

March 1, 2017

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 16-M-0411 – In the Matter of Distributed System Implementation Plans

Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Joint Utilities Filing of Utility-Specific Implementation Matrices for Non-Wires Alternatives Suitability Criteria

Dear Secretary Burgess:

In accordance with the Supplemental Distributed System Implementation Plan (“Supplemental DSIP”) filed by 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”) on November 1, 2016 wherein each utility committed to provide a matrix of utility-specific suitability criteria for non-wires alternatives (“NWA”) within four months of the Supplemental DSIP filing, the Joint Utilities hereby submit utility-specific NWA implementation matrices.

Respectfully submitted on behalf of the Joint Utilities,

By: */s/ Janet M. Audunson*

Janet M. Audunson
Senior Counsel II
National Grid
300 Erie Boulevard West
Syracuse, New York 13202
Tel: (315) 428-3411
Email: janet.audunson@nationalgrid.com

Enc.

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of Distributed System Implementation Plans)	Case 16-M-0411
)	
Proceeding on Motion of the Commission in Regard to)	Case 14-M-0101
Reforming the Energy Vision)	

**UTILITY-SPECIFIC IMPLEMENTATION MATRICES FOR NON-WIRES
ALTERNATIVES SUITABILITY CRITERIA**

I. Introduction

On November 1, 2016, the Joint Utilities¹ filed the Supplemental Distributed System Implementation Plan² (“Supplemental DSIP”) in accordance with the New York State Public Service Commission’s (“Commission”) *Order Adopting Distributed System Implementation Plan Guidance*.³ The Supplemental DSIP included a common framework to identify the projects that are most likely to be suitable for non-wires alternatives (“NWA”) solutions. That framework is intended to provide greater clarity, certainty, and long-term visibility to the market and help streamline the broader NWA procurement process. To advance criteria development, each utility committed to provide a matrix of utility-specific suitability criteria for NWA within four months of the Supplemental DSIP filing.⁴

The attached implementation matrices (Appendices 1 through 5) provide utility-specific guidance for the three criteria included in the common NWA suitability criteria framework:

¹ The Joint Utilities are Central Hudson Gas & Electric Corporation (“Central Hudson”), Consolidated Edison Company of New York, Inc. (“Con Edison”), New York State Electric & Gas Corporation (“NYSEG”), Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”), Orange and Rockland Utilities, Inc. (“O&R”), and Rochester Gas and Electric Corporation (“RG&E”).

² Case 16-M-0411, *In the Matter of Distributed System Implementation Plans* (“DSIP Proceeding”), Joint Utilities Supplemental Distributed System Implementation Plan (filed November 1, 2016) (“Supplemental DSIP”).

³ DSIP Proceeding, *Order Adopting Distributed System Implementation Plan Guidance* (issued April 20, 2016) (“DSIP Guidance Order”).

⁴ DSIP Proceeding, Supplemental DSIP, p. 47.

project type, timeline, and cost. These criteria reflect the Joint Utilities’ goals of: (1) identifying the projects that are best suited for competitive procurement of an NWA; (2) giving developers an opportunity to compete; and (3) providing a reasonable opportunity for success. The utility-specific suitability criteria align with those objectives and apply the criteria in a flexible and inclusive manner to increase the number of potential NWA solutions and to avoid unduly limiting or eliminating projects from consideration.

As the Joint Utilities stated in the Supplemental DSIP, NWA procurement is in its early stages.⁵ Accordingly, the Joint Utilities will reassess and update the common and individual utility criteria as experience is gained and lessons are learned. For example, the Joint Utilities are currently working together to define and develop processes that may help shorten the timeline to successfully procure distributed energy resources (“DER”). In addition, assessments of other potential changes to the utility-specific criteria can occur as part of each utility’s annual distribution planning process.

II. Utility-Specific Suitability Criteria

The suitability criteria represent an early assessment and indication of whether DER solutions should be considered as potential alternatives to traditional infrastructure projects. As stated in the Supplemental DSIP, the suitability criteria are not inclusive of all of the factors that a utility may use to identify commercially viable opportunities or evaluate NWA bids in the context of a competitive NWA procurement process.⁶

The utilities provide individual matrices to increase the transparency of how each utility will define and implement the NWA criteria. Utility-specific matrices reflect the differences

⁵ *Id.*, p. 103.

⁶ *Id.*, p. 41.

among the utilities resulting from the unique features of their respective service territories, operational systems, and budget processes, as well as each utility's experience implementing NWA solicitations and projects thus far.⁷ Each utility used the common three criteria outlined in the Supplemental DSIP—project type, timeline, and cost—as the foundation to develop its individual NWA suitability criteria. Each utility-specific matrix includes a brief narrative that supports the selected criteria.

