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October 9, 2018

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 18-E-0018 – In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIR) for Small Distributed Generators

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

NY-BEST COMMENTS ON JOINT UTILITIES PROPOSED MODEL TARIFF FOR COMPENSATION OF A HYBRID ENERGY STORAGE SYSTEM AND DISTRIBUTED GENERATION SYSTEM

Dear Secretary Burgess:

The New York Battery and Energy Storage Technology Consortium ("NY-BEST") submits these comments for your consideration in the above referenced case in relation to the Joint Utilities (JU) proposed Model Tariff for Compensation of a Hybrid Energy Storage System and Distributed Generation System.

INTRODUCTION

The New York Battery and Energy Storage Technology Consortium ("NY-BEST") is a not-for-profit industry trade association that serves as a voice of the energy storage industry for 160 member organizations on matters related to advanced batteries and energy storage technologies. Our membership covers the full span of activities related to research, development, production and deployment of energy storage devices, and currently includes: technology developers ranging in size from small start-up companies to global industry corporations, project developers, leading research institutions and universities, national labs and numerous companies involved in the electricity and transportation sectors.
NY-BEST is committed to achieving Governor Cuomo’s energy storage deployment target of 1,500 MW by 2025 and growing 30,000 jobs in this sector by 2030.

NY-BEST is also committed to ensuring that methodologies and mechanisms that value energy storage are adopted through Value of Distributed Energy Resources (VDER) proceeding and that Standardized Interconnect Requirements (SIR) facilitate the deployment of energy storage in a fair and just manner. Such approaches are integral to ensuring that the State meets its Reforming the Energy Vision and renewable energy goals and achieving the Governor’s 1,500 MW energy storage deployment target by 2025. NY-BEST has actively participated in the Value Stack and Rate Design Working Groups as well as the Interconnect Policy Working Group (IPWG) and the Interconnect Technical Working Group (ITWG) established by the Department. We very much appreciate the opportunity to participate in these working groups and provide input on behalf of the energy storage industry.

**NY-BEST comments on JU Proposed Model Tariff for Compensation of a Hybrid Energy Storage System and Distributed Generation System**

NY-BEST appreciates the efforts of the JU to propose a model tariff for hybrid energy storage and distributed generation (DG) systems interconnected with a three-meter configuration. However, we do have several concerns with the model tariff as proposed and urge the Commission to incorporate changes to the final model tariff. NY-BEST’s overarching concern is that, as proposed, the model tariff will not spur the development of hybrid storage and clean DG systems as envisioned in the Commission’s April 19th Order\(^1\) and as more recently articulated in the New York Energy Storage Roadmap.\(^2\) Secondly, the model tariff proposed by the JU fails to embrace the intent of the three-meter configuration, as envisioned in the Commission Order and discussed in the ITWG, to essentially unbundle the values provided by the paired energy storage system (ESS) and differentiate the kWhs of exported energy that are eligible for the Environmental (E), Capacity (ICAP) and MTC (Market Transition Credit) from kWhs that are not eligible. And thirdly, we are concerned that the options

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2. Case 18-E-0031, *In the Matter of the New York State Energy Storage Roadmap*
presented by the JU – and their corresponding compensation schemes, will skew deployment toward DC-coupled only configurations, which would limit the ability of ESS to provide services to, and access revenues from, wholesale markets, and thereby undermine the economics of hybrid DG-ESS projects. NY-BEST believes that the tariff structure should allow for both AC-coupled and DC-coupled systems to maximize the benefits of each type of system.

We provide specific comments on the various options proposed by the JU below.

**Comments on Options 2a and 2b of the JU Model tariff**

Options 2a and 2b of the proposed model tariff relate to Energy Storage Systems (ESS) that are charged exclusively by an eligible DG technology. For these options, we suggest that the definition of the applicable “Capacity Component Credit” be clarified to state that systems charged exclusively with NEM-eligible resources are eligible for all components of the Value Stack, including all three Capacity value stack alternatives.

