



August 6, 2018

VIA ELECTRONIC FILING

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 15-E-0751 – In the Matter of the Value of Distributed Energy Resources
Case 15-E-0082 – Proceeding on Motion of the Commission as to the Policies, Requirements and
Conditions for Implementing a Community Net Metering Program
Case 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding
Value Stack.

Dear Secretary Burgess:

The Advanced Energy Economy Institute (AEEI), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the Northeast Clean Energy Council (NECEC), and their joint and respective member companies, submit for filing these comments in response to the *Notice Soliciting Comments on Staff Proposal and Related Matters*, dated May 22, 2018, in the above-referenced proceedings.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ryan Katofsky", with a large, sweeping flourish at the end.

Ryan Katofsky
Vice President, Industry Analysis

Comments on Staff Proposal on Value Stack Eligibility Expansion and Related Matters: In the Matter of the Value of Distributed Energy Resources (Case 15-E-0751)

Advanced Energy Economy Institute
Alliance for Clean Energy New York
Northeast Clean Energy Council

Preface

In order to respond to the May 22, 2018, Staff Proposal on Value Stack Eligibility Expansion (“Staff Proposal”) and the related matters listed in the DPS *Notice Soliciting Comments on Staff Proposal and Related Matters* (“Notice”), also dated May 22, 2018, Advanced Energy Economy Institute (AEE Institute) is working with Advanced Energy Economy (AEE) and two of its state/regional partners, the Alliance for Clean Energy New York (ACE NY) and the Northeast Clean Energy Council (NECEC), and their joint and respective member companies to craft the comments below. These organizations and companies are referred to collectively in these comments as the “advanced energy community,” “advanced energy companies,” “we,” or “our.”

AEE is a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable. ACE NY’s mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NECEC is a regional non-profit organization representing clean energy companies and entrepreneurs throughout New England and the Northeast. Its mission is to accelerate the region’s clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies

Summary of Comments

We are largely supportive of the Staff Proposal and appreciate Staff’s efforts to expand the VDER compensation to a larger group of technologies and projects. In the few areas where we differ with the

Staff Proposal, it is because it proposes to treat technologies differently without sufficient reason. These exceptions include narrowing the options for ICAP compensation and requiring application of standby and by-back rates only to those technologies that are included in this expansion. For the same reasons, we do support the Proposal's position on expanding CDG to all technologies. We likewise support allowing interzonal crediting and removing minimum limits on CDG subscription sizes because these changes will help expand participation in these programs without imposing additional costs.

Comments on Value Stack Eligibility Expansion

Principles for Eligibility Expansion

For the purposes of expedited eligibility, we generally support the principles in the Staff Proposal. In particular, as we have throughout this proceeding, we strongly support efforts to make the VDER tariff more technology neutral (Principle 5).

Proposed Removal of Customer-Type-Based Technology and Size Limits

We support Staff's rationale for removing restrictions on eligibility based on customer class and project size, and allowing projects up to 5 MW to be eligible. This was, in fact, an element of our rate design proposal submitted early in Phase 1 of the VDER proceeding. With respect to CHP, we also support applying the same rationale, recognizing that a key difference is the applicability of the E value, which is currently based on CES Tier 1 eligibility. Thus, we would support treating CHP the same as any other eligible technology but excluding, for the time being, the E value from its compensation (see below for more details).

Proposed Technologies for Expanded Eligibility

The Staff Proposal divides technologies into three groups, and for each one Staff provides a different proposed eligibility for each element of the value stack. The three groups are:

- CES Tier-1 eligible resources not previously eligible for NEM
- Stand-alone storage and regenerative braking
- CHP that is not NEM eligible (projects >10 kW and < 5 MW)

For CES Tier-1 eligible resources not previously eligible for NEM, and for stand-alone storage and regenerative braking, we support Staff's proposed expanded eligibility as well as the proposed applicability of the value stack elements. As noted above, we also support including CHP in the expanded eligibility, minus the E value, and thus we support the same eligibility for CHP under 5 MW as was proposed by Staff for stand-alone storage and regenerative braking.

