

November 13, 2017

The Honorable Kathleen Burgess
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, New York 12223-1350

Matter 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group
Regarding the Value Stack

Matter 17-01277 – In the Matter of the Value of Distributed Energy Resources Working Group
Regarding Rate Design

RE: NY VDER Phase 2 Process Proposal - REVISED

Dear Secretary Burgess:

The following **updated proposal incorporating feedback we have received from DPS Staff and stakeholders** is submitted by the Solar Energy Industries Association, Vote Solar, the Coalition for Community Solar Access, Pace Energy and Climate Center, the Natural Resources Defense Council, and Acadia Center (the Clean Energy Parties) on the process for the Value of Distributed Energy Resources Phase 2 proceeding. A process like the one described here is absolutely critical to the success of New York's efforts to accurately value DERs, and to reach its goals of increased customer choice and responsiveness, rapid decarbonization, increased utility capital efficiency, grid and utility business model modernization, and reasonable cost. We strongly recommend the adoption of a process along the lines proposed here as soon as possible.

Macro Structure

- Two parallel tracks – One on Valuation and the other on Rate Design¹
 - Each track will have identified topics or components determined upfront, which will be moved through sequentially. Parallel processing of topics should be avoided to allow parties with limited resources to fully and fairly participate and for Staff to devote sufficient attention to each topic. This is essential for a robust process and necessary to allow Parties to gather and plan for use internal and external resources.
 - Each topic will be assigned a planned time duration of 2-5 months and the entire track will be scheduled to be completed by May 2019, so that it can lead to a ruling in mid 2019 with implementation by the Commission by year end 2019. **We also propose that a Staff Report on the transition from NEM for mass-market customers can be developed**

¹ Please note that we also think LMI is an important policy priority, but this document does not address whether the current VDER Phase 2 Working Group focused on it becomes a 3rd track under this proceeding or whether is dealt with in another effective proceeding or manner.

- out of information and discussion gleaned from the tracks below in time for the December 2018 required deadline.
- The time durations for the components of each track are based on feedback of the scope of each to date. The exact durations should be finalized as an integral part of the process plan. We understand, however, that staff should have the ability to adjust these durations if it becomes clear that a particular component will require significantly more or less time. We thus suggest that the timelines below be able to be lengthened or shortened with the consensus of all Parties.
 - For each topic, a defined, predetermined schedule and procedural process (“Micro Structure”) would be established to give all parties sufficient notice and opportunity to participate.
 - Separate from the above tracks, there should be a short-duration, fast-tracked process that would occur simultaneously with the first component of both tracks to address issues like expanding the resources eligible to use the existing Phase 1 VDER tariff (**this fast-track process is currently underway**).

Proposed Tracks and Topics

- **Track #1 - Value Track**
 - **Capacity Value (3 Months) – January 2018 - March 2018**
Rationale: There is a need to review the Phase 1 capacity options, and to make improvements to some of these valuation approaches. This track should include a thorough review of the capacity value provided by DERs (including hours of value and loss of service probability) that includes but is not limited to the avoided costs to ratepayers today.
 - **Environmental/Public Health & Safety Value (5 Months) – April 2018 – August 2018**
Rationale: There is a need to review the Phase 1 approach of using the REC price as the placeholder for environmental/externality values, and to evaluate moving to a more true and accurate valuation approach, as the REC price is the result of market construction and ramp rates towards meeting the 2030 CES goal, but is not equivalent to the fundamental value of avoiding greenhouse gas emissions and other externalities across the state or in specific locations. We expect there to be significant work to consolidate and update previous work on the details of how these environmental and public health and safety values should be calculated.
 - **Distribution and Transmission System Value (5 Months) – September 2018 – January 2019**
Rationale: There is a need for a thorough review of how infrastructure costs can be avoided with DERs, over what timeline this should be evaluated, and how this interacts with NWA's. In addition, the value of DERs reducing use of the existing distribution and transmission systems should also be further examined regarding O&M costs and extension of the lifetime of equipment which also delays additional new infrastructure needs.
 - **Resiliency Value (2 Months) – February 2019 – March 2019**
Rationale: There is a need to review this value provided by some DER combinations, given its potential contribution to increasing the speed of power system recovery and importance for providing shelter and basic services to New York residents.

Commented [MK1]: Note: We deleted the Energy Value component here, as none of the items (i.e. day ahead vs actual pricing, losses, and greater nodality) seemed to be ripe for immediate review

- **Tariff Development – (2 Months) – April 2019 – May 2019**

Rationale: There is a need to re-evaluate the Phase 1 tariff structure for items such as distribution and transmission value to address market, customer, and financing challenges associated with the current structure. In addition, tariff structure for compensating DERs for additional values identified through the Phase II tariff should be discussed with respect to how they will affect customer behavior and adoption and other market-relevant issues. This Track would address issues such as the applicability of the new tariff to different market segments, and the integration of the above components into a tariff, with consideration given for customer interface, project financing, and other areas.

