STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Value of Distributed Energy Resources

Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program

COMMENTS OF THE CITY OF NEW YORK ON STAFF WHITEPAPER ON FUTURE COMMUNITY DISTRIBUTED GENERATION COMPENSATION

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PRELIMINARY STATEMENT

The City of New York (“City”) has been, and continues to be, an active participant in both the Value of Distributed Energy Resource (“VDER”) and Community Distributed Generation (“CDG”) proceedings. Through this engagement, the City has advocated for removing barriers to renewable energy development, particularly in New York City, and providing appropriate compensation to CDG subscribers. Working in concert, the VDER and CDG frameworks have the potential to expand clean energy participation opportunities to New York residents who either cannot, or opt not to, invest in on-site distributed energy resources (“DER”). DER expansion is a key component to achieving not only New York State’s Clean Energy Standard goal of generating 50 percent of New York’s electricity with renewable resources by 2030 to reduce statewide greenhouse gas emissions (“GHG”) 40 percent by the same year, but also the City’s established objectives of creating a resilient and low-carbon energy supply, achieving the best air quality among all large cities in the United States, and reducing GHG emissions by 80 percent below a 2005 baseline by 2050, as set forth in One New York: The Plan for a Strong and Just City. Therefore, the City has an interest in ensuring that, as DER become more prevalent, barriers to participation in CDG are removed or reduced so that customers have ample opportunities to participate in and benefit from clean energy.

1 Case 15-E-0302, et al., Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard, Order Adopting a Clean Energy Standard (issued August 1, 2016) at p. 2.

As such, the City supports the recommendations for the Consolidated Edison Company of New York, Inc. (“Con Edison”) service territory set forth in the *Staff Whitepaper on Future Community Distributed Generation Compensation* issued by the Department of Public Service Staff (“Staff”), subject to certain modifications described herein that are designed to maximize the opportunity for DER deployment within New York City. Specifically, the Whitepaper recommends, *inter alia*, that Con Edison’s VDER Tranche 3 capacity allocations should be reduced in order to increase the market transition credit (“MTC”) value for Tranches 1, 2, and 3, and also that Staff explore offering the MTC or similar compensation to customers in master-metered buildings. For the reasons put forth below, the City respectfully requests that, in acting on these recommendations, the Public Service Commission (“Commission”) should: (i) adopt Staff’s recommendations to increase MTC values for DERs developed in New York City; (ii) establish separate MTC values and tranche allocations for Westchester County and New York City; and (iii) immediately expand MTC eligibility to master-metered buildings.

**COMMENTS**

**POINT I**

**THE MTC SHOULD BE MODIFIED IN THE DOWNSTATE AREAS TO INCENT CDG DEVELOPMENT**

A. The Commission Should Approve the Whitepaper’s Recommendation to Increase the MTC for DERs Developed In New York City

In implementing the MTC, the Commission sought to provide a “temporary benefit to mass market customers to ease the transition from net energy metering (“NEM”) compensation to Value

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3 Case 15-E-0751, *et al.*, *In the Matter of the Value of Distributed Energy Resources*, Staff Whitepaper on Future Community Distributed Generation Compensation (filed July 26, 2018) (“Whitepaper”). The City takes no position at this time on Whitepaper recommendations that do not apply to Con Edison’s service territory.
Stack compensation.” As demonstrated in the Whitepaper, the MTC has proven very successful in several utility territories where CDG development has rapidly increased. In contrast, CDG development has lagged in New York City, despite the fact that VDER credit values are markedly higher in Con Edison’s service territory as compared to other utility territories where CDG is proliferating. This influx of upstate CDG, combined with the dearth of downstate CDG, prompted the Commission to order Staff to propose ideas for how the MTC should be allocated in the future.

