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

Re: Case 15-E-0751 -- In the Matter of the Value of Distributed Energy Resources

Dear Secretary Burgess:

Alliance for a Green Economy and the Central New York Regional Planning and Development Board hereby submit these comments for filing in the above referenced proceeding, in response to the “Staff Whitepaper on Future Community Distributed Generation Compensation” filed on July 26, 2018.

Sincerely,

/s/
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/s/
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Introduction

Alliance for a Green Economy ("AGREE") is a Syracuse based grassroots education and advocacy organization working toward a transition to 100% renewable energy. We have been engaged in the Public Service Commission’s Reformation the Energy Vision ("REV") process since the first stakeholder meeting in 2014 and have participated in most major proceedings under the REV process. We co-chair the Steering Committee of the Energy Democracy Alliance, and in that role, we have helped engage over 100 organizations in a process of learning about REV and REV-related proceedings and participating in the stakeholder processes of REV, including public hearings, public comment periods, forums, and working groups. We are also leaders in solar education locally in the Central New York region, where we have worked with the Central New York Regional Planning and Development Board to build and implement three successful Solarize campaigns. Through those campaigns, we helped hundreds of households switch to solar energy, and we learned about the obstacles that households and businesses face when considering solar energy.

The Central New York Regional Planning and Development Board ("CNYRPDB") is a public agency that was established in 1966 by Cayuga, Cortland, Madison, Onondaga and Oswego counties under the provisions of Article 12B of the New York State General Municipal Law. The CNYRPDB is located in Syracuse and has a staff of twenty professional planners and provides a range of services associated with the growth and development of communities in Central New York with a focus on eight major program areas including energy management, economic development, environmental management, community development, land use, transportation planning, information and research services, and intergovernmental coordination.

We appreciate the opportunity to share information about the impact of the Value of Distributed Energy Resources ("VDER") tariff on solar development in Central New York and to recommend urgently needed improvements to VDER.
The transition from net energy metering (“NEM”) to VDER has placed into jeopardy a portfolio of nearly three dozen municipally driven community solar projects in our region (“the SolarizeCNY portfolio”). These projects – which would provide clean energy to over twenty municipalities and approximately 8,000 residents – have been under development by the CNYRPDB since 2015. Together, they could more than double the amount of solar energy installed in the five counties of Central New York, and they represent an opportunity to bring $100 million in new investment and 750 construction jobs to Central New York.

Unfortunately, most of this portfolio has been placed on hold due to the switch to the VDER tariff. The projects in the portfolio were initially modeled and designed under NEM, and they were economically viable under that compensation mechanism. With the change to VDER, most of these projects are no longer viable.

The increased Market Transition Credit (“MTC”) proposed in the “Staff Whitepaper on Future Community Distributed Generation Compensation” (“Staff White Paper”) does not provide enough improvement to make the SolarizeCNY portfolio viable. The bulk of the portfolio is to be sited in National Grid territory, where the Staff White Paper proposes to raise the MTC by less than two tenths of one cent ($0.0018). Such a modest increase does practically nothing to change the economic outlook of the SolarizeCNY portfolio. More importantly, the municipal anchor customers in these projects are not eligible for the MTC. Without the participation of these anchor customers, most of the projects are not viable.

We focus on the issues facing the SolarizeCNY Portfolio to illustrate a real-world example of the unintended consequences of VDER. We know that the portfolio in Central New York is unique in its specific details – its uniqueness is what makes it such an exciting model. However, we know the projects in this portfolio are not the only ones jeopardized by VDER.

AGREE has been working with organizations and developers across New York who report similar challenges with renewable energy development under VDER. While some developers in some regions of the state have been able to move some projects forward under the VDER regime, as the Staff recognized in its White Paper, reservations in VDER tranches in much of the state has been anemic. Meanwhile, it remains to be seen what percentage of projects sitting in the interconnection queue will actually move forward.

We cannot afford to throttle community solar development in New York at a time when climate scientists report a consensus position that global emissions of carbon dioxide would need to fall by about 45 percent from 2010 levels by 2030 to avoid the most catastrophic impacts of climate change. Even with those emissions reductions, coral reefs would decline by 70-90 percent with global warming of 1.5°C. It is urgent that we give everyone the tools to limit their greenhouse gas emissions immediately. With the right policy support, community distributed generation offers an opportunity for any New Yorker to take concrete action to eliminate their greenhouse gas emissions from electricity use. Community distributed generation offers the possibility of universal renewable energy access and energy bill reductions in a way that connects customers to local renewable energy projects. We know of

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1 See the October 2018 report from the Intergovernmental Panel on Climate Change (IPCC), which is the UN body for assessing the science related to climate change. [https://www.ipcc.ch/pdf/session48/pr_181008_P48_spm_en.pdf](https://www.ipcc.ch/pdf/session48/pr_181008_P48_spm_en.pdf)
no better way than to “animate the market” for renewable energy than to send such a direct price signal to encourage customers to move their energy dollars to renewable energy.