The draft tariff language states that these options would be available pursuant to the SIR requirements that the customer “demonstrate by the submission of an SIR application that they “exclusively charge” or “document the control strategy to ensure exclusive charging.” NY-BEST urges the Commission and Department staff to add clarifying language to the tariff to ensure that the required “demonstration” or “control strategy” be reasonable and not create additional costly and burdensome requirements. For example, it would be unreasonable to require DC-coupling or include requirements that make AC-coupling impractical. In addition, the demonstration of the exclusive charging source for the ESS required by the utility should not be more burdensome than the determination for ITC tax credit. The burden of proof for the IRS should be sufficient for these applications.

We would also argue that if the ESS demonstrates that it is not able to be charged by any other source, other than the eligible generator, it is not necessary to meter the ESS output. Injections metered at the Point of Common Coupling (PCC) are appropriately assumed to have originated from the eligible generator and should receive Environmental (E), Capacity (ICAP) (Alts 1, 2 or 3) and Market Transition Credit (MTC). If the ESS is prevented from charging from any other sources (i.e., the grid) other than the eligible generator by “controls” -- as opposed to physical means--then additional meters may be appropriate as a means of verification but are not required strictly for proper compensation. We further suggest that
for DC-coupled systems that the utilities either not require metering on the ESS or allow cost effective solutions such as inverter-based metering.

**Modifications Needed to Option 2c of the JU proposed Model tariff**

NY-BEST has serious concerns about the proposed tariff language for Option 2c, hybrid ESS capable of charging from and discharging to the grid. Rather than properly distinguishing the “green” and “brown” electrons being injected by the ESS, the JU simply proposes that the E, ICAP and MTC value elements of the value stack be deducted from all energy injected from the ESS even though the charging could be from either the eligible generator or other source (i.e. the grid). This undercompensates eligible energy routed through the battery and effectively discriminates against clean generation simply because it passes through a battery. The purpose of a “3-meter solution” is to differentiate the kWhs that are eligible for E, ICAP and MTC from kWhs that are not eligible, so that the eligible energy is properly compensated. As proposed, Option 2c undercompensates the eligible energy, rather than quantifying and discounting ineligible kWhs.

ITWG, in discussing the three-meter solution, addressed the technical viability of the three-meter solution and determined that it was technically feasible with changes to the utility billing systems. Although we understand that this is a complex issue, it is fundamentally an administrative issue that we see as resolvable.

NY-BEST supports and echoes the comments of Borrego Solar with respect to their suggested modifications to Option 2c. In particular, we support the electron tagging approach which would separately account for “green” and “brown” electrons.

Recognizing that full implementation of an electron tagging system will take some time and require utilities to modernize their billing systems, NY-BEST also supports Borrego Solar’s alternative proposal that grid-charged systems be eligible for full Value Stack compensation if the system engages in a de minimis amount of grid charging. More specifically, if a battery is charged at least 75% by the eligible generator, a project would be eligible for the full Value Stack without the need for more precise accounting. As Borrego notes, the 75% threshold is the same threshold required by the IRS for ITC eligibility for solar systems and given the importance of the ITC to the economic case for deploying hybrid solar+storage systems, there is a high likelihood that most hybrid ESS systems would charge with more than 75% solar.
We also share and echo Borrego Solar’s concerns that under the current tariff scheme proposed by the JU, developers will be more likely choose to design solely DC-coupled systems and pursue Option 2a because it fully compensates PV-produced, battery-charged energy, whereas Option 2c significantly under-compensates such energy. If this is not modified, it could skew deployment toward DC-coupled hybrid DG-ESS systems that, are unable to serve, and access revenues from, the NYISO wholesale markets, limiting the economic viability of these projects. This concern should not be misunderstood to downplay the value and importance of DC-coupled systems, we simply want to ensure that the tariff options realistically allow for both DC and AC-coupled systems.

CONCLUSION

NY-BEST greatly appreciates the efforts of DPS staff and the Commission to develop methodologies to value and compensate DERs. As stated above, we believe modifications are needed to the JU proposed tariffs for compensating hybrid DG and ESS to ensure that hybrid systems are fairly and appropriately compensated.

NY-BEST and our 160 member organizations from across New York State and beyond appreciate the opportunity to provide these comments and we stand ready to assist the Department Staff and the Commission in establishing methodologies for valuing energy storage in this proceeding, as well as in the Energy Storage Roadmap and other REV-related proceedings.

If you have any questions or require additional information regarding these comments, please contact me at (518) 694-8474.

Respectfully,

Dr. William P. Acker
Executive Director