A. Project Type Suitability

The project-type suitability identifies the categories of projects most suitable for NWA solicitation. Projects are assigned to categories based on the type of work needed, such as load relief, new business, system expansion, risk reduction, and asset replacement. Because not all categories of work can be well-suited for NWA, clarifying the type of work with the greatest potential for NWA solutions should minimize the time and resources dedicated by both developers and utilities to NWA solicitations for traditional utility projects that are unlikely to be deferred or replaced by NWA solutions.

As the Supplemental DSIP described, load relief (or capacity) projects and some types of reliability projects are expected to be the best candidates for NWA solutions in the near term. This is because: (1) investment needs are driven by load increases and system expansion requirements; (2) the needs for these types of projects are typically identified far enough in advance to provide sufficient lead time for a solicitation; and (3) the scale of investment of the project can influence the likelihood of an NWA solution being cost-effective.⁸

⁷ *Id.*, p. 47.

⁸ *Id.*, p. 43.

B. Timeline Suitability

Timeline suitability assesses whether there is sufficient time to conduct an NWA solicitation and implement the chosen solution before the required in-service date. Timelines are likely to vary depending on factors such as project size, complexity, and customer demographics.⁹ The utilities determined the timeline suitability criteria by assessing the timing and magnitude of their respective system needs as compared to the estimated minimum amount of time needed to procure the NWA solution and the estimated ramp-up time for an NWA solution to meet the system need.

C. Cost Suitability

The cost suitability criteria sets a threshold above which NWA solutions are more likely to be cost-competitive with traditional solutions and able to overcome the transaction and opportunity costs associated with responding to solicitations.¹⁰ The specific criteria will be based on the minimum cost of a traditional project. Application of the criteria will identify where there is potential for an NWA solution to be more cost-effective at meeting the system need than the traditional solution.

III. Conclusion

The utility-specific suitability criteria build on the common NWA suitability framework presented in the Supplemental DSIP and provide more information as to which utility capital projects may be candidates for NWA solutions. The criteria will be incorporated into the

⁹ *Id.*, p. 46.

¹⁰ *Id.*

planning and capital budgeting processes to facilitate the identification of market opportunities.
The criteria may be updated as lessons are learned from initial NWA solicitations and projects.

Dated: March 1, 2017

Respectfully submitted,

**CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC. and ORANGE AND
ROCKLAND UTILITIES, INC.**

By: */s/ Susan Vercheak*

Susan Vercheak*
Assistant General Counsel
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, New York 10003
Tel.: 212-460-4333
Email: vercheaks@coned.com
* Admitted only in New Jersey

**CENTRAL HUDSON GAS AND ELECTRIC
CORPORATION**

By: */s/ Paul A. Colbert*

Paul A. Colbert,
Associate General Counsel
Regulatory Affairs
Central Hudson Gas & Electric Corporation
284 South Avenue
Poughkeepsie, New York 12601
Tel: (845)486-5831
pcolbert@cenhud.com

**NIAGARA MOHAWK POWER
CORPORATION d/b/a NATIONAL GRID**

By: /s/ *Janet M. Audunson*

Janet M. Audunson
Senior Counsel II
National Grid
300 Erie Boulevard West
Syracuse, New York 13202
Tel: 315-428-3411
Email: Janet.Audunson@nationalgrid.com

**NEW YORK STATE ELECTRIC &
GAS CORPORATION and
ROCHESTER GAS AND ELECTRIC
CORPORATION**

By: /s/ *Noelle Kinsch*

Noelle Kinsch
General Counsel
Avangrid Networks
99 Washington Avenue, Suite 2018
Albany, New York 12210
Tel: (518) 434-4977
Email: noelle.kinsch@iberdrolausa.com

APPENDIX 1: Con Edison NWA Suitability Criteria Matrix

Criteria	Potential Elements Addressed	
Project Type Suitability	<ul style="list-style-type: none"> Project types include Load Relief or Load Relief in combination with Reliability. Other categories have minimal suitability and will be periodically reviewed for potential modifications due to State policy or technological changes. 	
Timeline Suitability	Large Project (Projects that are on a major circuit or substation and above)	<ul style="list-style-type: none"> 36 to 60 months
	Small Project (Projects that are feeder level and below)	<ul style="list-style-type: none"> 18 to 24 months
Cost Suitability	Large Project (Projects that are on a major circuit or substation and above)	<ul style="list-style-type: none"> No cost floor
	Small Project (Projects that are feeder level and below)	<ul style="list-style-type: none"> Greater than or equal to \$450k

The suitability matrix provides guidance for identifying traditional utility projects that are most suitable for NWA solutions. The initial evaluation for project type suitability will improve the competitiveness of the solicitation process. The categorization of projects into small and large will be driven by the complexity of the traditional solution and the scope and scale of alternative DER solutions. For example, projects to address a distribution feeder segment may be considered small, whereas projects to defer a major substation or to reinforce a transmission feeder would likely be classified as large.

