDA SBC, and NYPA projects.

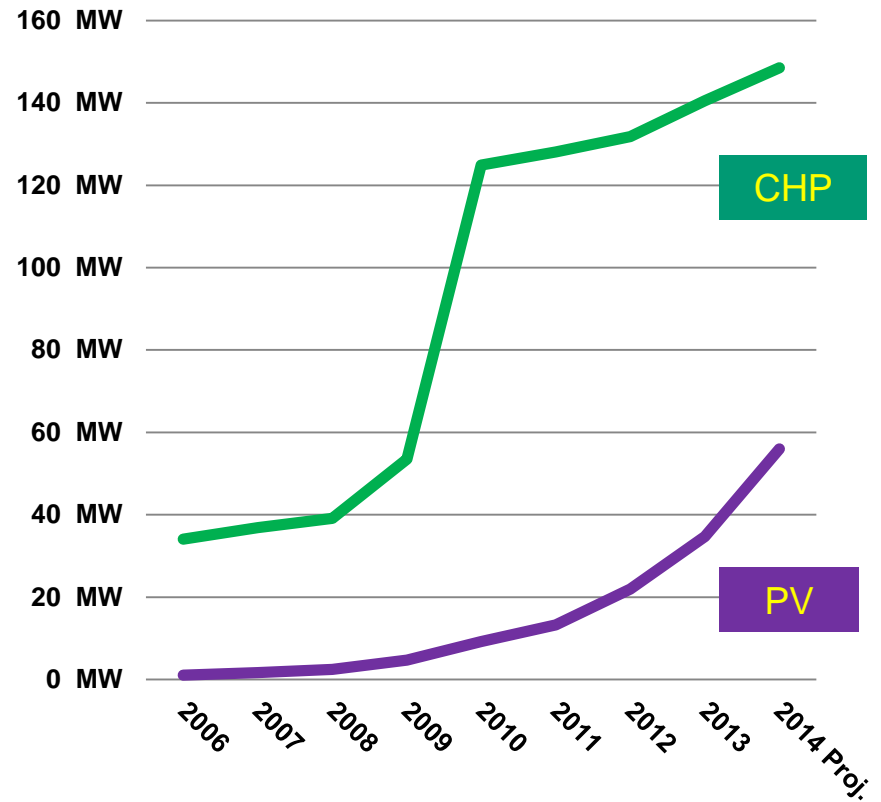
Source: Consolidated Edison Company of New York, NYISO

