August 6, 2018

VIA ELECTRONIC DELIVERY

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

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

Case 15-E-0082 – Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions For Implementing a Community Net Metering Program

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

JOINT UTILITIES COMMENTS ON STAFF PROPOSAL ON VALUE STACK ELIGIBILITY EXPANSION AND RELATED MATTERS

Dear Secretary Burgess:

In response to the May 22, 2018 Notice Soliciting Comments on Staff Proposal and Related Matters inviting written feedback on the Staff Proposal on Value Stack Eligibility Expansion and on interzonal crediting and Community Distributed Generation (“CDG”) eligibility, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively, the “Joint Utilities”) hereby submit their comments.

Respectfully submitted,

/s/ Janet M. Audunson

Janet M. Audunson
Senior Counsel II

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JOINT UTILITIES COMMENTS ON STAFF PROPOSAL ON VALUE STACK ELIGIBILITY EXPANSION AND RELATED MATTERS

I. Introduction

On May 22, 2018 the Public Service Commission (the “Commission”) in its Notice Soliciting Comments on Staff Proposal and Related Matters (the “Notice”)\(^1\) invited written feedback on the Staff Proposal on Value Stack Eligibility Expansion (the “Proposal”)\(^2\) and on interzonal crediting and Community Distributed Generation (“CDG”) eligibility. As explained below, the Proposal would expand Value Stack eligibility to new resources and seek to implement other recommendations, including increased eligibility for CDG. Please accept these comments on behalf of Central Hudson Gas & Electric Corporation, Consolidated Edison

\(^1\) Cases 15-E-0751 et al., In the Matter of the Value of Distributed Energy Resources (“VDER Proceeding”), Notice Soliciting Comments on Staff Proposal and Related Matters (issued May 22, 2018)(“Notice”).

\(^2\) VDER Proceeding, Staff Proposal on Value Stack Eligibility Expansion (filed May 22, 2018)(“Proposal”).
Company of New York, Inc. (“Con Edison”), New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively, the “Joint Utilities”).

The Joint Utilities continue to support New York State’s clean energy goals and agree with the Proposal in terms of technology, Installed Capacity (“ICAP”) compensation based on Alternative 3 where appropriate, and the need for additional work regarding the expansion of combined heat and power. As discussed below, there are several concerns related to distributed generation transactions with the New York Independent System Operator (“NYISO”) market for ICAP and energy and the proposed treatment of large stand-alone storage. As to other issues in the Proposal, the Joint Utilities believe that interzonal crediting within a utility’s territory can be implemented with the appropriate customer education but note that there are significant practical considerations that make suggested reductions in CDG subscription size limits inappropriate. The Joint Utilities note that they will respond to matters related to the Demand Reduction Value (“DRV”) and Locational System Relief Value (“LSRV”) compensation approaches in connection with the comment process for the recent Staff draft whitepaper (“Draft VDER Compensation Whitepaper”) addresses. Finally, the Joint Utilities respond to the issue of standby/buyback rates.

II. Participation in NYISO Markets

The Joint Utilities support the Proposal’s application of Alternative 3 ICAP compensation to all expanded-eligibility resources. However, the Joint Utilities continue to

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3 VDER Proceeding, Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs, (“Draft VDER Compensation Whitepaper”) (filed July 26, 2018). Staff is seeking comments on this draft by August 27, 2018.

4 VDER Proceeding, Proposal, pp. 4-8.
support the promotion of direct access for distributed energy resources (“DER”) to NYSIO markets. Under NYISO rules, resources greater than 100 kW are eligible to sell kW directly in the ICAP market and as a result would not require ICAP compensation based on Alternative 3. This approach is fully consistent with the recommendations in the Storage Roadmap regarding dual participation of resources in markets to assure reasonable compensation. An advantage of direct sales to the NYISO is that it enables market participants to also derive revenues from the sale of ancillary services. In the long run, similar logic can be applied to Renewable Energy Credit (“REC”) values as well by encourage resources eligible for RECs to seek REC compensation through the New York State Energy Research and Development Authority (“NYSERDA”) or secondary REC markets rather than through the VDER tariffs. The Joint Utilities see direct sales of ICAP and energy to the NYISO, and RECS to NYSERDA as a desirable end-state objective to enhance competitive efficiency in these markets, but also recognize the need for an orderly transition process.