Similarly, the traditional utility project’s required in-service date will influence whether there is sufficient time to conduct an NWA solicitation. The Joint Utilities are currently working together in a DER Sourcing working group to define and develop several processes that may

help improve efficiency and shorten the timeline to successfully procure DER. Additionally, as the utilities gain experience with the procurement process, that experience will inform refinements to the timeline for implementation of an NWA.

The cost suitability criteria consider the likelihood of a non-wires solution to be cost competitive. The cost floor for large projects like those required to defer a major substation was based on the historical experience that none of the projects were below \$1 million, hence no floor was assigned. The cost floor for a small project (\$450k) was also based on the historical average of the capital projects that were previously completed.

As NWA solutions are identified and procured, they will be assessed against the system need as part of the iterative portfolio development process. The NWA process will be updated to improve these suitability criteria as experience is gained through procurement and subsequent DER performance.

APPENDIX 2: O&R NWA Suitability Criteria Matrix

Criteria	Potential Elements Addressed	
Project Type Suitability	<ul style="list-style-type: none"> Project types include Load Relief or Load Relief in combination with Reliability. Other categories have minimal suitability and will be periodically reviewed for potential modifications due to State policy or technological changes. 	
Timeline Suitability	Large Project (Projects that are on a major circuit or substation and above)	<ul style="list-style-type: none"> 36 to 60 months
	Small Project (Projects that are feeder level and below)	<ul style="list-style-type: none"> 18 to 24 months
Cost Suitability	Large Project (Projects that are on a major circuit or substation and above)	<ul style="list-style-type: none"> No cost floor
	Small Project (Projects that are feeder level and below)	<ul style="list-style-type: none"> Greater than or equal to \$450k

The suitability matrix provides guidance for identifying traditional utility projects that are most suitable for NWA solutions. The initial evaluation for project type suitability will improve the competitiveness of the solicitation process. The categorization of projects into small and large will be driven by the complexity of the traditional solution and the scope and scale of alternative DER solutions. For example, projects to address a distribution feeder segment may be considered small, whereas projects to defer a major substation or to reinforce a transmission feeder would likely be classified as large.

Similarly, the traditional utility project's required in-service date will influence whether there is sufficient time to conduct an NWA solicitation. The Joint Utilities are currently working together in a DER Sourcing working group to define and develop several processes that may help improve efficiency and shorten the timeline to successfully procure DER. Additionally, as

the utilities gain experience with the procurement process, that experience will inform refinements to the timeline for implementation of an NWA.

The cost suitability criteria consider the likelihood of a non-wires solution to be cost competitive. The cost floor for large projects like those required to defer a major substation was based on the historical experience that none of the projects were below \$1 million, hence no floor was assigned. The cost floor for a small project (\$450k) was also based on the historical average of the capital projects that were previously completed.

As NWA solutions are identified and procured, they will be assessed against the system need as part of the iterative portfolio development process. The NWA process will be updated to improve these suitability criteria as experience is gained through procurement and subsequent DER performance.

APPENDIX 3: Central Hudson NWA Suitability Criteria Matrix

Criteria	Potential Elements Addressed	
Project Type Suitability	<ul style="list-style-type: none"> Project types include Load Relief and Reliability*. Other categories currently have minimal suitability and will be reviewed as suitability changes due to State policy or technological changes. 	
Timeline Suitability	Large Project	<ul style="list-style-type: none"> 36 to 60 months
	Small Project	<ul style="list-style-type: none"> 18 to 24 months
Cost Suitability	Large Project	<ul style="list-style-type: none"> ≥ \$1M
	Small Project	<ul style="list-style-type: none"> ≥ \$300k

*Reliability projects entail projects for remote single source regions or customer requested enhanced reliability projects (i.e., redundant supplies).

The suitability matrix provides guidance for identifying projects that may be most suitable for NWA solutions.

The initial evaluation of project type suitability will improve the competitiveness of the solicitation process as well as the success rate of NWA solution bidding. The categorization of projects into small and large will be driven by the complexity of the traditional solution and the scope and scale of alternative DER solutions. For example, projects to address a feeder or feeder segment issue may be considered small, whereas solutions to defer a major substation or transmission project would likely be classified as large.

Similarly, the project’s need date, or expected in-service date, will influence if there is sufficient time to assess potential NWA solutions, conduct solicitations for DER proposals, and then implement those solutions. Utilities are currently working together in a DER Sourcing

working group to define and develop several processes that may help shorten the timeline to successfully procure DER. Additionally, as the utilities gain experience with the procurement process, that experience will assist in further refining the timeline for implementation of an NWA.