Distributed Generation Technology Trends

Total Customers by Technology

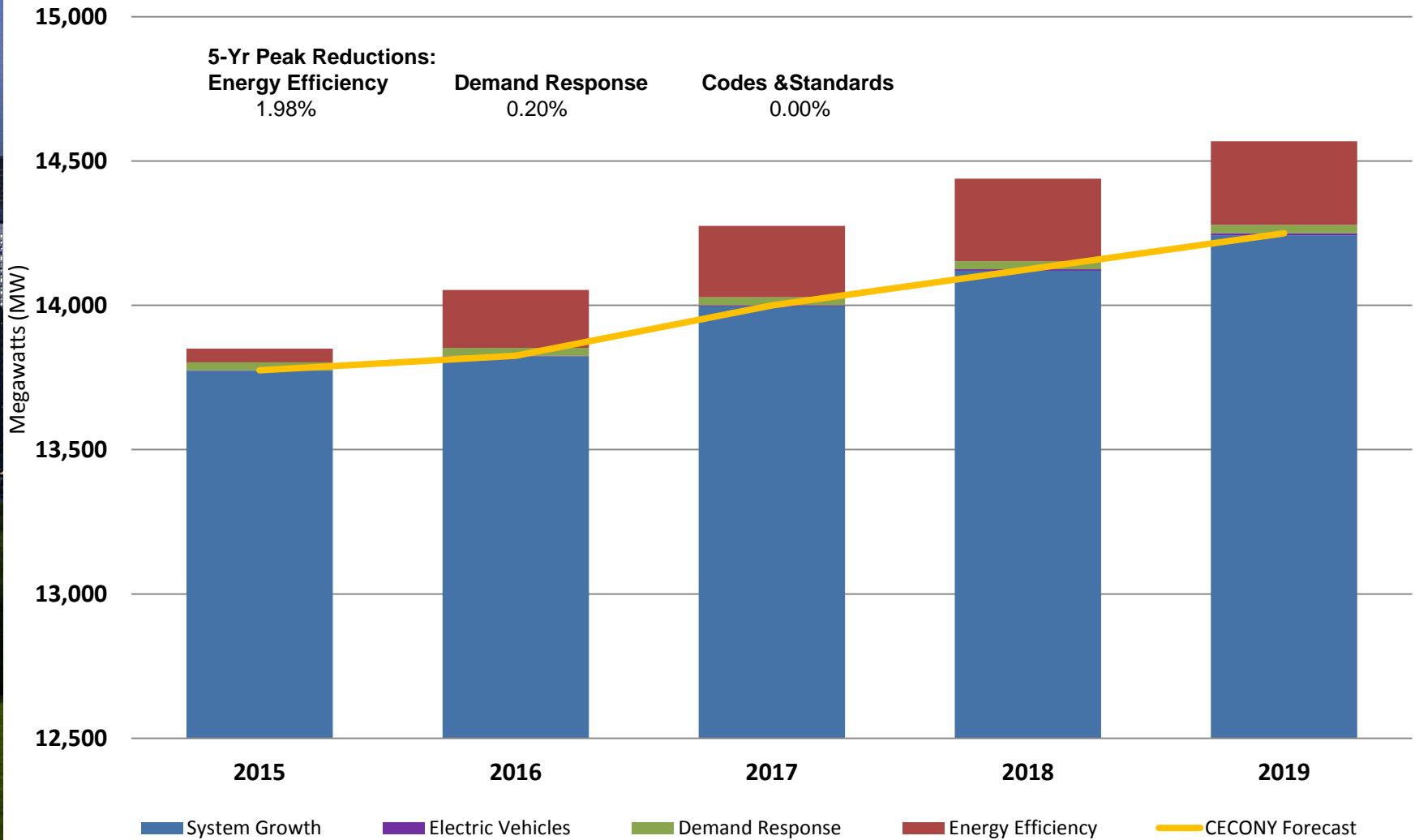


Total Installed Capacity



Source: Consolidated Edison Company of New York

CECONY System Peak Demand Illustration



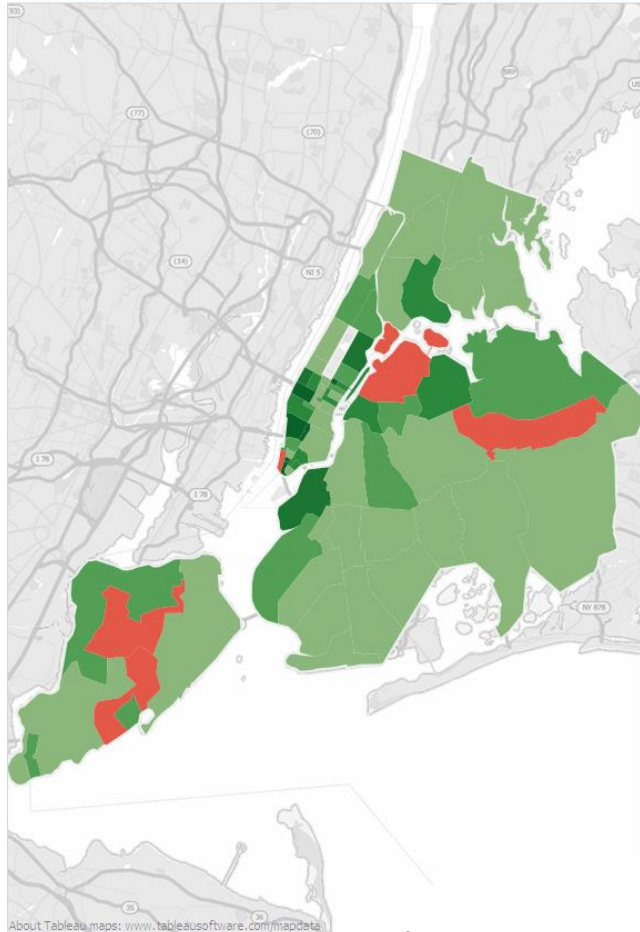
Source: Consolidated Edison Company of New York

Network Peak Demand Growth Forecasts

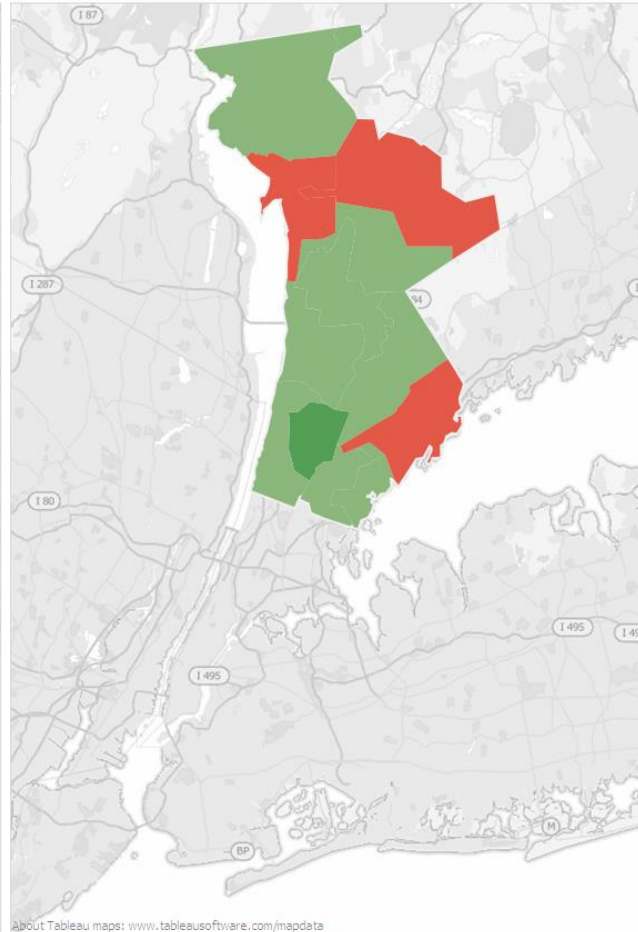
Bottom-up Forecast with DSM included

2014 Resource Planning Forecast - 5 Year CAGR by Network

5 Boroughs



Westchester

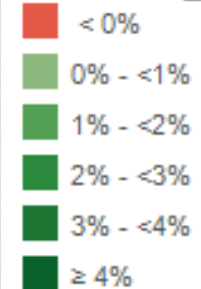


Controls for Maps

Includes DSM
Yes

Color Legend

5-Yr CAGR_Ranges



Source: Consolidated Edison Company of New York

Notes:

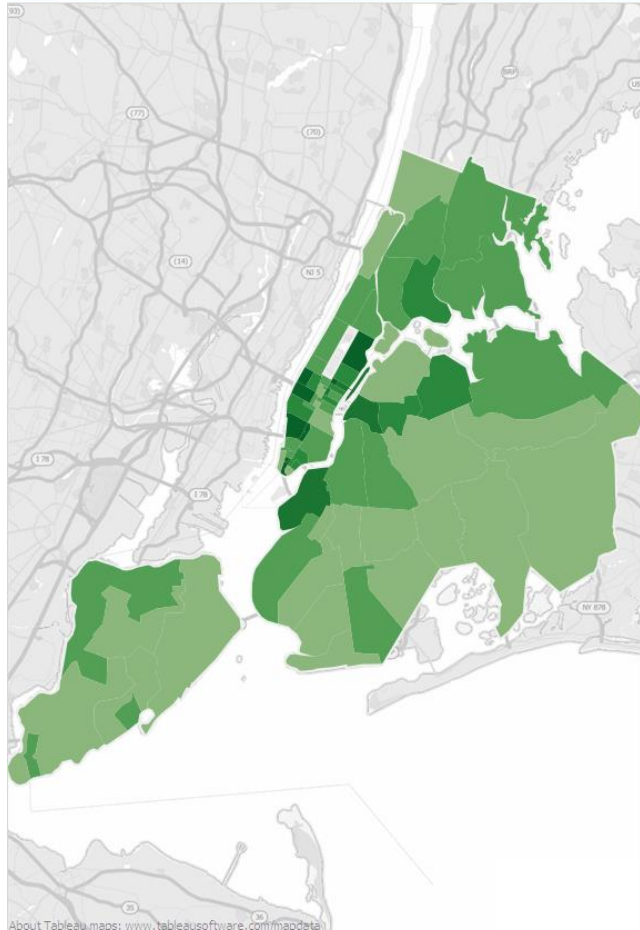
- Richmond Hill is split out between Brooklyn and Queens for illustration only. Data reflect total Richmond Hill values and are not additive.
- Westchester network Shrub Oak is new and not included in map above.