In response to the Commission’s directive, the Staff Whitepaper makes recommendations for each of the utilities’ future tranche capacity allocations and MTC values going forward, including a proposal for Con Edison to reduce its Tranche 3 capacity from 205 MW to 50 MW, in effect trading unused Tranche 3 capacity for higher MTC values in Tranches 1, 2, and 3. The City supports Staff’s recommendations for Con Edison’s capacity allocations and agrees that higher compensation levels will encourage additional CDG development within New York City.

The City would benefit from increased CDG development in Con Edison’s service territory for several reasons. For example, due to significant transmission constraints, the City cannot import renewable energy from the upstate regions of the state. Therefore, in the downstate region,

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5 Whitepaper at pp. 4-5.

6 Case 15-E-0751, et al., Order Regarding Compensation of Community Distributed Generation Projects (issued January 18, 2018), at p. 4 (“Staff is directed to work with stakeholders to develop a recommendation for moving beyond Tranche 4 […].”).

7 Id. at pp. 6, 8.

which consumes approximately 66% of New York’s energy, the energy mix is approximately 70% fossil fuel, while upstate enjoys an approximately 90% renewable mix.\textsuperscript{9} In addition, when Indian Point Energy Center is retired in 2021, the proportion of New York City’s energy mix from fossil fuel generation will likely increase as Cricket Valley and CPV Valley come online. However, the transmission solutions needed to increase the delivery of large-scale renewable power into NYC are unlikely to be resolved in a short timeframe. As such, in order to achieve the State and City’s complementary GHG reduction goals, in-City generation must be developed in the near term.\textsuperscript{10}

Unfortunately, several obstacles have impeded DER project development in the downstate region, specifically New York City. These barriers include lack of available space, high real estate and construction costs, and regulatory hurdles such as permitting issues. The impact of these market barriers is illustrated by the fact that as of August 15, 2018, Con Edison had allocated only 8.0 MW out of 136 MW in Tranche 0/1, by far the lowest of all the utilities.\textsuperscript{11} Based on these low development rates, one can draw the conclusion that the current regulatory framework, which sets Con Edison’s current MTC level of 10.54 cents for Tranche 1,\textsuperscript{12} is not enough to overcome the barriers described above. Thus, to incent DER development in the downstate region, the price signals should be modified.

\textsuperscript{9} Power Trends, \textit{supra}, at pp. 23-25.

\textsuperscript{10} To be clear, the City believes a multi-faceted approach is needed to achieve these public policy goals. Such an approach should include deep energy efficiency, beneficial electrification (particularly in the transportation sector), large scale renewables such as offshore wind, and the construction of more transmission connecting downstate load centers to upstate renewable resources.

\textsuperscript{11} NYSERDA, \textsc{Allocated Capacity per Tranche (MW AC)} (accessed September 18, 2018), available at: https://www.nyserda.ny.gov/All\%20Programs/Programs/NY\%20Sun/Contractors/Value\%20of\%20Distributed\%20Energy\%20Resources.

\textsuperscript{12} Whitepaper, \textit{supra}, at p. 5.
To that end, the City supports Staff’s recommendation to reduce the capacity allocations in Con Edison’s Tranche 3 as a way to increase the compensation levels for Tranches 1, 2, and 3. By increasing the MTC to 14.35 cents for Tranche 1, 10.54 cents for Tranche 2, and 9.49 cents to Tranche 3, Con Edison will become a more attractive service territory for developers to site CDG projects, helping both the State and City meet their emissions reductions goals. Moreover, under the modified capacity allocations, Con Edison retains 391.9 MW of available CDG capacity under Tranches 1-3, an amount that (if achieved) represents considerable growth for renewable energy within the Con Edison territory. Importantly, as Staff noted in the Whitepaper, this proposal operates within the 2% bill impact cap mandated by the VDER Order. Therefore, the expansion of the MTC will not create any incremental cost impacts above those already authorized by the Commission, and thus will not negatively impact ratepayers.