The cost suitability criteria consider the likelihood a non-wires solution may be cost competitive. The cost for larger projects varies, but after reviewing the projects in Central Hudson's Capital Investment Plan (CIP) a logical floor for larger projects was determined to be \$1 million. The review exercise also helped Central Hudson determine the cost floor for small projects (\$300k). The cost floor for small projects was based on this review and the historical average of the capital projects that were done previously.

As NWA solutions are identified, procured and developed, they will be assessed against the current project need on a periodic basis as part of the iterative portfolio development process. As this process matures and the Joint Utilities share their NWA experiences, the process will be updated to improve the suitability criteria. This NWA suitability process will increase the transparency of grid needs and planned investment to stakeholders so there is equity in identifying opportunities for DER solutions to defer or replace traditional infrastructure investment.

APPENDIX 4: National Grid NWA Suitability Criteria Matrix

Criteria	Potential Elements Addressed	
Project Type Suitability	<ul style="list-style-type: none"> Project types include Load Relief and Reliability. Other categories have minimal suitability and will be reviewed as suitability changes due to State policy or technological changes. 	
Timeline Suitability	Large Project	<ul style="list-style-type: none"> 24-60 months
	Small Project	<ul style="list-style-type: none"> 18-24 months
Cost Suitability	Large Project	<ul style="list-style-type: none"> ≥ \$1M
	Small Project	<ul style="list-style-type: none"> ≥ \$500k

The suitability matrix provides guidance for identifying projects that may be most suitable for NWA solutions.

An initial evaluation of project type suitability will improve the competitiveness of the solicitation process as well as the success rate of NWA solution bidding. The categorization of projects into small and large will be driven by the complexity of the traditional solution and the scope and scale of alternative DER solutions. For example, projects to address a feeder or feeder segment issue may be considered small, whereas solutions to defer a major substation or transmission project would likely be classified as large.

Similarly, the project’s need date, or expected in-service date, will influence whether there is sufficient time to assess potential NWA solutions, conduct solicitations for DER proposals, and then implement those solutions. The utilities are currently working together in a DER Sourcing working group to define and develop several processes that may help shorten the timeline to successfully procure DER. Additionally, as the utilities gain experience with the

procurement process, that experience will inform further refinements to the timeline for implementation of an NWA solution.

The cost suitability criteria consider the likelihood that a NWA solution may be cost competitive. The cost for larger projects varies but after reviewing each project in National Grid's Capital Investment Plan (CIP), a logical floor for larger projects was determined to be \$1 million. The review exercise that helped National Grid determine the cost floor for small projects (\$500k) was also based on the projects in the CIP that would be suitable for an NWA solution and had a reasonable timeframe to develop the NWA solution.

As NWA solutions are identified, procured, and developed, they will be assessed against the system need on a periodic basis as part of the iterative portfolio development process. The NWA process will be updated to improve suitability criteria over time as the Joint Utilities share their NWA experiences and paths toward better serving customers, utilities and stakeholders are identified. This suitability process can increase the transparency of grid needs and planned investment to stakeholders so there is equity in identifying opportunities for DER solutions to defer or replace traditional infrastructure investment.

APPENDIX 5: NYSEG & RG&E NWA Suitability Criteria Matrix

Criteria	Potential Elements Addressed
Project Type Suitability	<ul style="list-style-type: none"> • Load Relief projects that do not involve a customer contribution or have a specific customer in-service date that is sooner than the timeline suitability criteria of 36 months. • Reliability projects and/or a combination of reliability and load relief projects.¹
Timeline Suitability	<ul style="list-style-type: none"> • Minimum of 36 months to time of need.
Cost Suitability	<ul style="list-style-type: none"> • Projects with construction cost greater than \$1,000,000.

NYSEG and RG&E will apply the suitability criteria to the list of potential distribution system capital projects developed in the annual planning process. Those projects that pass all three suitability criteria will be prioritized according to the time of need, and RFPs will be developed for the projects, beginning with the soonest time of need projects. It is possible that not all of the projects that are identified as a result of the application of the suitability criteria will result in RFPs. Those projects that do not result in an RFP in the current year will be re-evaluated in the following years' planning process.

Recent experience with the NYSEG Java and RG&E Station 43 NWA RFPs suggest a minimum of 18 months is required to complete the procurement and interconnection review process, which is necessary prior to contract signature and start of developer NWA construction and utility interconnection construction. Developer/utility construction is estimated to take at

¹ Reliability projects do not include modernization projects.

least 18 months, and therefore a 36-month minimum time frame appears to be supportable based on experience.