Network Peak Demand Growth Forecasts

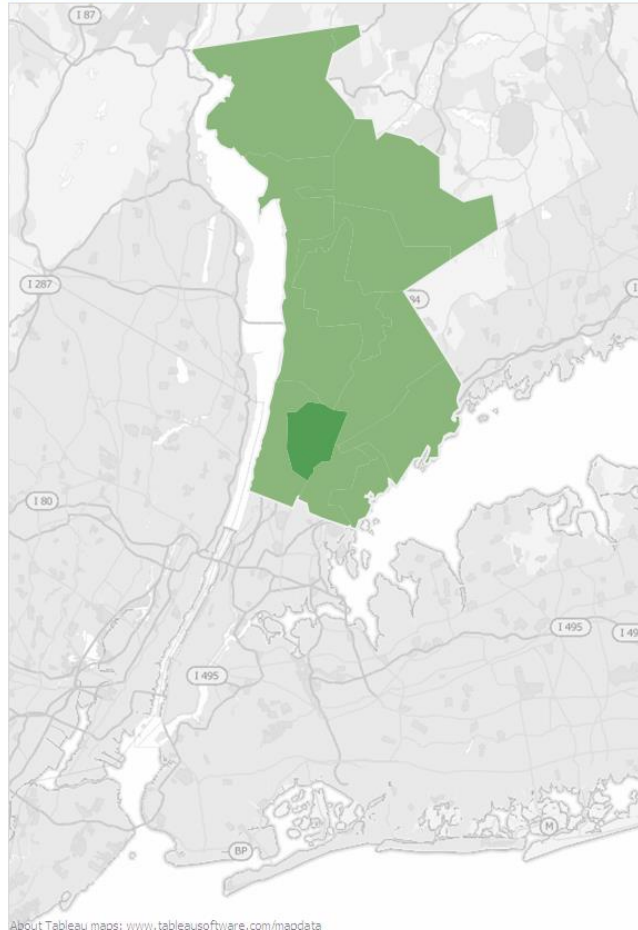
Bottom-up Forecast without DSM included

2014 Resource Planning Forecast - 5 Year CAGR by Network

5 Boroughs



Westchester



Controls for Maps

Includes DSM
No

Color Legend

5-Yr CAGR_Ranges

- 0% - <1%
- 1% - <2%
- 2% - <3%
- 3% - <4%
- ≥ 4%

Source: Consolidated Edison Company of New York

Notes:
 - Richmond Hill is split out between Brooklyn and Queens for illustration only. Data reflect total Richmond Hill values and are not additive.
 - Westchester network Shrub Oak is new and not included in map above.

Reforming the Energy Vision



New York Public Service Commission

Reforming the Energy Vision (REV) –Policy Goals

- Enhanced customer knowledge and tools
- Market animation and leverage of ratepayer contributions
- System wide efficiency
- System reliability and resiliency
- Fuel and resource diversity
- Reduction of carbon

Source: New York Public Service Commission



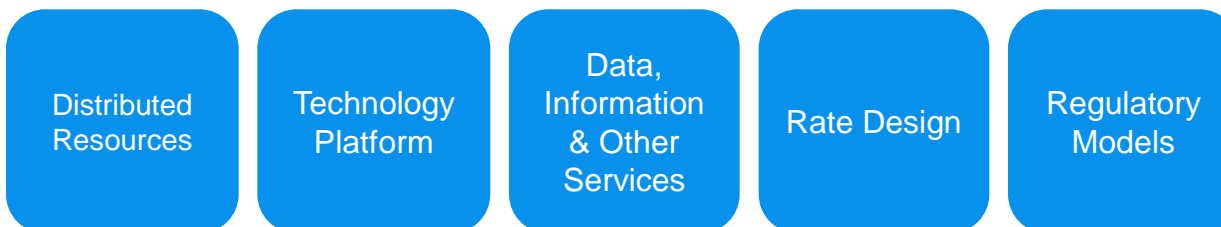
Reforming the Energy Vision

Con Edison Perspective

Current Efforts



Opportunity for a Comprehensive Review



Source: Consolidated Edison Company of New York



Track 1 – REV Straw Proposal

Utility Perspective

- Serve as the DSP to enhance system, market, and operational efficiency
- Continue to own, operate and maintain a safe, reliable and resilient distribution network, including meters
- Provide distribution network that serves as the platform for all parties
- Staff's Straw Proposal in Track 1 sees the utilities conducting these functions:
 - Data Exchange
 - Distributed Energy Resources (DER) investments including storage, demand response, and energy efficiency
 - Behind and in front of the meter?
 - Administer renewables (RPS Main Tier) function
 - Advanced metering or communications infrastructure?



Track 1 – REV Straw Proposal

Challenges

- Incorporation of DER into planning process
- Communication infrastructure and other investments
- RPS and Energy Efficiency transition to utilities
- Bill impact and flexibility for benefit cost analyses
- Market Power concerns – real or perceived?
- Develop demonstration projects that consider new business models, customer engagement, and potential rate/tariff design
- Establishment of the data exchange – balance confidentiality concerns for system data and customer data while achieving objectives

Source: Consolidated Edison Company of New York



Track 2 - Regulatory Reform & Rate Design

Con Edison Perspective

- Maintain aspects of current regulatory approach that will serve as the foundation of the future
- Modify regulatory model to realize REV goals and objectives
 - Supplement traditional cost of service regulation with performance incentives to support policy goals
 - Align utility investments to achieve state policy objectives
 - Create clarity for long-term investments and cost recovery
- Design rate structure to allocate costs equitably, reflect true value of distribution grid, and allow customers to make informed decisions about energy use
 - Compensate DER for the attributes provided, and value they bring by location
 - Coordinate with NYISO and facilitate wholesale market value
 - Achieve new sources of revenue from third parties that help to engage customers and work with DSP