We would expect that both CHP and stand-alone storage would eventually become eligible for E-value compensation in Phase 2 of VDER. We note that the Commission is actively considering changes to the environmental value that would result in a more granular, time-varying environmental value. Because energy storage systems can reduce the overall emissions of the electric grid by charging during low-emission hours and discharging during high-emission hours, we strongly recommend making such systems eligible for the environmental value once it is revised to take into account the time-varying nature of environmental impacts. Similarly, CHP system, when factoring in the total efficiency and the avoided emissions related to onsite heat recovery, can provide net benefits that should be recognized.

With regards to wholesale capacity, Staff recommends that "Alternative 3" - which is based on exports during the NYCA peak hour - be used for crediting of ICAP. Staff writes that this is the alternative that "best represents the value provided to the system." (Staff Proposal at page 6) They further argue that Alternatives 1 and 2 were meant as "transitional constructs to allow resources that have been relying on NEM compensation to gradually adapt to the VDER approach." (Staff Proposal at page 6). Nevertheless, rather than require that all expanded eligibility projects use Alternative 3, we recommend that the same logic articulated by the Commission in its March 9, 2017 Order establishing the VDER Phase 1 framework be applied here, as there may be projects in the expanded eligibility category that are intermittent, which was the primary rationale for providing Alternatives 1 and 2 to VDER-eligible projects. In this manner, all VDER-eligible projects will be treated the same with respect to this component of compensation.

Other Issues

Uneconomic retail rate arbitrage

For stand-alone storage, Staff raised concerns that if an average retail rate is used for charging the storage, a customer could then immediately re-inject power at a higher VDER rate, resulting in uneconomic arbitrage. Therefore, Staff proposed that stand-alone storage should have to charge using utility Mandatory Hourly Pricing (MHP) rates, except in cases where the storage is sized to 115% or less of

customer peak load, indicating it is meant mainly to manage behind-the-meter demand. Although it is not clear to us to what extent this would or could occur, we support this aspect of the Staff Proposal.

Standby and buyback rates

Staff proposes that standby or buyback rate provisions currently applicable to “prosumers” be applied to those customers in the expanded VDER-eligible class. We are concerned that this could be very burdensome to some technologies and would disadvantage them relative to technologies that are NEM eligible. As we have articulated above, we support providing as equal treatment as possible to all VDER-eligible projects, regardless of whether they were included in Phase 1 or in the expanded-eligibility class. Since the stated goal is to move to a more technology-neutral VDER tariff, this aspect of the Staff Proposal seems to run counter to this key principle.

At a minimum, there should be quantitative analysis to understand the impact that Staff’s proposal would have on these prosumers, before adopting the current proposal.

Community Distribution Generation Eligibility

Staff proposes to expand CDG eligibility to the newly VDER eligible technologies as well. We support this proposal.

Comments on Interzonal Crediting

We support the expansion of remote crediting for VDER-eligible projects to include accounts that are in different NYISO load zones but within the same utility territory. As stated in the Notice, the use of monetary crediting (vs. volumetric crediting), coupled with the fact that the credits are valued based on where the injections occur, means that interzonal crediting is not only feasible, but should serve to expand participation in CDG and other VDER-eligible projects, which should be encouraged.

Comments on DG Subscription Sizes

We support allowing smaller CDG subscription sizes, below 1,000 kWh annually. Decisions on minimum subscription sizes should be based on the CDG provider’s ability to cost-effectively serve customers wishing to make smaller purchases.

Conclusion

The advanced energy community strongly supports the efforts of the Commission in this proceeding, and is committed to playing its part to create a high-performing electricity system in New York State. We appreciate the opportunity to provide these Comments and look forward to continuing to work with the Commission and other parties to craft DER tariffs and programs that meet the important objectives of this proceeding and REV more generally.