We appreciate the Staff’s efforts to improve the VDER compensation mechanism to correct for the slowdown in community distributed energy development. With some crucial yet modest improvements, Staff’s proposal can provide a much needed, if temporary remedy to the issues we have encountered with VDER.

Both AGREE and the CNYRPDB would prefer a return to net metering as the compensation method for distributed renewable energy. We believe the simplicity of NEM and its ease of use for customers makes it a superior method to spur the development of distributed energy, even while it severely undervalues the actual environmental benefits of solar energy.\(^2\) However, we recognize the difficulty of reversing the VDER decision at this time. Therefore, due to the urgent need for a solution to enable the SolarizeCNY Portfolio to move forward before the opportunities expire, we offer two practical improvements to the Staff White Paper:

- Increase the MTC in National Grid and NYSEG territories to at least 3.3 cents ($0.033).\(^3\)
- All customers of Community Distributed Generation projects should be eligible for the MTC, regardless of customer class.

These changes would provide stop-gap improvements to save the SolarizeCNY Portfolio of projects while VDER Phase 2 process works to develop permanent improvements to the tariff. Further improvements will be necessary before the new caps are reached so that community renewable energy development can continue beyond the projects allowed under the current VDER caps.

**Details about the SolarizeCNY Portfolio**

From 2014 to 2016, AGREE and the CNYRPDB partnered with other nonprofit organizations, public agencies, and local governments to accelerate the adoption of solar energy in the five counties of Central New York through local Solarize campaigns. These campaigns helped educate thousands of local residents and businesses about solar energy and to connect them with reputable local solar installers offering bulk discounts. Through these programs, the CNYRPDB and AGREE assisted more than three hundred (300) households and businesses to make the switch to clean energy. We also came into contact with thousands of CNY residents that were interested in solar energy, but who could not put solar on their own property. Community solar is the only option for these households and businesses to invest their energy dollars directly in renewable energy and see the benefits on their bill. We were thrilled by the 2015 Commission Order enabling Community Distributed Generation (“CDG”) and set about working to help residents in our region and across New York participate in this new opportunity.

\(^2\) The current VDER value stack does not account for particulate air pollution, for instance.

\(^3\) This number was arrived at by Abundant’s modeling of what would be necessary to save the entire SolarizeCNY Portfolio. Projects in that portfolio are in both National Grid and NYSEG territory. We do not have a comment about the MTC improvement needed for projects in RG&E territory, but would recommend that to keep things simple, a similar increase should be adopted for that territory.
In response to that 2015 policy, the CNYRPDB has developed a portfolio of thirty-three (33) solar PV projects located on lands owned by twenty (20) Participating Organizations including counties, cities, towns, village, public authorities and Wells College. With funding and technical assistance support from the US Department of Energy SunShot Initiative and NYSERDA, the CNYRPDB completed preliminary feasibility analyses, managed the procurement process and developed contract documents including site lease and Power Purchase Agreement on behalf of the Participating Organizations.

The goal of this “SolarizeCNY” initiative is to lower hard and soft costs by aggregating the demand and achieving economies of scale. The initiative has been successful, reaching a total potential capacity of 75 MW including 30 MW of remote net metered projects and 45 MW of community distributed generation projects, with individual projects ranging in size from 50 kW to 7 MW. The SolarizeCNY portfolio includes a mix of rooftop and ground-mount systems including projects at waste water treatment facilities and closed landfills. The CNYRPDB’s recommended developer, Abundant Solar, has offered below-market pricing and is actively negotiating contracts with each Participating Organization.

At this point, the first Participating Organization has executed its contract for a 500 kW system and another five Participating Organizations are expected to execute agreements in the next 1-2 months for a total of 15 MW. Unfortunately, this subset of projects in the portfolio that are currently viable are either smaller remote net metered projects or a couple of CDG projects where the Participating Organization is willing to forego its role as an “anchor customer” and accept a modest lease payment from Abundant in exchange for access to municipal property to build and operate the facility. However, many of the Participating Organizations are not willing to accept this tradeoff because they wish to purchase renewable energy produced on their own lands as a component of their own local sustainability or energy plans and targets.

