

Memo

Meeting Agenda

- a. Welcome/Introductions (10:30am)
- b. Process/Procedural Matters
 - i. Participation by Telephone
 - ii. Future Meeting Schedule/Coordination of Meetings with Other Working Groups
 - iii. Venue(s) for discussion of cross-cutting topics
 1. Interzonal crediting
 2. Bill consolidation
 3. Treatment of Master-Metered Buildings
- c. October 1, DPS Staff Report on Mass Market Rate Design Bill Impacts: Scope, Feasibility, and Deliverables
 - i. Types of studies, data, and timing?
 - ii. Rate Design Changes to Consider
 1. Demand Charges
 2. TOU (default or Opt-out)
 3. Other?
 - iii. Data needed
 - iv. Timing
 - v. Utility Studies vs Consultants
- d. Scope and deliverables for analytical study(ies) to inform December 18 Report on Mass Market NEM Transition
- e. Next Steps/Next Meeting
- f. Adjourn (1:00pm)

Meeting Summary

A. Logistics

The meeting began with logistics regarding location for future meetings.

Certain participants, including Mike Mager from Multiple Intervenors, requested a calendar of potential working group meetings and Staff confirmed that one was underway and would be ready soon.

Due to natural overlap, Rate Design and Value Stack Working Groups meetings will continue to be held more or less in tandem. Future working group meetings for the two topics will be held on the same day, or on adjacent days. The two groups may eventually be merged.

Staff suggested postponing any discussion related to (1) consolidated billing, (2) interzonal credits, and (3) master metering until the Commission has the opportunity to pass down further guidance on the topics.

It was decided by staff to treat all future comments as public and to post them on-line. Stakeholders may resubmit their original or revised comments and have those posted on line.

It was also noted that meeting discussions were being recorded and that the priorities being discussed should be considered dynamic and not static.

B. Discussion

Meeting discussion centered on mass market rate design, for which Staff must submit a plan by October 1st, including a proposal for performing a bill impact study (BIS). Staff must decide what type(s) of bill impact studies it needs to conduct for the rate design changes under consideration, and what type of analysis must be done to inform these changes in rate design. The ultimate goal is to implement appropriate changes such that rate design in New York better reflects the cost causation and real value of DER. Staff noted that the REV II order requires consistent signals for DER (injections) and consumption.

Staff handed out two documents (both attached). The first was three pages long with the first two pages examining questions about mass market rate design issues. It was used as a guide for the rest of this RDWG meeting. Page 3 included questions about Mass Market NEM transition. The second document was a five-page grid summarizing the Joint Utilities' Residential Electric Rate Initiatives. This document was not discussed in any detail.

Staff made it clear that the Mass Market Bill Impact Study (MMBIS, or "BIS") would examine the bill impacts on all customers and not just those adopting DER (prosumers). A request was made that a list of all affected tariffs be compiled and Staff agreed.

Bob Wyman, an advocate for geothermal technologies, spoke about the need to address how tariffs affected "beneficial electrification". To illustrate this idea, he described a hypothetical scenario of a single dwelling in the New York City area. This household spends \$3,000 per year on oil and electricity for heating. The utility charges the household for supply of energy and delivery, and since

delivery fees must cover the fixed costs of the grid, the household is paying for its fair share of these fixed costs. The household then decides to install a heat pump on its premises. The electricity the household consumes in a year drastically increases by \$1,800, split \$900 for supply of energy and \$900 for delivery. The household is now paying \$900 extra in delivery charges to cover the same fixed costs. This household is being overcharged by \$900 and is essentially subsidizing the rates of the other customers on the grid. The participant describing this scenario used this hypothetical overcharge as a justification for the potential use of separate meters – one for traditional usage and one for beneficial electrification. Even though the economics of separate meters have not been completely explored, separate meters would carry the benefit of encouraging customers to move from delivered fuels to electricity consumption. Staff asked Wyman to provide a copy of a DTE Energy (a Detroit based utility) tariff that he mentioned.

Many other points were raised, including:

- An unidentified electric vehicle advocate raising concerns about the treatment of fixed costs in new rate designs, recognizing that currently some fixed costs are recovered in variable charges.
- An unidentified speaker mentioned that if the other possibly beneficial electrification technologies (*e.g.*, heat pumps and electric vehicles) were being considered, so should “true economic development rates.”
- Other speakers, including Mike Mager from Multiple Intervenors, opposed the concept of beneficial electrification. It was not clear to Mike what electrification is “beneficial”, citing that additional electricity use related to adding an assembly line to a manufacturing business, for example, was also “beneficial”.
- An unidentified solar advocate stated the need to improve upon the 54% load factor in New York State.
- Staff made the distinction between rate designs that act as incentives to encourage consumer behavior and specific non-rate incentives.
- Bob Wyman raised a concern that customers installing heat pumps may end up paying an unfair share of the system’s fixed costs under the existing rate structure.. Staff noted that it might be appropriate to look at the cost causations at locations with heat pumps separately from SC1 users.