Source: Consolidated Edison Company of New York



Next Steps

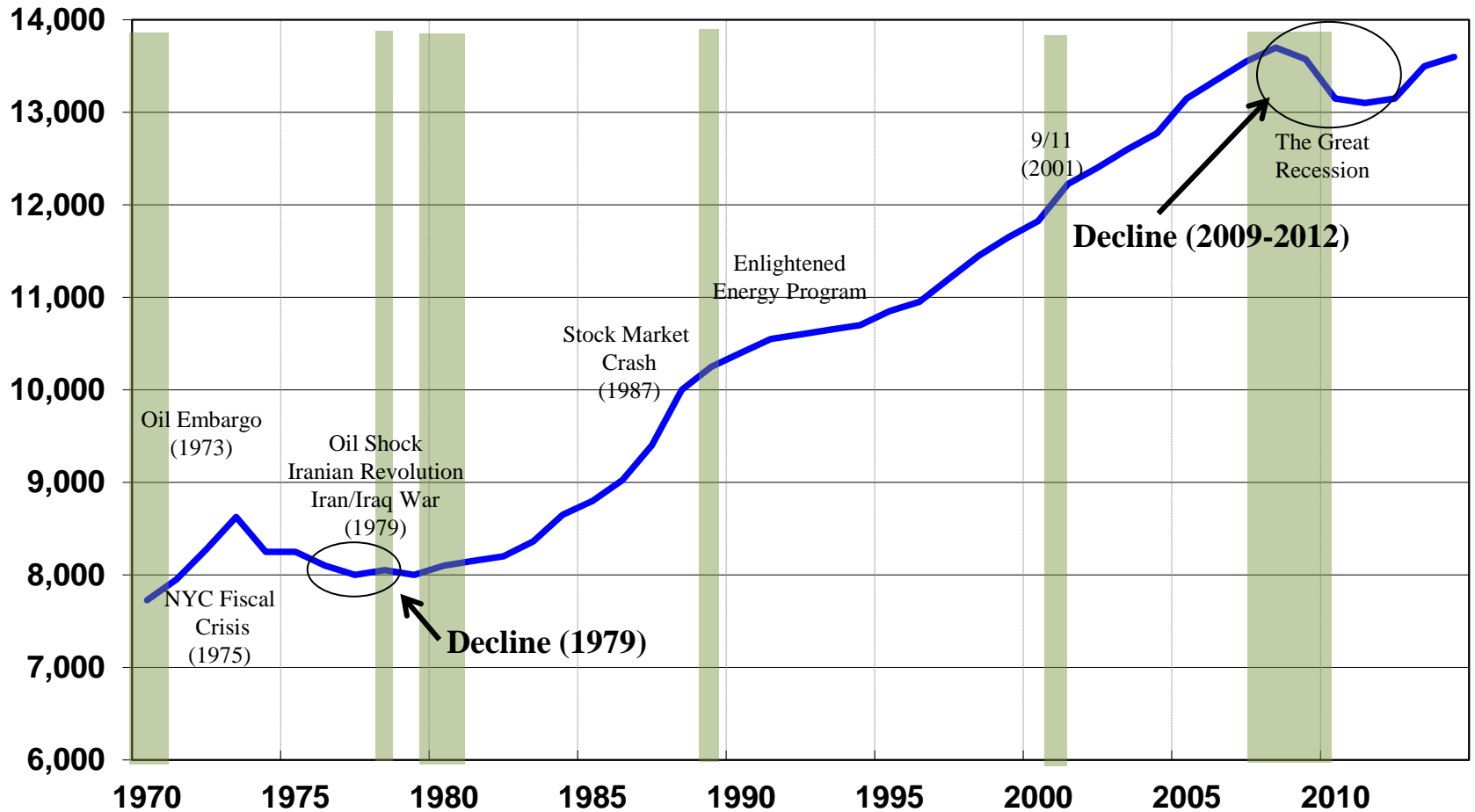
- Advocate for the long-term interests of all customers
- Identify new roles and growth opportunities
- Maintain a leadership role in the process
- Seek ways to apply REV concepts
 - Demonstration projects
 - Application in load growth areas
 - Upcoming rate filings (O&R filing last week)
 - Include in Long range planning process
 - Advance renewables and energy efficiency

