



August 27, 2018

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza, Agency Building 3
Albany, New York 12223-1350

Re: Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources
Case 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack.

Dear Secretary Burgess:

The Advanced Energy Economy Institute (AEEI), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the Northeast Clean Energy Council (NECEC), and their joint and respective member companies, submit for filing these comments on the *Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs*, filed on July 26th 2018 in the above-referenced proceedings.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ryan Katofsky", with a large, sweeping flourish at the end.

Ryan Katofsky
Vice President, Industry Analysis

Comments on Staff Draft Whitepaper on Avoided Distribution Costs (Case 15-E-0751)

**Advanced Energy Economy Institute
Alliance for Clean Energy New York
Northeast Clean Energy Council**

Preface

In order to respond to the July 26, 2018, *Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs* (“Draft Staff Proposal”), Advanced Energy Economy Institute (AEE Institute) is working with Advanced Energy Economy (AEE) and two of its state/regional partners, the Alliance for Clean Energy New York (ACE NY) and the Northeast Clean Energy Council (NECEC),¹ and their joint and respective member companies to craft the comments below. These organizations and companies are referred to collectively in these comments as the “advanced energy community,” “advanced energy companies,” “we,” or “our.”

Introduction

The Advanced Energy Companies appreciate the complexity of this transitional period in rate design for DERs in New York, and we largely agree with the Draft Staff Proposal. While the Phase One Tariff was meant to compensate exported energy from DERs based on the value provided to the grid while also providing fair consideration of the costs and benefits to non-participating customers, the tariff has advanced the complexity of price signals more quickly than some DER providers² and customers were able

¹ AEE is a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable. ACE NY’s mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NECEC is a regional non-profit organization representing clean energy companies and entrepreneurs throughout New England and the Northeast. Its mission is to accelerate the region’s clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies

² Some DER providers who provide technologies that mainly offset load have said that the current method for providing compensation for avoided distribution costs does work for them, however, their participation is limited by the fact that Phase One compensation only applies to exports.

to adjust to. For the state to mitigate disruptions in the market and continue progress toward its clean energy goals, simplifying compensation for avoided distribution costs is necessary.

We continue to support a long-term vision of aligning compensation with grid value (and other societal and quantifiable benefits), as it promotes competition among technologies on a level playing field based on merit, encourages the technologies to develop in response to grid needs, and better aligns costs and benefits for non-participating customers. Nevertheless, future advances to rate design are likely to receive better reception in the marketplace if more time and resources are available for business and customer education. Even through the Phase One Tariff needs adjustment, we continue to appreciate the efforts of the Commission to lead innovations in rate design and respond to the market when those rate designs innovations require adjustment. We also encourage the Commission and Staff in the ongoing VDER Phase 2 process to support greater technology neutrality with regard to how the tariffs apply to dispatchable and non-dispatchable DERs and to technologies that are primarily designed to offset load.

Revisions to the DRV

We agree with the new methodologies described for providing the DRV value to non-dispatchable and dispatchable technologies, but they should be transitional measures to mitigate the current disruption in the market place. We are concerned that the methodology for non-dispatchable technologies devalues the attributes of dispatchable technologies because it provides compensation for grid value that may not be provided. It is possible that a non-dispatchable DER may produce power during most of the 460 hours, but not during the top system peak hours that would provide value to do distribution system and allow utilities to defer investment. In contrast, the methodology for dispatchable technologies ties compensation to performance during the specific hours that are needed to defer utility investment.

Also, the Staff Proposal is vague as to how the total value of the DRV will be determined, and we reserve comment on that issue until it is clarified. The Draft Staff Proposal states that the same methodology used for converting the utility marginal cost studies into a distribution value for energy efficiency programs will be used for determining the DRV for DER compensation. While this method is attractive for its simplicity, we encourage staff to consider that DERs may have significantly different peak-to-average energy ratios compared to energy efficiency as well as different coincidence with utility peaks. These factors may not warrant using a value that is different from energy efficiency, but we encourage staff to undertake the analysis before they make that determination.

The revisions to the methodologies for applying the DRV are likely to reduce revenue risk for both dispatchable and non-dispatchable technologies and are likely to improve the ease of financing for projects. Reducing risk to developers and customers is necessary at this time to return clean energy deployments to

a level that can meet state goals. Once the market has reached sufficient maturity, we recommend that Staff reexamine these methodologies as they apply the same DRV to dispatchable and non-dispatchable technologies, despite the fact that dispatchable technologies are likely to provide firmer capacity and greater potential for deferral of utility costs. Non-dispatchable technology paired with storage that can provide power coincident with grid needs should be encouraged, though the proposed DRV framework may not provide a difference in DRV compensation that is large enough to support these types of deployments.

Elimination of the LSRV

The Draft Staff Proposal provides sound reasoning for eliminating the LSRV compensation, stating that the LSRV seems to not have encouraged as much development of DERs in constrained areas of the grid as intended nor has it provided enough control and commitment over DER for utilities to use the LSRV to replace utility investments. Revision of the LSRV is warranted, though the Advanced Energy Companies remain concerned with its outright elimination. The LSRV provides a tariff-based “standard offer” which is open for market participants to respond to, while non-wires alternatives (NWAs) and utility demand response programs rely on utility-initiated procurements. In contrast, LSRVs set up a dynamic where if a utility chooses not to issue an NWA for a grid need, an LSRV remains open to allow the market to respond to that need. In the absence of LSRVs, utility inaction on NWAs could result in a loss of cost-effective deployment of clean energy. In addition, NWA RFPs typically have short lead times and intermittent availability, making customer acquisition difficult and more expensive, potentially increasing total project costs. While some problems will be resolved with the elimination of competition between the LSRV and NWAs, we encourage staff to look for an additional backstop mechanism should the utilities not continue to propose NWA opportunities.

Expansion of Phase One Net Metering

The Advanced Energy Companies have been consistent in their stance that DER that is deployed mainly to serve on-site load should continue to have access to Net Energy Metering. We support expanding eligibility for Phase One NEM to projects 750 kW AC or smaller that are sized to meet a customer’s annual consumption.

Conclusion

We commend Staff for being responsive to stakeholder concerns and for proposing modifications to the existing Phase One tariff to mitigate some of the disruptions that are occurring in the market. The

Advanced Energy Companies believe that the Draft Staff Proposal makes some necessary accommodations to smooth the ongoing transition of the market to more variable price signals that better align with grid needs and system benefits. However, we recommend that these modifications be viewed as transitional and that ongoing the Phase 2 process of VDER should strive to more accurately value dispatchable and non-dispatchable technologies.