

Working Group Series for Participating Contractors and Industry Partners

Session #8 | December 16, 2021 8:30am-10:00am

Agenda

- Meeting Procedures
- Welcome
- Joint Management Committee (JMC) update and discussion
 - Central Hudson, Con Edison, and Orange & Rockland incentive updates
 - Additional context and feedback
 - Process improvements going forward
 - Standing topics and follow-ups
 - Project cycle time update
 - OIT status updates
 - Follow-ups from 11/18 PC&IP meeting
- Resources, support, and next steps

Action Items/Commitments

Information in colored text throughout the document corresponds to the action items listed below.

- The JMC will take into consideration feedback received about the impacts of the incentive updates to the program – including addressing the impacts on LMI customers, considering modifications to other incentive categories and not just residential ASHP, and reducing the burden of program requirements on contractors
- ICF will continue to work on a longer-term solution for identification of ACH payments
- The OIT status glossary has been posted to the Documents tab of the OIT homepage, and is also available at the link [here](#)

Additional Clarifications Regarding Incentive Updates:

We received questions from several participants in this month's webinar asking why incentives are changing on March 1, 2022, and would like to provide the following clarifications, which supplement the content provided throughout this notes document:

- The Clean Heat program saw impressively rapid growth in Central Hudson, Con Edison, and Orange & Rockland service territories in 2021. For Central Hudson and Con Edison, incentive expenditures have significantly exceeded their 2021 utility budgets and are approaching the total budgets for the entire program term (through 2025). The incentive changes were made to manage the utilities' remaining authorized Clean Heat program budgets.
- The utilities did not come to the decision to decrease incentives lightly. We are committed to ensuring the long-term success of the Clean Heat program by managing each utility's budget as prescribed by New York State's New Efficiency: New York Order, which supports all customer segments and applicable technology categories.
- The goal of the Category 2 ASHP incentive adders for integrated controls and decommissioning is to incentivize full-load systems that are both installed and used for heating, in accordance

with statewide policies. The utilities encourage contractors to continue to build business models around selling and installing systems used as the building's primary or only heating source, and to take advantage of the Category 2 ASHP adders where applicable.

Welcome

- Program representatives on the call today:
 - JMC Co-Chairs: William Xia (Con Edison), Wendy MacPherson (NYSERDA)
 - JMC Members: Ray Cotto (Central Hudson), Steve Coulter (Con Edison), Jennifer Cross (National Grid), Nicole Williams (NYSEG, RG&E), Mark Maloney (Orange & Rockland)
 - Implementation Team (ICF): Mike L'Ecuyer, Kenn Latal
 - Working Group Support Team (Concentric Energy Advisors): Ben Davis, Pieter Zwart, Clara-Ann Joyce

Working Group Series: Review of Typical Meeting Format

- As outlined in previous meetings, the intent of this Working Group Series is to create a forum for working meetings between participating contractors, industry partners, and other stakeholders with the NYS Clean Heat Program Administrators.
 - Emphasis is on the "working group" nature of these calls, with focus on clarifying issues, pain points, affected parties, and proposed solutions
- The JMC wants to promote dialogue and discussion with a focus on transparency and communication
 - The intent is to drive toward solution development
 - Emphasis here is on open communication with the industry. The JMC does want this to be a two-way process in terms of flagging and communicating issues.
- The hope is to have stakeholder-led presentations of pre-submitted topics in addition to updates from the JMC on topics discussed in previous sessions

Residential Clean Heat Incentive Changes

- On December 1, Central Hudson, Con Edison, and Orange & Rockland announced incentive changes for Category 1, 2, 2a, and 2b residential projects installed on or after March 1, 2022
 - Central Hudson will also begin to offer a new 2b adder incentive for ASHP full load heating and decommissioning on March 1, 2022
 - This announcement was made in advance to provide as much notice for the market as possible
- The incentive reductions are being made to manage each utility's budget in response to the rapidly increasing and strong market activity in these categories within the utilities' service territories
 - This is not a decision the JMC takes lightly, and the JMC recognizes the impact a change like this has on the business and planning of the contractors
 - The JMC must work within the budget provided by the New Efficiency: New York (NE:NY) Order to ensure the program is viable through 2025

- At this time, no changes will be made to the National Grid and NYSEG/RG&E incentives, and no changes will be made to the GSHP and HPWH incentives – this applies to residential ASHP incentives in Central Hudson, Con Edison, and Orange & Rockland service territory only
- A table outlining the specific incentive changes is included in the presentation slides
- New incentives apply to projects installed on or after March 1, 2022 – if a project completes installation before March 1, it is eligible for the incentive levels in place today
 - To qualify for the current incentive level for projects installed before March 1, contractors must submit completed applications by April 15, 2022
- Con Edison incentive changes apply to residential (1-4 family) projects only
- Appropriate adjustments will also be made to the incentive calculator tool to help contractors with planning as well

Additional Incentive Change Context and Feedback

- Incentive amounts are set by each utility, based on the individual budgets in the NE:NY proceeding and reflect achievement, market activity, and characteristics within territories
 - Changes are being made to Categories 1 & 2 in response to big increases in activity within these categories
- Some stakeholders have brought up concerns regarding impacts to Low-to-Moderate Income (LMI) customers. There is a JMC for LMI programs as well, and coordination is actively taking place between the Clean Heat and LMI teams to provide future program improvements to benefit LMI customers and communities.