Source: Consolidated Edison Company of New York

APPENDIX

Historical Electricity Peak Demand*

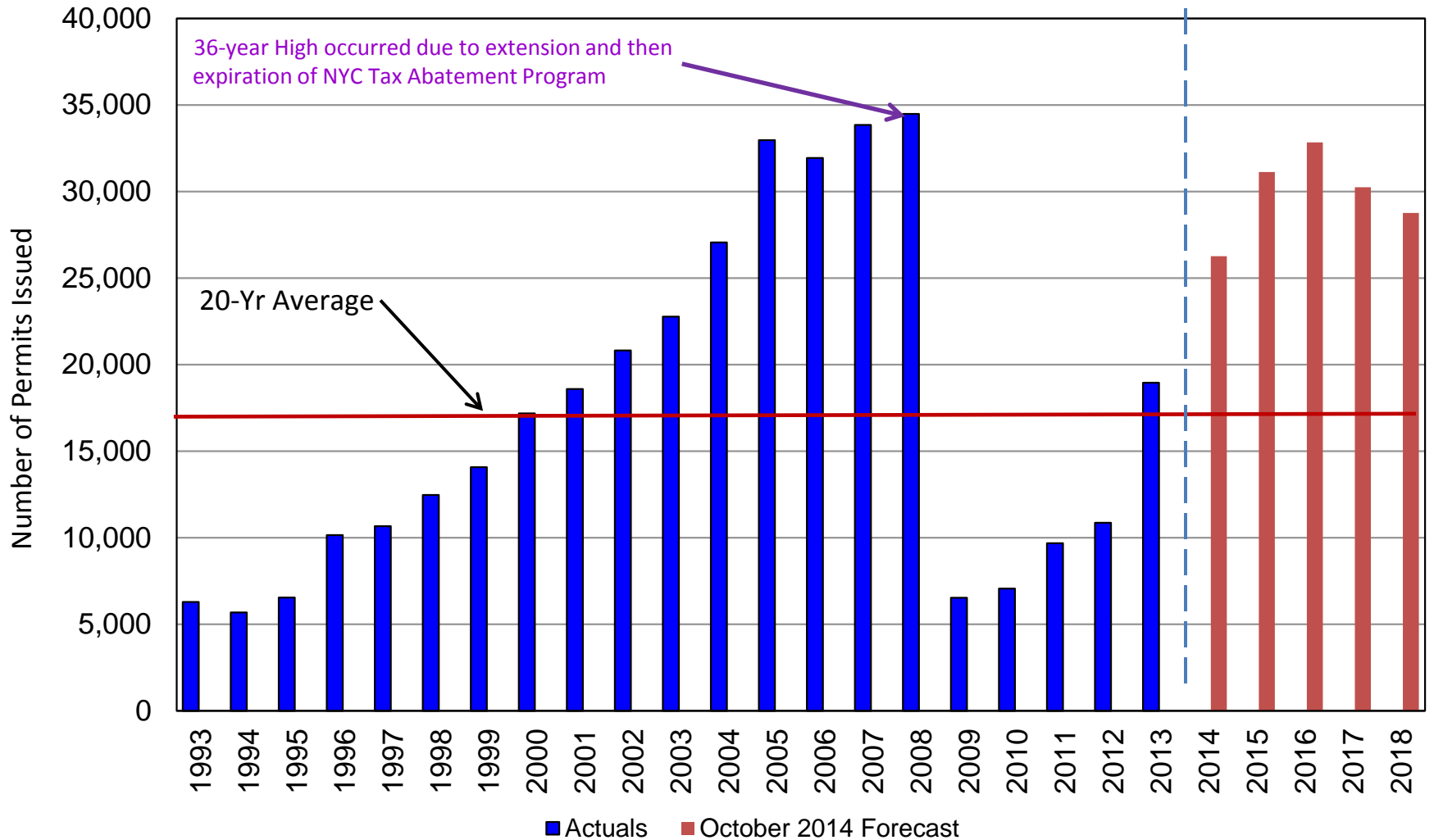
CECONY



*Design Weather Conditions

Source: Consolidated Edison Company of New York

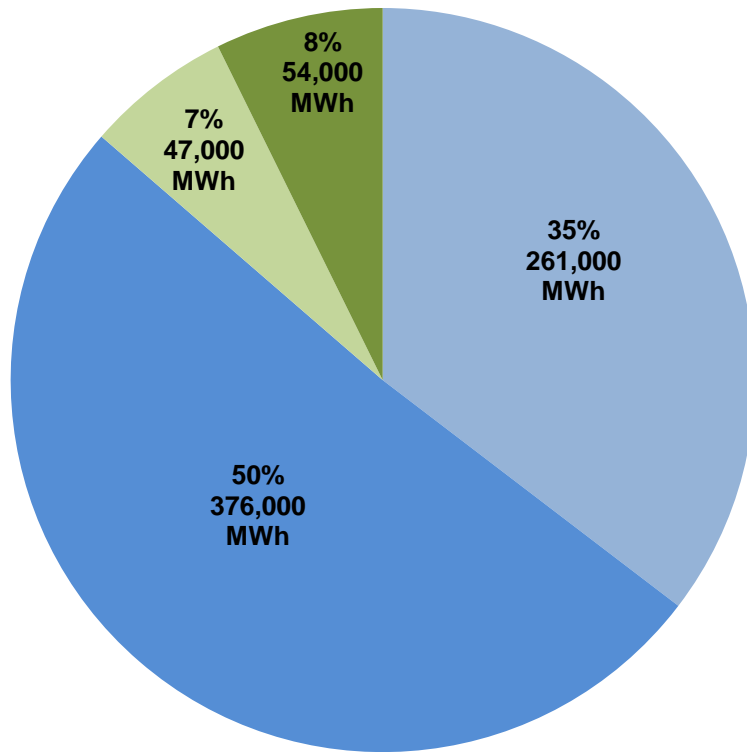
CECONY Residential Building Permits



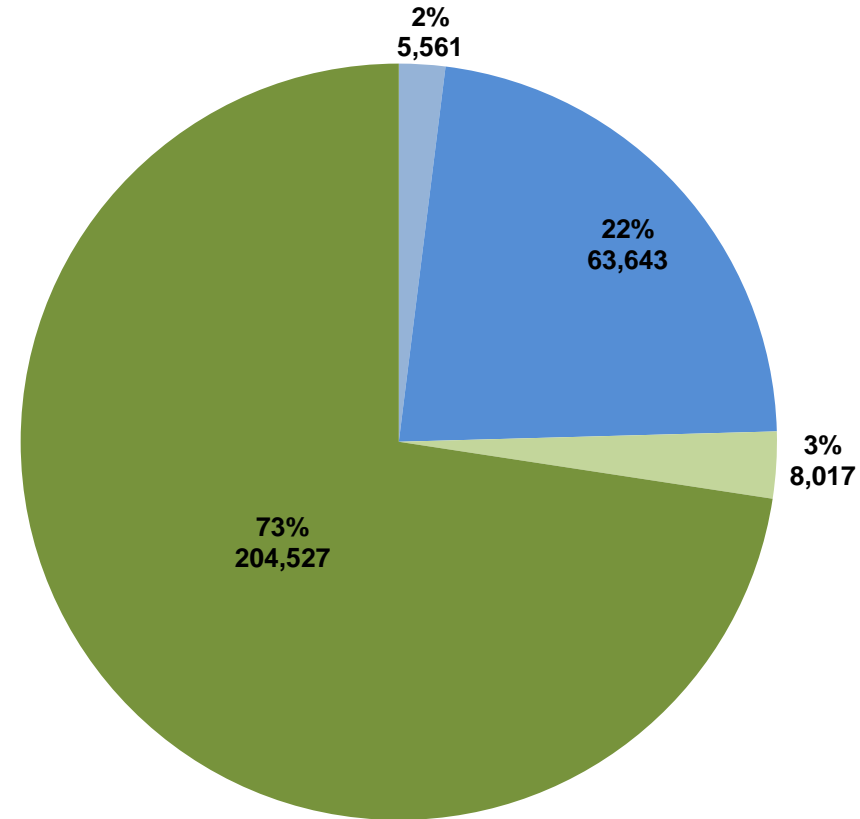
Source: NYC Department of Buildings, Moody's Analytics

