COMMENTS OF THE NEW YORK POWER AUTHORITY

The New York Power Authority (“NYPA”) submits these comments in response to the Department of Public Service Staff’s (“Staff”) invitation for comments on the Draft Whitepaper Regarding Value of Distributed Energy Resources (“VDER”) Compensation for Avoided Distribution Costs, issued on July 26, 2018, in the above referenced docket. NYPA supports: (i) the Staff’s objective of designing more predictable and reliable VDER compensation for avoided distribution costs by establishing extended rate lock-ins, and (ii) the Staff’s proposal to extend Phase One Net Energy Metering to small demand-metered non-residential customers, such as schools.

NYPA provides the following specific comments to enhance predictability and certainty of the proposed mechanism.

The Utility Energy Efficiency Program Based Distribution Relief Value Will Accurately Measure Future VDER Compensation For Behind The Meter Generation.

For the Commission’s future expansion of the VDER eligibility to Behind the Meter (“BTM”) generation, adoption of the utility Energy Efficiency (“EE”) program based Distribution Relief Value (“DRV”) calculation seems both accurate and essential. The Draft Whitepaper proposes to replace the current “de-averaged” DRV calculation with the marginal cost estimates used for each utility’s EE benefit-cost calculations. NYPA supports the Staff’s assertion that distribution system benefits from VDER resources are similar to the benefits from a utility’s portfolio of EE resources. The Staff proposal to use utility system-wide EE $/peak kW per year value appropriately calculates the avoided distribution costs by VDER resources.

At present, BTM generation consumed onsite, that would appear to reduce demand on the distribution system in a manner similar to EE measures, is not eligible for VDER compensation. In contrast both in-front of the meter generation and EE measures would receive compensation for their benefits to the distribution system based upon the value. However, BTM generation
could easily be separately metered and should approximate the distribution system benefits of a separately metered on-site resource that injects directly into the distribution system. NYPA energy services customers are interested in consuming clean energy generated from onsite DER projects in order to comply with the Executive Order directives to implement capital EE retrofits and onsite renewable projects. Adoption of an EE program value based DRV calculation is likely to be instrumental in measuring the distribution system benefits offered by BTM generation and the Commission’s future consideration of BTM generation for VDER eligibility.

**DRV For Dispatchable And Intermittent VDER Resources Should Be Fixed For Seven Years.**

NYPA recommends that Staff fix the DRV compensation rate for dispatchable and intermittent technologies for an initial duration of 7 years and, thereafter, subject it to a biennial revision. A 7-year DRV lock-in will provide certainty and predictability needed for intermittent and dispatchable DER financing. The Draft Whitepaper proposes to allow VDER resources to choose from one of the following two options for DRV:

- **Alternative 1**, a *de facto* option for intermittent renewable generation, would assign system-wide EE $/kW-year as $/kWh to peak summer hours (2-7pm from June to August) to compensate a project for its performance during the hours that drive utility peak needs. The proposed biennial change in DRV will be subject to a maximum adjustment of 5% in either direction.

- **Alternative 2** would fix an EE $/kWh value for 7 years. The project will be compensated for DRV based on its performance during utility calls for distribution system relief in a manner similar to the existing Commercial System Relief Program (“CSRP”) call. At the end of the initial 7-year period, DRV would be updated to the then current EE $/kW-year, and would, thereafter, be adjusted biennially.

NYPA supports the Alternative 2 DRV rate lock-in for 7 years. Alternative 2 affords economic certainty and predictability to dispatchable projects that can be deployed in response to the utility call for distribution system relief. For Alternative 1, NYPA recommends that a lock-in of the DRV rate for 7 years, in a manner similar to Alternative 2. Thereafter, DRV can be

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1 New York State Executive Order 88, issued December 28, 2012; New York State Executive Order 166, issued June 1, 2017; and The City of New York Executive Order 26, issued June 2, 2017
subject to a biennial revision. The DRV rate lock-in of 7 years will boost investor and customer confidence and, thus, intermittent and dispatchable project development where the system needs it the most.

**Premature Phase Out Of The Locational System Relief Value (“LSRV) May Counter The Objective Of A Predictable and Reliable DRV.**

NYPA recommends that Staff maintain current compensation for the Location System Relief Value (“LSRV), and allow the utilities and developers to gain more experience in the Non-Wire Alternative (“NWA”) solicitation and contracting process. At present, LSRV is available in the utility-identified locations that have needs that can be addressed by DERs. LSRV is based on the higher, specific distribution costs offset by injections in that specific area, and is fixed for a duration of 10 years. In the first phase of VDER, utility-identified LSRV zones and compensation provide a clear market signal, and predictable and fixed economics to develop DER projects where the system needs them.

The Staff’s proposed DRV alternatives do not provide transparent and certain higher price signals for projects to develop in temporarily congested networks like the present LSRV. The Draft Whitepaper proposes to phase out LSRV and to allow utility NWA programs and Demand Response (“DR”) Programs to address specific functionality and performance requirements. Utility NWAs are based on utility specific project needs, scope, and solicitation and selection processes. A DER project bidding into a utility NWA process will face uncertainty related to utility-specific project selection criteria and NWA compensation. Projects not selected in a NWA process will likely not have economic viability. This creates a barrier for project developers that must establish customer relationships, explain the NWA process, and complete designs for projects that may ultimately not be selected and developed.

Further, the utilities and developers should be provided sufficient time to gain experience in developing and implementing NWA solicitations and contracting. Premature sunsetting of LSRV may counter the Reforming the Energy Vision goal of wider deployment of DER, and the Staff objective of creating a predictable and reliable compensation mechanism to value avoided distribution costs. The Staff should revisit the LSRV issue after allowing the utilities an opportunity to streamline the process of identifying resources that have potential to effectively and efficiently meet distribution system needs.
Respectfully submitted,

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