VDER Value Stack Working Group
Joint Utilities' Presentation:
Longer Term Compensation for DER and
Expedited Eligibility for Value Stack Resources

March 6, 2018

Agenda

- Provide potential longer term concepts for DER Compensation

  - LSRV, NWS and MCOS interactions

  - DRV integration with DR compensation

  - Environmental compensation

  - Wholesale Market Integration

- Application to Expedited Value Stack

  - Expanded explanation of Joint Utilities' positions from January 10th

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Longer term: LSRV, NWS and Marginal Cost interactions

- Locational System Relief Value provides a price signal to attract Distributed Energy Resources to locations where distribution investments can potentially be deferred, effectively a leading indicator of a future Non Wires Solicitation.

- A successful NWS results in procurement of the correct volume and mix of DER that allows for the actual deferral of the traditional utility investment.

- Marginal cost studies identify the expected cost to serve new load and the potential value of load reductions & injections that defer that investment. However, setting the LSRV at the full marginal cost overcompensates DER:
  - LSRV can be paid to DER when utility investments are not deferred
  - NWS only occurs when DER is more cost-effective than traditional investment, whereas the current LSRV transfers the full marginal benefit to DER.

Longer term: Demand Reduction Value

- Demand Reduction Value (like LSRV) is a blunt and imprecise tool. As such, it could conflict or overlap with demand-response programs and impede adoption of transactional markets

- Need to identify options to coordinate and align DRV with system-based demand response programs.

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Longer term: Environmental compensation

- Investigate options to enable REC-eligible DER to lock in "E" value through a direct sale of RECs to NYSERDA based on the most recent procurement
  - Last NYSERDA procurement can serve as standard offer for REC-eligible DER
  - Could improve finance-ability of DER and provide more visibility / transparency to REC market.

- Time differentiating carbon value could be used to justify "E" compensation for storage based on charging during times of low carbon emissions and displacing higher emissions with discharge; potential bridge until NYISO can integrate more carbon pricing into LMP.

Longer term: Wholesale market integration

- NYISO DER Roadmap working to integrate DER into energy and capacity markets.
    - More efficient to clear in market than to show up on a lag as a load modifier
    - Would address potential mismatch with VDER procurement and utility default load obligations

- FERC order requires ISO/RTOs to include direct participation from distributed storage at 100 KW and above

- Should establish and gradually lower threshold where DER participates directly in NYISO markets for energy and ICAP compensation.

Expedited Value Stack: LSRV

- LSRV for dispatchable resources limited to the shorter of five years or until a NWS is awarded
  - Ten years is longer than most utility planning/investment decisions & LSRV can be extended if potential need still exists after five years

- NWS implementation ends LSRV compensation, DER has option to:
  - Compete in the NWS or
  - Commit to meet NWS performance requirements and receive NWS payment equal to the present value of remaining LSRV commitments

- Normal NWS cost recovery and incentive sharing formula applies.

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Expedited Value Stack: Wholesale market integration

- Consistent with JU comments on 1/10, should establish a goal of having DER resources that can directly participate in NYISO markets (e.g. those over 100 kW) do so.

- Reasonable to establish a higher initial threshold with commitment to gradually lower threshold for direct participation in NYISO energy and ICAP markets.

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Expedited Value Stack: Projects < NYISO threshold

- Summary of compensation for smaller resources:

  - Energy at DAM LBMP

  - Capacity at Alternative 3 ICAP rate

  - Environmental only if eligible for RECs under CES

  - DRV and LSRV per Value Stack

  - MTC not applicable

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