Energy Efficiency & Demand Response Programs By Customer Segment (2009 – 2014)

Annual Savings Achieved to date (MWh)



Cumulative Customer Participation



- Commercial and Industrial \$300/MWH
- Small Business \$400/MWH
- Multifamily \$550/MWH
- Residential \$800/MWH

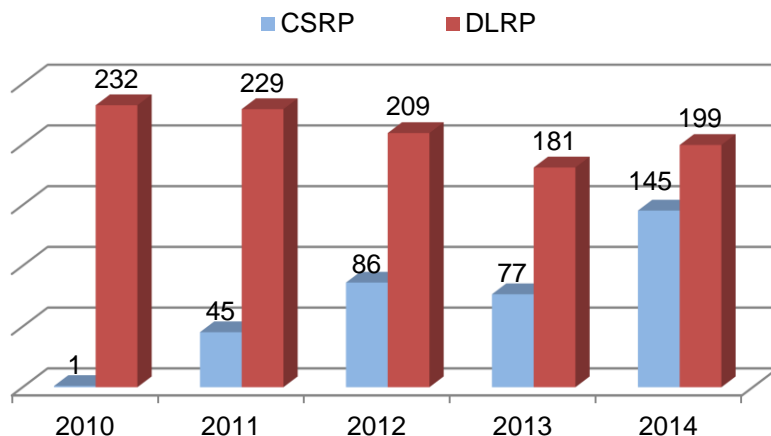
Source: Consolidated Edison Company of New York

Commercial Demand Response Enrollment

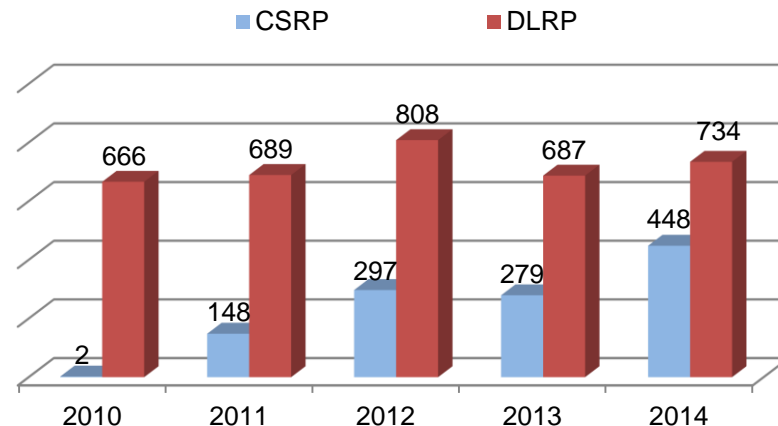
CSRP - Commercial System Relief Program (aka Peak Shaving Program)

DLRP - Distribution Load Relief Program (aka Contingency Program)

MW



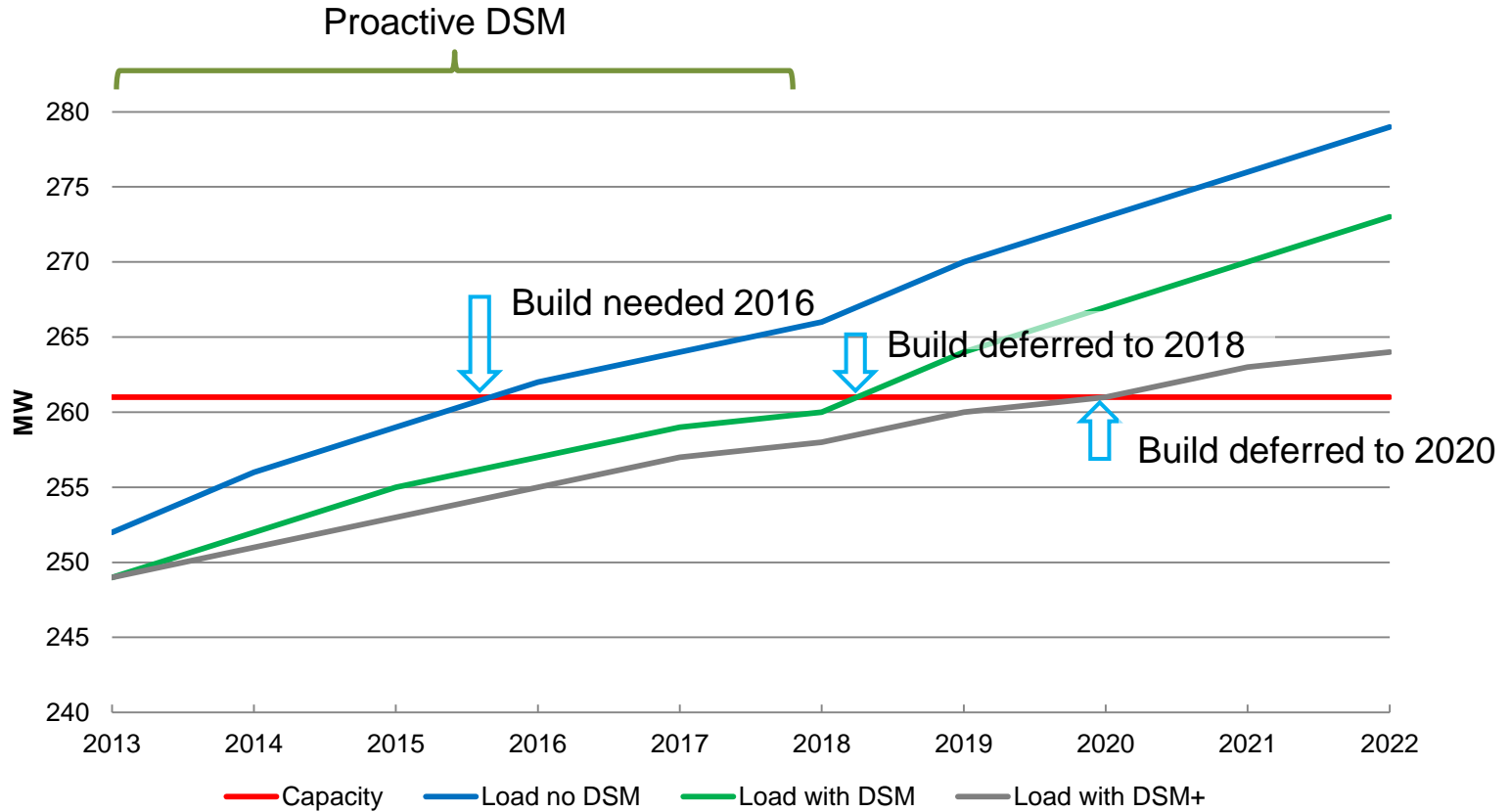
Accounts



- Customers may reduce their need for electricity by load curtailment, use of local generation or a combination of both. Customers may also enroll in both CSRP and DLRP.
- There were no demand response events in 2014.
- The Direct Load Control (DLC) program has 33,000 thermostats enrolled and 40 MW of available resources.
- The Room Air Conditioner CoolNYC program has 10,000 Modlets and 1.2 MW of available resources.