B. The Commission Should Create A Separate MTC Value For Westchester County

The Commission recently approved interzonal crediting, which will allow a DER to apply the credits it receives to the bills of customers located in the same utility territory but in a different New York State Independent System Operation (“NYISO”) load zone as the DER. As the City noted in its comments opposing interzonal crediting, this scheme will create an additional barrier to DER development within New York City by making it more attractive to site projects in

13 Id. at p. 8.
14 Whitepaper, supra, at p. 10.
Westchester County.\textsuperscript{17} To avoid exacerbating this disparity, the Commission should establish two different MTC values across Con Edison’s service territory – one for DERs in Zones H and I and one for DERs in Zone J – and establish two sub-tranches to track MTC allocations separately for Zone J versus Zones H and I.

Con Edison’s service territory includes all of New York City as well as Westchester County, spanning NYISO Zones H, I, and J. Yet, under the current VDER pricing scheme, CDG credit values within Zones H, I, and J are nearly identical, with only minor differences in energy and capacity values between Zones H and I (Westchester County) and Zone J (New York City).\textsuperscript{18}

Given higher DER deployment costs in New York City, interzonal crediting effectively creates a situation where DER developers can develop less-costly Westchester projects that generate nearly identical credit values compared to in-City projects, giving Westchester-based projects a built-in competitive advantage over in-City DERs. This inherent advantage for Westchester-based projects will grow assuming the proposed increases to Con Edison MTC values are implemented on an equal basis regardless of a DER’s location, as proposed in the Staff Whitepaper. In other words, giving Westchester projects an increased MTC may be enough to remove market barriers to project development in that region, however, providing that same MTC amount in New York City will not hold the same value proposition as project development costs are significantly higher.

\textsuperscript{17} Case 15-E-0751, et al., Comments of the City of New York (filed August 6, 2018), at pp. 5-6.

To balance this inequity, the City proposes that the Commission bifurcate Con Edison’s MTC, providing a new MTC value for DERs interconnected in Zones H and I that is higher than the current offering, and a separate MTC value for Zone J DERs that is appreciably larger than the new MTC value set for Zones H and I. The revised values should be harmonized so that, taken together, the total increase in MTC values across Zones H, I, and J falls within the existing, overall 2% bill cap. While the City is not in a position to provide a proposed MTC level for Zone J, it recommends that the value must be high enough to overcome the market barriers to DER development in Zone J. This would allow customers to realize the perceived benefits of interzonal crediting without further disadvantaging New York City and its residents.

The City further proposes that the Con Edison MTC Tranches be split into two sub-tranches: one for Zones H and I, and one for Zone J. This would complement the bifurcated MTC values by ensuring that some capacity in each Tranche is reserved for Zone J projects. These Tranches should be able to operate independently of one another, so that if the Zone H and I Tranche 1 sub-tranche reaches its maximum capacity, projects will begin to receive the Tranche 2 MTC value while the Zone J sub-tranche would remain at Tranche 1 MTC levels.

As the City has stated throughout the VDER proceeding, to achieve the State and City’s clean energy goals, the Commission must be careful not to erect artificial barriers to DER development. However, the enactment of interzonal crediting represents another hurdle that New York City must overcome to encourage in-City development, and thus the Commission should take steps here to mitigate the potential negative impact of this action.

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19 One simple way to calculate the capacity allotments for each sub-tranche is to split the total available MTC capacity on a load-weighted basis. For example, as Zone J represents approximately 85% of Con Edison’s total load, it should be allocated 85% of the Tranche capacity. See NYISO, 2018 LOAD & CAPACITY DATA (published April 2018), Table I-2, Table I-3a, and Table I-3b.
POINT II

THE COMMISSION SHOULD IMMEDIATELY EXPAND THE MTC TO INCLUDE MASTER-METERED BUILDINGS

As a result of the Handal Order, residential customers living in large, master-metered/sub-metered buildings are ineligible to access the MTC. In the Whitepaper, Staff states that it will “work with NYSERDA and stakeholders to investigate and propose options for allowing sub-metered customers to receive the MTC or similar compensation.”20 The City offers that, given the negative impacts of denying MTC compensation to New York City residents, Staff’s proposed step of only exploring the expansion of the MTC to sub-metered customers does not go far enough. Instead, the City requests that the Commission immediately expand the MTC to master-metered buildings using the framework set forth in the Handal Petition, as discussed in further detail below.