The SolarizeCNY model could be replicated at least two more times in Central New York, and perhaps as many as 30 times across the state. With an average portfolio size of 50 MW, this could yield as much as 1.5 GW of new solar PV capacity across the state. Municipalities can and do play an important role as facilitators of CDG development, not only as authorities having jurisdiction over property taxation and land use but also as trusted local institutions that can act as a bridge to the larger community, thereby helping to lower customer acquisition costs. By failing to extend the MTC to typical “anchor customers” such as municipalities, however, the state’s VDER policy has frustrated the plans and the potential of dozens of municipalities across the state to become full partners in deploying DER at scale.

**The Staff White Paper Is an Improvement, But Falls Short**

The CNYRPDB and AGREE believe that the state’s distributed renewable energy compensation policy should provide fair and accurate valuation of the benefits of CDG to the electric distribution system and utilities but also, and more importantly, to society as a whole and that VDER has failed to meet this standard. While the Staff White Paper does propose to provide more compensation attributable to the Market Transition Credit, this revision is limited to “mass market” customers and thus unfairly excludes municipalities and other key customer classes that can act as “anchor customers” for CDG projects. As such, the proposed revisions are insufficient to allow many community solar projects to be financed. Anchor customers are necessary component of many CDG projects, and their presence can help unlock financing. Banks like the certainty of anchor offtakers. Anchor customers can also reduce the cost of subscriber acquisition and thus the cost of the entire project. Thus anchor customers help meet key objectives of REV and New York’s overall solar incentive policy: to attract private investment and to
bring down soft costs. A VDER policy that effectively excludes the possibility of participation by anchor customers greatly inhibits the ability to meet state goals.

We recognize that a companion Draft White Paper from Staff filed on July 26, 2018, included a preliminary proposal to improve the compensation for municipalities and other customer classes that cannot receive the MTC under the current VDER policy. However, the proposed changes to the Demand Reduction Value (“DRV”) have numerous flaws that have been pointed out by other parties and they are still months (at best) away from being adopted. We fear that such a delay will further jeopardize the SolarizeCNY Portfolio, as we cannot expect the developer to continue to invest in the project when the company can focus on other, more promising solar markets in other states. Time is of the essence if we are going to save the SolarizeCNY Portfolio.

This is a major reason we are recommending that for now, all customer classes should be eligible to receive the MTC if they are participating in the Community Distributed Generation project. Those customers who receive the MTC could be required to forego the DRV now and in the future. At such time as a new DRV is adopted by the Commission, the MTC could once again become unavailable to demand-metered customers for new projects.

In addition to being fair and accurate, renewable compensation policy should also be simple enough for customers (whether they are mass-market or the typical classes of “anchor customers” noted above) to understand, and stable enough for financiers to provide the capital to project developers. As currently constituted, and including the whitepaper recommendations, VDER does not meet these important standards and continues to present significant obstacles to realizing the SolarizeCNY model.

The CNYRPDB and AGREE believe that it is poor public policy to sacrifice simplicity and stability in the attempt to develop a VDER policy that caters to the utilities’ concept of total precision in terms of the grid benefits of CDG. In order for community solar to work in the marketplace, with real customers in a context where general awareness of solar economics is still low, it must offer a value proposition that is clear and easy for the typical residential consumer – or local elected official, for that matter – to understand.

Allowing all customer who participate in a Community Distributed Generation project to receive the MTC would add a much needed element of simplicity and stability to the value stack and the development process.

The environmental and economic development benefits of distributed renewable energy are so great that if the Commission were to fully compensate projects for this value, CDG owners would receive much higher rates than that provided through either Net Energy Metering or the VDER Tariff with a full and improved MTC. Therefore, we see the higher MTC and its application to all customers as a good deal for non-participating customers, whose ongoing dirty energy use has an enormous societal cost.

Conclusion

For the reasons stated above, AGREE and the CNYRPDB urge the Commission to adopt the proposals in Staff’s White Paper with the following changes:

- Increase the MTC in National Grid and NYSEG territories to at least 3.3 cents ($0.033), and consider a similar increase in RG&E territory.

- All customers of Community Distributed Generation projects should be eligible for the MTC, regardless of customer class.

We appreciate your consideration.

Respectfully submitted,

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