Source: Consolidated Edison Company of New York

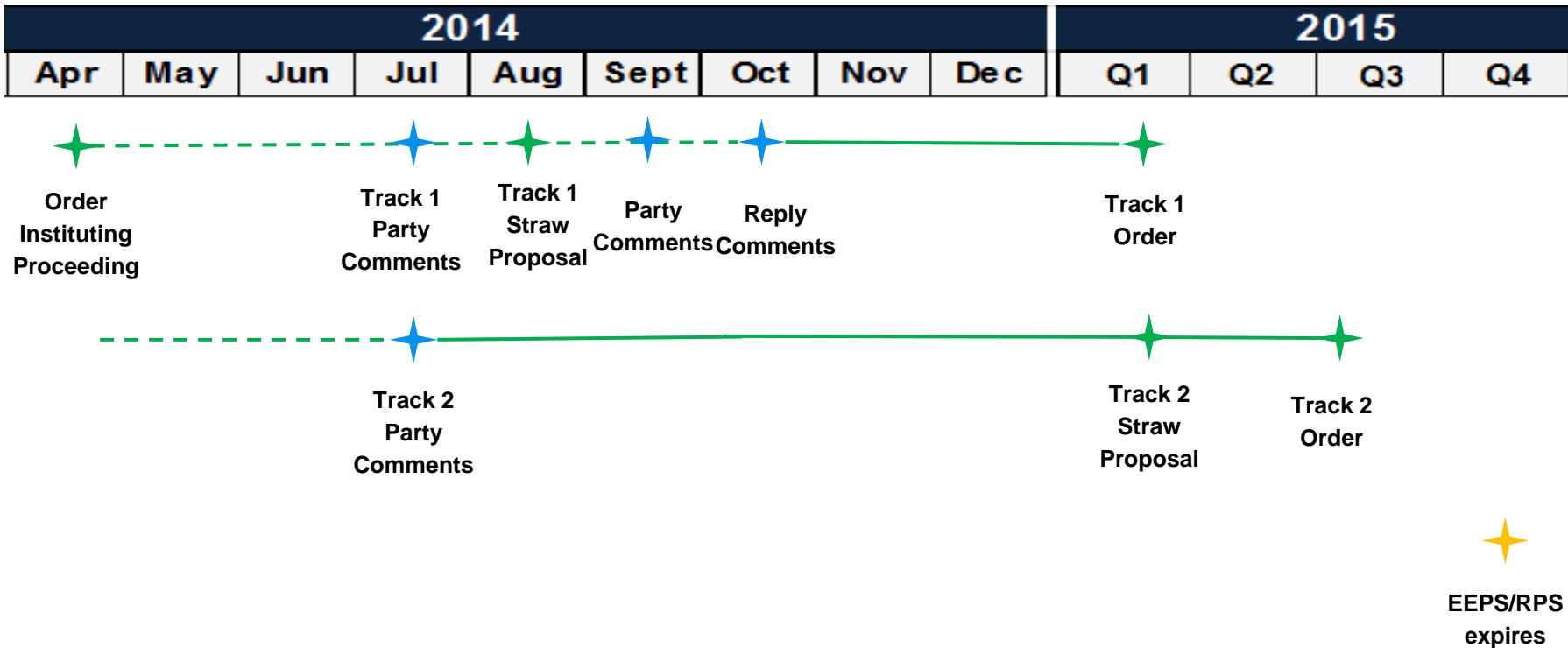
Illustration of Forecasted Demand Side Management Included in Electric System Planning



Illustrative example of how 6 MW of permanent demand reduction by 2018 can defer capital investment (“Build”)