The disparate treatment of sub-metered and direct-metered customers conflicts with the Commission’s overall goal to increase opportunities for small customers to reap the benefits of clean energy. Without MTC compensation, master-metered buildings may be discouraged from participating in the CDG market, which is inapposite of the Commission’s goal to “avoid taking any actions or creating any uncertainty that could harm the [CDG] market’s development […]”21 Additionally, the prohibition on master-metered buildings receiving the MTC disproportionately impacts the residents of New York City. As of 2016, approximately 8.5 million people lived in 3.4 million housing units in New York City.22 At least 1.8 million, or approximately half, of these

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20 Whitepaper at p. 6.
units were sub-metered. These residents are largely unable to invest in their own clean energy technologies either because they do not own their residences or because they do not have the income level to support doing so. By not expanding the MTC to master-metered buildings, the Commission is removing what may be the only path for these customers to participate in the clean energy economy.

Further, a substantial number of master-metered buildings in the City are home to low-income customers who live in multi-family affordable housing units. In the VDER proceeding, the Commission recognized the importance of animating low-income participation in the CDG market, and thus directed Staff to work with stakeholders to identify options to “encourage and support low-income customer participation” in CDG. However, by disallowing the MTC for master-metered buildings, the Commission has created barriers to the problem it has previously expressed an interest in resolving. With approximately 1.7 million people living in poverty and 3.9 million people living at near-poverty, the City has consistently advocated for removing barriers to low-income participation in clean energy, including reduced utility bills and expanded energy choices.

The City continues to maintain that the most efficient and effective way to promote CDG participation among master-metered customers, and to ensure they are no longer “unreasonably

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23 Case 08-E-0539, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, Con Edison Response to DPS Interrogatories – Set DPS30, Question No. 466 (issued August 5, 2008). Each month, there are several applications to sub-meter New York City buildings published in the New York State Register, and so the number of sub-metered units in New York City is likely much higher.

24 VDER Framework Order, supra, at pp. 18.

excluded” from the clean energy market, is to immediately extend the MTC to master-metered buildings. Anything short of such an action, including the Whitepaper’s recommendation to convene a stakeholder discussion to “investigate and propose options” to address barriers faced by sub-metered customers, will unnecessarily prolong the discriminatory treatment sub-metered customers have received since the inception of the Value Stack Compensation methodology, and will undermine both the City and State’s GHG emissions goals and interests in energy equity.

The City further recommends that the Commission utilize the methodology set forth in the Handal Petition wherein, “owners of master-metered buildings would report a percent of CDG project output that is allocated to residential and small commercial participants, which would then determine the level of MTC compensation for the project.”26 The building owners would then guarantee electricity bill savings generated by the MTC to eligible customers, potentially through direct bill savings equivalent to the MTC value.27 Importantly, the Handal Petition methodology would operate within the VDER Order’s 2% bill impact limit, eliminating any incremental bill impacts, and fits squarely within the MTC Tranche structure. Thus, extending the MTC through the framework set forth in the Handal Petition would solve a long-standing inequity in a manner that is fair and equitable for all New York ratepayers.

27 Id.
CONCLUSION

For the reasons set forth in these Comments, the City respectfully recommends that the Commission: (1) approve Staff’s recommendation to reduce the capacity allocations in Con Edison’s Tranche 3 and increase the MTC compensation for Tranches 1 through 3 for Zone J; (2) provide Zone J with a higher MTC value than Zones H and I and establishes sub-tranches to reserve an appropriate amount of capacity for Zone J; and (3) immediately expand MTC eligibility so that residential customers living in large, master-metered buildings are able to access the benefits offered by the MTC.

Respectfully submitted,

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