Total: 17 Months

The Clean Energy Parties are amenable to revising the order of topics outlined above, except that the final topic—tariff development—should remain last, regardless of the order of the preceding topics. The process for each of the four value stack components would include extensive analysis about the rationale and approach for assigning a value to the services provided. Preliminary estimates of numerical values should be developed, as possible. Conceptual options for translating the valuation methodology into an appropriate tariff design should be developed. The Tariff Development stage would then consider appropriate tariff structures, informed by—but not limited to—the refined value stack.

- **Track #2 - Rate Design for DER Customers (Followed by All Residential and Commercial Customers as Interim DER Rate Sunsets into New Default Rates) Track**

- Time Variant Rates and Rate Forms (4 Months) – Feb 2018 – May 2018
 - E.g. TOU, CPP, and demand charges
- Fixed Charges (2 Months) – June 2018 – July 2018
- Consideration of Non-bypassable Charges (2 Months) – August 2018 – September 2018
- Locational rates (2 months) – October 2018 – November 2018
- Standby rates (2 months) – December 2018 – January 2019
- Implementation – Issues like final analysis of bill impacts, DER customer impacts, and DER customer details such as export structure (4 months) – February 2019 – May 2019

Total: 16 Months

The Clean Energy Parties are amenable to revising the order of topics outlined above, except that the final topic should remain last, regardless of the order of the preceding topics. Furthermore, the Clean Energy Parties are open to addressing issues concurrently, or overlapping the review periods of certain topics. Nonetheless, the Clean Energy Parties strongly request a timeline to review each of the topics outlined above within the requirement, while accounting for the time that each topic deserves. The Clean Energy Parties are keen to reduce the likelihood (and perhaps even eliminate the possibility) of pushing topics off to the future and inevitably not having enough time to appropriately address each topic.

The DPS reports and data resulting from the expected work described to date in the “Staff Scope of Study to Examine Bill Impacts of a Range of Mass Market Rate Reform Scenarios”

would be integrated with the above topics. Each topic would include an analysis of the purpose the rate design change would serve and/or behavior it would incentivize, the ability of different types of customers to understand and respond to each, and the expected bill impacts to different customer classes for service and customers with DER generation.

Sunset for DER-only rates: As noted above, in order to facilitate discussion of changes to rate design, but also to accommodate Staff's deadline, DER customers would be moved to a new rate design in advance of all mass market customers. However, the discrepancy in mandatory rates applied to DER customers as opposed to other mass market customers should be temporary. Accordingly, the rate design (via the tariff) for DER customers should have a sunset date of two years, after which the DER customers will default to the rate design of mass market customers. By the end of the two years, mass market customers should be on a revised rate design.

- **Tracks Leading to Mass-Market NEM Transition**

The Clean Energy Parties recommend that the Staff Report on the transition from NEM for mass-market customers be developed out of Rate Design Track #2 for the December 2018 deadline, as most of the relevant topics will have been completed. Most of the Value Track (Track #1) topics will also have been completed by this time to provide context for staff's recommendations for the mass market.

Micro Structure for Each Component

- For each topic on a given track, there should be a similar procedural structure so that each is treated in a predictable and thorough way, driving a high-quality and thoroughly vetted result.
- This proposed structure has elements of a detailed evidentiary process, but does not have to involve an ALJ.
- The proposed process per topic is:
 - **Initial Discovery if Needed:**
 - After initial scoping of component, Parties can request germane, specific data from each other if needed to complete initial briefs/arguments/presentation. The structure of this should follow the standard discovery procedure described below.
 - **First Meeting:**
 - Initial briefs/arguments/presentations by Utilities, Clean Energy Parties, and other interested parties.
 - **Discovery:**
 - Within 5 business days, requests from parties submitted for data and clarifications from each other.
 - Within 10 business days, responses to data requests due from all parties (provided at least 3 days business day in advance of next step). During the 10 business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests.
 - **Subsequent Presentations and Experts:**

- Within ~2 weeks of receiving responses, subsequent presentations from Utilities, Clean Energy Parties, and other parties, including involvement of experts if appropriate.
- **ALJ Option:**
 - Within 5 business days, option for parties to initiate formal ALJ process on the record to address missing information, assertions of confidentiality, and key evidentiary issues. **Results from issues of fact decided by ALJs would inform the VDER proceeding.**
- **Response to Revised Presentations:**
 - Following conclusion of ALJ process (if any), written responses from all parties on revised presentations.
- **Staff Straw Proposal and Responses:**
 - Staff straw proposal incorporating comments from parties.
 - Parties' responses to Staff straw as written comments.
- **Agreement Meeting:**
 - Meeting involving Staff and key parties to discuss potential informal agreement between parties.
- **Recommendation:**
 - Staff recommendation based on Parties' informal agreement/nonagreement.