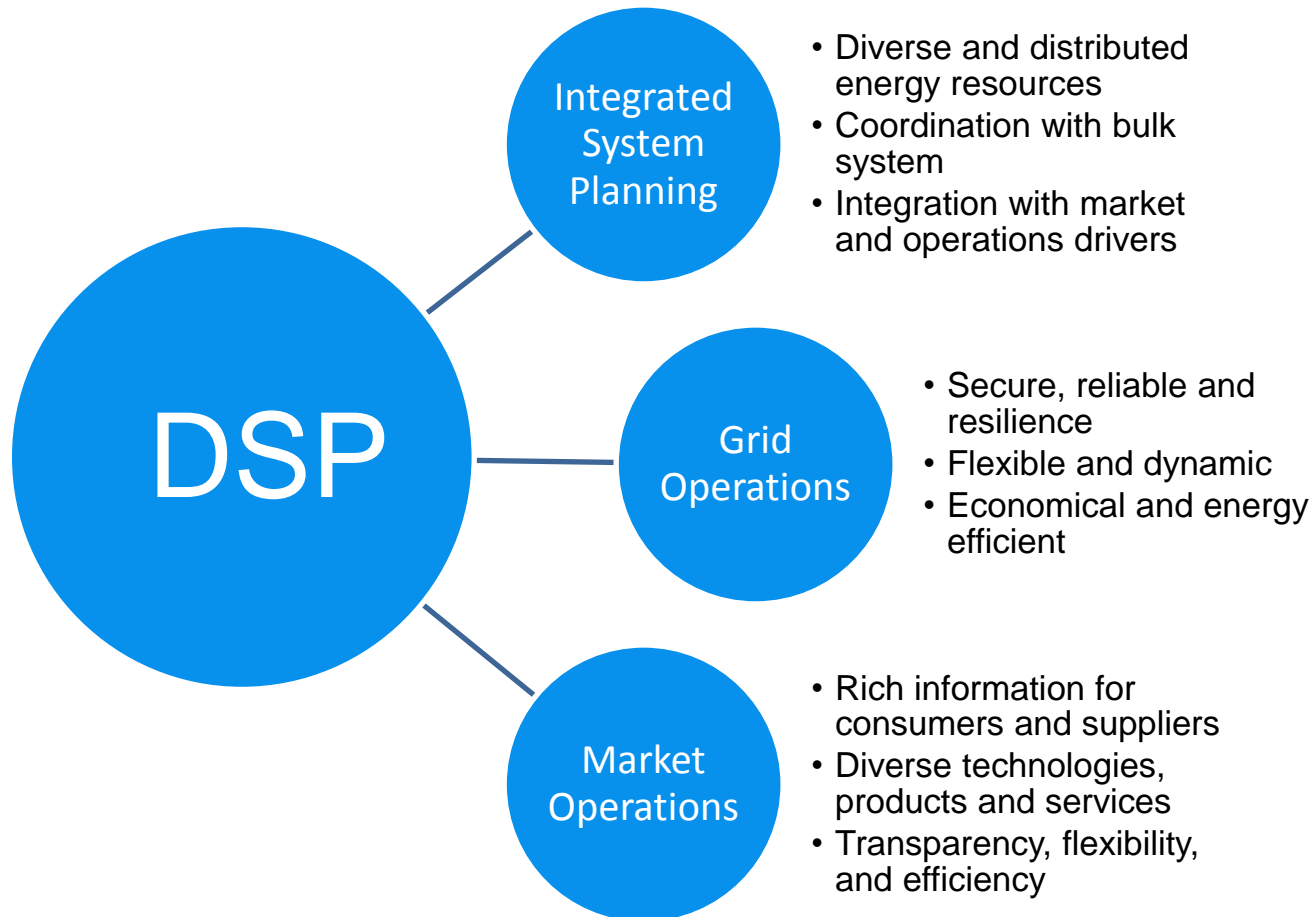
Source: Consolidated Edison Company of New York

REV Timeline



Source: Consolidated Edison Company of New York

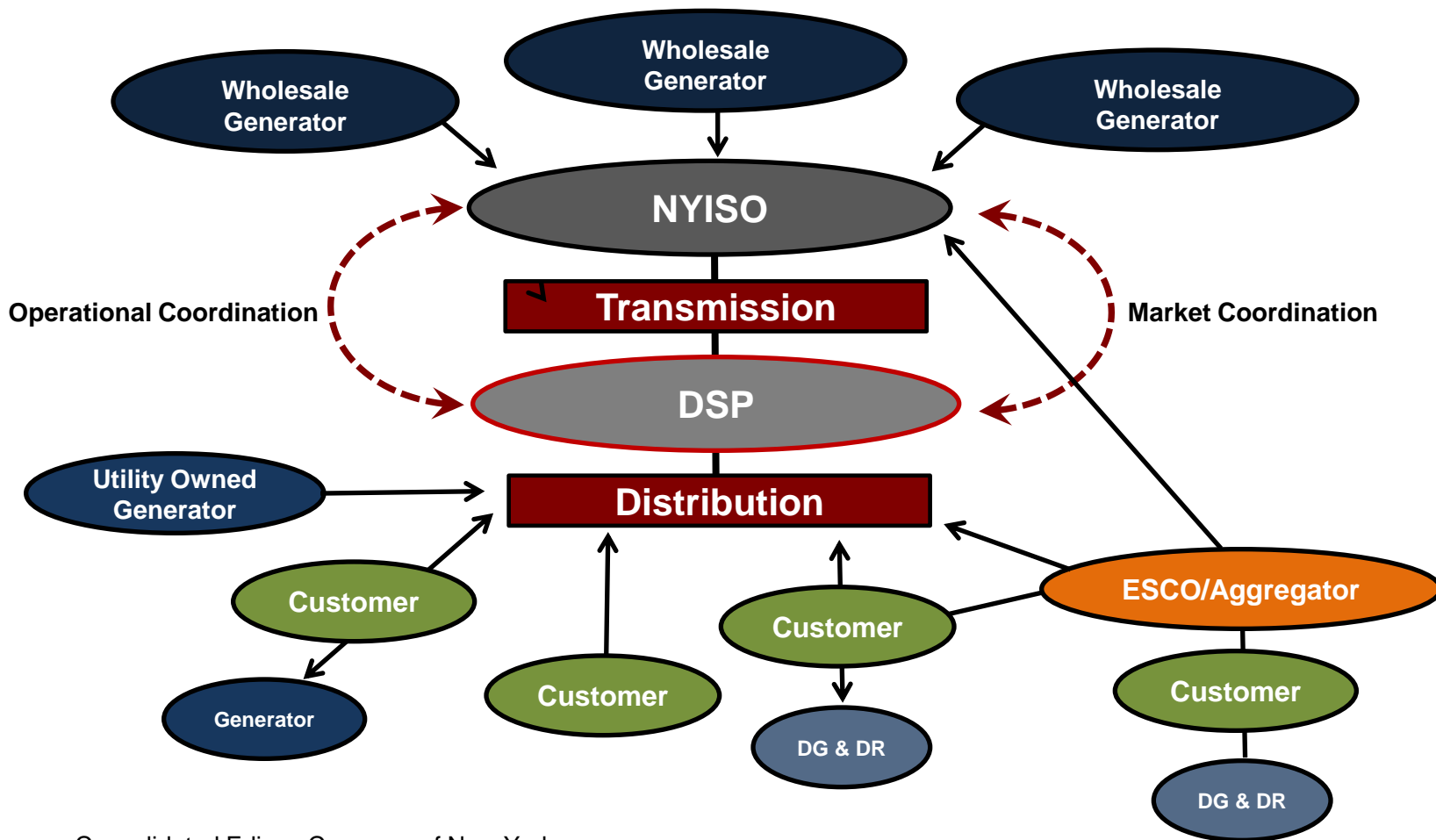
Distributed System Platform (DSP)



Source: Consolidated Edison Company of New York

Track 1 – REV Straw Proposal

Utility Perspective on DSP



Source: Consolidated Edison Company of New York