Verbal Comments – RYCOR

- RYCOR had submitted feedback in advance of the meeting and was invited to provide comments on this topic
- Since inception, RYCOR has been very active in the Clean Heat program, and the program has become core to the way they do business
 - Central Hudson, their primary service territory, and ICF have been great to work with
- They have seen amazing market transformation with the introduction of this program – the market looks very different from 18 years ago when RYCOR first started operating
 - The LMI space in particular has changed drastically
- RYCOR partners with local and state entities, like NYSEERDA’s EmPower NY program, and provides internships and youth training programs to help build the pipeline and get new talent into the business. It is important to the company to spend time on education and getting the word out there.
 - They have been able to hire 25 new employees since the program started, including 4 full-time staff working on load calculations and 16 apprentices, most of whom are very young and some of whom are in a workforce development program
- One of the fears with this incentive reduction and potential resulting decrease in demand is that they will lose some of the apprentices
 - The anticipated drop in the program is a bit scary. If it plays out in that way, RYCOR will have to make some tough decisions on staffing until seasonal business picks back up
 - The timing of the effective date (March) is in shoulder season, where business may be a bit slower
 - The company had also been looking at two new buildings in Albany, but will have to stop those projects for now to see how the incentive change plays out

- A question RYCOR has is how the program will gauge whether they are losing traction due to the incentive reductions, and whether there is any recourse/fallback plan to help rebound if the program is indeed losing traction
- Additional feedback that the company has is that the partial load category does not seem effective. People who choose this option will still use their incumbent system for heat and only use the heat pump system for cooling, which doesn't do much for the program.
- RYCOR would also be happy to forego the contractor reward portion of the program to help breathe more funds into the customer incentive in order to keep traction in the market
- In conclusion, RYCOR feels the program is wildly successful and they love being a part of it, but there is a bit of fear around the steep drop in incentives and what that will do to the market and industry.
- **Response (Central Hudson):** The JMC appreciates feedback such as this, and is especially monitoring LMI opportunities very closely
 - Regarding anticipated change in demand: RYCOR has done a very good job of keeping in close contact with Central Hudson in the past – keep that up during this time as well. It will be crucial to understand what the contractors are seeing in the market.
 - The JMC is concerned with demand as well – not just budget
 - Regarding the contractor reward: the contractor reward can be forwarded over to the customer as well. This is an avenue to provide more funding to the customer, if the contractor so chooses. Again, please keep in close contact with the utility.

Verbal Question – Mitsubishi

- Why were incentives for only ASHPs reduced? I understand that there are budget constraints and limitations in terms of dollar amounts, but a limited budget towards ASHP installations will not help us reach program goals, especially if ASHPs are the ones that are so popular. Why does it matter how the sustainability goals are achieved as long as they are achieved?
- **Response:** GSHPs are also seen as a viable technology within the program, especially since they are more efficient and do not offer the partial load option, so they achieve more greenhouse gas emission reduction
 - If incentives for GSHPs were also reduced as well, it wouldn't accomplish much in terms of budgetary constraints
 - The program does want more GSHPs, but it is not necessarily that there is a certain desired quota of GSHP and ASHP – the goal is to grow both technologies
 - The decommissioning adder is being added in Central Hudson's service territory as well at a higher amount – the idea is to ensure full displacement of the incumbent heating system for many of these projects
- Mitsubishi: There have been so many changes to the incentive amounts and requirements – the more barriers that are put up, the less inclined people will be to participate in the program. Having equal incentives for ASHP/GSHP/HPWH was a great setup. What are the budgets, and are we going to see similar reductions in NYSEG/RG&E and other places? What is the split between GS and AS?
- **Response:** The split between GS and AS projects is pretty drastic – there are significantly more AS projects than GS
 - There has also been a drive on the AS side to start introducing additional incentives on what the JMC is calling the “adders” (currently in place for decommissioning and integrated controls)

- On the GS side, the JMC is seeing more heating usage on these projects year-round based on the way the systems are designed
 - To that end, the program is trying to put more money toward decommissioning on the AS side to achieve the same outcome and drive more towards decarbonization
 - This has been implemented downstate to see if it is a strategy that can be emulated upstate
- Mitsubishi: Putting in an ASHP costs the homeowner a lot less than GSHP. ASHPs are the way that people can afford these clean heat projects across income classes.
- **Response:** Thank you for sharing all of this feedback. There are several takeaways for the JMC here, including the perspective that the program may be becoming overcomplicated, especially with the new adders. The JMC will strive to make these as streamlined as possible and will be in touch on potential next steps.