III. Large Stand-Alone Storage

The Proposal recommends extending Value Stack compensation to stand-alone storage, including storage charged by regenerative breaking. Specifically, Staff proposes that stand-alone service, including storage paired with consumption load, be eligible for the Value Stack including Alternative 3 ICAP compensation. While the Joint Utilities support the concept of providing Value Stack based compensation for stand-alone storage, the Proposal highlights the

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need, as noted above, to require larger resources to obtain ICAP and energy compensation in the NYISO markets rather than through a feed-in tariff. Batteries up to the five MW size contemplated in the Proposal are large and complex machines that require a sophisticated developer. For example, based on recent information, a five MW energy storage system would have a housing structure measuring approximately 200 feet in length, 100 feet in width, and 15 feet in height while weighing over 400 tons and costing between $15 million and $20 million. Given that such resources would require the involvement of sophisticated developers, these types of resources should obtain compensation for ICAP and energy in the NYISO markets. With respect to regenerative braking, this technology has the potential to create tangible value. Con Edison has been working closely with the Metropolitan Transit Authority (“MTA”) to study the technical feasibility of leveraging this resource. The Joint Utilities note that further consideration may be needed to address differences in rates for imports of power and the appropriate components of VDER Value Stack rates that would be provided for exports of power as these systems mature and working configurations are developed.

IV. DRV and LSRV

The recent Draft VDER Compensation Whitepaper recommends modifications to the DRV while phasing out the LSRV. The Joint Utilities will address all matters related to those issues in the comment processes on the Draft VDER Compensation Whitepaper and the resulting final VDER Compensation Whitepaper.

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6 VDER Proceeding, Draft VDER Compensation Whitepaper, pp. 5-9.
V. **Interzonal Crediting**

As to interzonal crediting, the Notice queried whether DER eligible for VDER Value Stack compensation could apply the credits it realizes to the bills of the same utility’s customers in a different NYISO load zone through either CDG or single customer remote crediting. Under this approach the value of electricity is established at the location where it is generated rather than the location of the participating customer. The Joint Utilities believe such an approach can be accommodated in their individual billing processes, however, there is a need for customer education because the difference in credits between NYISO load zones has the potential to create customer confusion.

VI. **CDG Eligibility**

The Proposal recommends that all Tier 1 resources including combinations of eligible resources with storage be permitted to be included in and compensated as a CDG project. Expansion of the CDG eligibility to all Tier 1 resources and storage is reasonable. However, it may be appropriate to monitor the development of CDG on a periodic basis to assure that the program continues to meet and appropriately align with the Commission’s overall policy objectives. In particular, the provision of the Market Transition Credit (“MTC”) to pre-existing projects should be considered. The Notice also requested comments on reducing the annual energy subscription requirement of a CDG member from 1,000 kWh to a lower amount in order to facilitate the participation of additional resources. Such a modification should not be adopted. The Joint Utilities believe the transaction costs associated with a reduction in the kWh subscription level are too high to justify this change. CDG was initially created to provide customers who did not have the roof space to install solar generation the same opportunity to
participate as customers who could. Currently, customers with roof space are installing solar photovoltaic (“PV”) systems of at least one kilowatt, a size that would approximately offset 1,000 kWh of annual consumption. VDER Value Stack credits for a consumer with a 1,000 kWh annual allocation would average about $17 per month or $1.70 in monthly customer savings assuming a 10 percent discount is offered by the CDG owner. Because the use of utility systems to support CDG billing is evolving and administrative costs remain considerable compared with the savings that a customer with less than 1,000 kWh would be able to capture, the proposed eligibility expansion of CDG should not be implemented.

VII. Standby and Buyback Rates

As discussed in the Proposal, Staff suggests that standby or buyback tariff rates be applied to customer eligibility for expanded VDER customer classes that will receive compensation for net hourly injections based on the Value Stack tariff rather than on existing buyback rate compensation. The Joint Utilities generally support the application of standby and buyback rates to Value Stack recipients in conjunction with a review of the benefits that may be offered under standby or buyback tariffs. Such a review should consider any compensation mechanism that under standby or buyback rates that might also be provided in theory under the VDER Value Stack rates to avoid any double compensation for similar benefits (e.g., standby reliability credits and demand response programs).

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7 Case 15-E-0082, Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015), pp. 3-4.
VIII. Conclusion

The Joint Utilities appreciate the opportunity to provide these comments in response to the Notice and look forward to working with the Commission, Staff, and other stakeholders on these matters.

Dated: August 6, 2018

Respectfully submitted,

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