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March 13, 2018

Via Email

Susan J. Vercheak
Consolidated Edison Company of New York, Inc. and Orange & Rockland Utilities, Inc.

Paul A. Colbert
Central Hudson Gas & Electric Corporation

Janet M. Audunson
Niagara Mohawk Power Corporation d/b/a National Grid

Mark Marini
New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation

Re: Case 15-E-0751 – Value of Distributed Energy Resources, Updated
Environmental Value

Dear Ms. Vercheak, Mr. Colbert, Ms. Audunson, and Mr. Marini,

In its Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (VDER Phase One Order), issued March 9, 2017 in Case 15-E-0751, the Commission directed that distributed generation projects receiving compensation based on the Value Stack and eligible to produce Tier 1 Renewable Energy Certificates (RECs) under the Clean Energy Standard receive an Environmental Value as part of the Value Stack. The VDER Phase One Order directed that the Environmental Value be fixed for the life of the project at the time of interconnection, at the higher of the Tier 1 REC price, based on the latest Tier 1 procurement price published by the New York State Energy Research and Development Authority (NYSERDA), or the Social Cost of Carbon (SCC), net of the expected Regional Greenhouse Gas Initiative (RGGI) allowance values, as calculated by Department of Public Service Staff.

The Commission's September 14, 2017 Order on Phase One Value of Distributed Energy Resources Implementation Proposals, Cost Mitigation Issues, and Related Matters (VDER Implementation Order) clarified that the Environmental Value should be fixed for the life of a project, at the higher of the Tier 1 REC price or the SCC net of RGGI, at the time a project pays 25% of its interconnection costs, or at the time of the execution of a Standard Interconnection Contract if no such payment is required, rather than at the commercial operation date.

At the time of the VDER Phase One Order, the current Tier 1 REC price, based on the latest Tier 1 procurement price published by NYSERDA, was \$24.24. The VDER Phase One Order noted that this was higher than the current SCC net of RGGI as calculated by Staff.

On March 9, 2018, NYSERDA announced the results of the 2017 Renewable Energy Standard Request for Proposals (RESRFP), including a weighted average procurement price for Tier 1 RECs of \$21.71. Following NYSERDA's announcement, Staff calculated the current SCC net of RGGI value. Because the RESRFP procured Tier 1 RECs based on a 20-year contract, Staff calculated the net-present value of the SCC net of RGGI over the next 20 years using publicly available data.

As shown in the attached spreadsheet, the current SCC net of RGGI value based on that calculation methodology is \$27.41 per MWh. The increase in the SCC net of RGGI value from last year is based on a number of factors, including the change in RGGI forecasts and the increased SCC in later years.

Any project receiving Value Stack Compensation which includes the Environmental Value that pays 25% of its interconnection costs, or executes a Standard Interconnection Contract if no such payment is required, on or after March 9, 2018 should receive an Environmental Value of \$27.41 per MWh, or \$0.02741 per kWh, fixed for the 25-year period of Value Stack compensation. Staff will recalculate the SCC net of RGGI and provide an updated Environmental Value for new projects when NYSERDA announces a new Tier 1 REC procurement price.

The utilities should take any steps necessary to implement this change, including updating tariff statements as needed. Please feel free to contact me if you have any questions.

Sincerely,

/s/

Ted Kelly

Assistant Counsel

theodore.kelly@dps.ny.gov

518-473-4953

Encl.

CC: Honorable Kathleen H. Burgess, Secretary to the Public Service Commission (via email)