Verbal Question – BlocPower

- Was some of the impetus for changing the incentive amounts aimed at trying to drive more money toward other building types (SMB, C&I), or are these separate pools of money?
- **Response:** Changes were not made specifically for any other building types in mind. As per the NE:NY Order, there is one budget for all customer segments and all building types.
 - The JMC must make sure they are sustaining the program for the long term
- BlocPower: What is the rationale behind the timing of the March 1 effective date? Recent supply chain issues with respect to purchasing equipment have been driving up prices. The residential program has built up a strong enough foundation that it can start standing a bit on its own, but there are also market forces that can push back the other way.
- **Response:** The timing question is addressed a bit in the next slide. The JMC gathered a bit of feedback from the industry regarding the pace and volume of work on a month-by-month basis, and noted that the shoulder season would not be catching contractors at the height of a busy time.

Process for Future Incentive Changes

- The JMC has standardized a process for future incentive changes, in order to provide more advance notice to the market and allow stakeholders to plan and set expectations, and to understand those changes before they go into effect
- Changes will become effective on a set cadence, no more than twice a year, with market notification provided about 3 months in advance:
 - Changes effective March 1 with a planned notification date around December 1
 - Changes effective September 1 with a planned notification date around June 1
- A 45-day grace period will be provided for projects to submit applications at the previous rate if they were installed before the “change effective” date
- The rationale behind the March 1 and December 1 effective dates was to hit a time where contractors are not in the midst of heating or cooling season so there is time to adapt to the changes
- **BlocPower:** This is helpful information. However, it does not quite answer the question.

- To dial back the incentives, it means that there was either an assessment of the budget forecast and a determination that incentives must be scaled back before the program goes bankrupt, or there was some discussion of market forces and that the program can stand more on its own now. From what other contractors are saying, it sounds like the program is not quite there yet and it may not be the right time to reduce incentives. Why not a more phased draw-down? Why such a drastic change immediately?
- **Response:** The JMC hears this sentiment about rationale and will follow up.

Verbal Question – Mitsubishi Electric

- Thank you for all of the hard work that goes into operating the program and keeping communications going. Consistent with other comments that have been voiced – dramatic changes are being made to the incentives, but the same amount of work is still required.
 - I encourage the JMC to look at what has been installed and where, and to simplify the requirements so that less sophisticated contractors can participate in the program
- As far as timing, the JMC is inherently generating uncertainty by saying there will be change dates. Contractors will not invest in people and resources if things are scheduled to change at a certain time.
 - Maine is an example: they introduced a heat pump program in 2013 and made the first reduction in incentives this year
 - As much as this scheduling is intended to provide surety, it is causing uncertainty
- The program should also lower the burden on contractors to participate so that they can lower their costs in line with the lowered incentive levels
- **Response (Con Edison):** Your point on uncertainty is taken. The announcement here is not intended to say that there will be changes, but more to be an improvement on past ad-hoc changes that have come without much warning.
- The points you are bringing up and the impacts they have will be taken into consideration

Verbal Question – HalCo

- On the administrative side of the program, I very much appreciate the improvements that have been made. Things have come a long way.
- There seems to be one outstanding piece, related to ACH. Having ACH payments in place has certainly improved cash flow, but we do not receive a report of what is being paid. Every time a check comes in, we have to line it up and figure out what is being paid.
- **Response (ICF):** This is a known issue, with a few interim workarounds. In the OIT, submitted projects can be sorted by type of status, so contractors can sort for projects in Payment Issued status that have recent payment dates.
 - Contractors can also reach out to their account manager, who should be able to get that information from internal reports
- **ICF is actively working on finding a longer-term solution to create some kind of report that addresses the ACH payments**
 - The payments themselves come out of ICF's bank, and there is not a method within the ACH structure as a whole to provide more information with delivery of the payment itself
- ICF is very much aware of this issue and is working towards finding a more permanent solution

ICF Process Cycle Times for Completed Projects

- ICF gave an update on processing times for completed projects
- Processing times have gone up in December, whereas times were coming down when last reported in November
 - This is due to a large cleanup process that is taking place
 - An explosion of applications came in this fall – applications received in August, September, and October alone matched the number received January-July in the rest of the year
- Con Edison has provided a temporary leniency policy to clear out projects for the end of the year
 - The cleanup efforts have been concentrated on Con Edison, but there are some projects in other service territories as well
- At the same time that this cleanup effort is taking place, ICF is being careful not to disregard or deprioritize new applications coming in as well
- Processing times are around 18 days for most of the utilities – Con Edison is driving the overall average up

Follow-Up Items

- The majority of time and discussion during this meeting was focused on the incentive reduction topic. Therefore, a few other updates will be pushed until next month due to time constraints.
- An ACH guidance document will be posted next week – a notification will be sent out when that is available
- An OIT status glossary will be posted to the OIT help page as well

Resources, Support, and Next Steps

- The slide deck, meeting notes, and additional Q&A responses will be provided after the meeting
- The next Working Group Series meeting will take place on Thursday, January 13th
- Links to helpful resources, as well as contact information for the program-wide inboxes and utility program representatives are available in the presentation slides

Gift Giving Policies

- The utilities and NSYERDA have a “no gift” standard and cannot accept gifts
- These guidelines apply to all utility employees *and* vendors supporting the utility programs (implementation vendors, QA/QC inspectors, etc.)

Many thanks to all who joined the meeting this morning. Have a happy and healthy holiday season.