The discussion moved onto what rate designs should be considered.

- An unidentified electric vehicle advocate noted that there were many alternatives to traditional cars ranging from electric vehicles to public transit to walking.
- A representative from Sunburst Energy opposed the consideration of fuel switching in the BIS.
- Merrill Kramer, a member of the Coalition of Renewable Energy Developers and Users (“CORE”), noted that there were renewable energy credits for prosumers and that similar

values should be assigned to consumers that reduce and shift their usage. He used heat pumps as an example.

The discussion then moved onto how Bill Impact Study should be performed.

- Kevin Lang, who represents NYC, raised a concern related to the definition of typical or normal customers. He stressed that certain elderly and infirmed consumers might not have the same ability to shift load as other customers.
- A participant from NYU said that existing literature contains extensive information on consumer elasticity for electricity based upon demographics, as well as opt-in vs. opt-out rate designs.
- Doug Staker, from the New York Energy Consumers Council, cautioned that as adoption rates increase, costs decrease and adoption accelerates further. The possibility of performing a sensitivity analysis on opt-in adoption rates was discussed.
- A recurring theme was the importance of time and location to how the BIS is conducted.
- A question was raised whether the BIS was a cost/benefit analysis. The concept that value stack based rates already has components of a cost benefit analysis. The E3 “Full Value Tariff” paper from February 2016 was referenced.
- The issue of cost of service was raised and whether more granular cost of service was needed.
- The need to look at bill impact over a longer term was raised to account for adoption rates and persistence.

The discussion then addresses what rate designs should be discussed.

- There was general agreement that all TOU rates or demand charges are not created equal and that there needs to be differentiation by location.
- Rates that target ever changing coincident peaks were generally preferred over customer specific peaks that might not align with the system peak.
- Merrill Kramer raised the potential need for a non-by-passable charge to stabilize utility revenues.
- Staff stressed that the BIS report might ultimately conclude that it’s premature to define which rate designs to consider and therefore conduct a BIS. It might also be advantageous to examine different potential rate designs at different times, as they are better defined and understood.
- A utility representative mentioned an MIT Utility of the Futures study that addressed issues such as the distribution system as a platform, locational pricing, network rents and that each consumer is a potential prosumers. The group should be aware of this work.

- An unidentified participant mentioned that not all utilities have or are committed to installing AMI. This will affect what rate designs can be used where.

Participants generally agreed that rates need to be refined to a more granular level. Rate design must more accurately reflect certain intricacies of the market. Rates must be even more time sensitive since delivery costs are heavily dependent on the exact time the load occurs. Furthermore, capacity is significantly more expensive in different areas of New York, so rates need to incorporate mechanisms to account for location differences. Finally, rates must also be able to differentiate among the demographics of customers. Bill impacts vary based on the “type” of consumer (*e.g.* customers who can switch load versus customers who cannot), thus future rate design needs to take specific customer traits into account, though the methodology for doing so is uncertain. It was acknowledged that the priorities discussed are not static and might change.

Although it was only touched upon in today’s meeting, an important point of discussion going forward, and something that ties strongly into mass market rate design, is the transition of mass market NEM customers.

C. Next Steps

Staff encouraged the revision and submission of comments regarding the prioritization of working group meetings by Tuesday, August 29th. Comments are to be submitted to the relevant filing system (17-01277).

Staff also encouraged the submission of suggestions regarding mass market rate design by Friday, September 1st. Staff is looking in particular for input on prioritization of analyses for the mass market rate design plan. Ideas are to be submitted to the relevant filing system (17-01277).

The next meeting was tentatively scheduled for September 8 at a time and location TBD. A Plenary session will likely occur on 9/18 or 9/19 at a site TBD.

The Commission is expected to provide further guidance on consolidated billing issues when it takes up VDER Phase 1 Implementation. The expectation is that consolidated billing will be a topic of discussion sometime after an Implementation Order is issued.

Staff will create and post the list of which specific tariffs might be affected by mass market Bill Impact analysis. Staff will also try to have a glossary of terms developed and posted to assist newer participants and to help assure that people are not “talking past each other”.

Staff had initially proposed that future rate design working group meetings be split between Albany and New York City, but due to recent pushback staff will re-think meeting location and adding video conferencing functionality. Staff will investigate whether the NYSERDA offices could better accommodate meetings with video conferencing, and will send out updates regarding the final outcome.

Staff is working to assemble a list of dates for all meetings scheduled into the foreseeable future and hopes to have these dates locked down in time for the next meeting of the working group.

The matrix of ongoing utility residential rate initiatives that are currently occurring were mentioned and briefly described.