

**BEFORE THE NEW YORK  
STATE PUBLIC SERVICE COMMISSION**

In the Matter of the Value of )      Case 15-E-0751  
Distributed Energy Resources )

**JOINT UTILITIES PETITION SEEKING  
CLARIFICATION OF THE TREATMENT OF  
HIGH-CAPACITY-FACTOR RESOURCES ELIGIBLE FOR  
COMMUNITY DISTRIBUTED GENERATION**

This Petition by Central Hudson Gas & Electric Corporation , Consolidated Edison Company of New York, Inc. (“Con Edison”), New York State Gas & Electric Corporation, Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”), Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively the “Joint Utilities”) requests the Public Service Commission (“Commission”) to clarify the treatment of high-capacity-factor resources eligible for Community Distributed Generation (“CDG”) to avoid unintended bill impacts for other customers, through the impact of the recent *Order Regarding Value Stack Compensation*.<sup>1</sup> As explained below, the Joint Utilities urge the Commission to address this situation by directing the utilities to either (1) count the contributions of high-capacity-factor resources towards each tranche based on the ratio of the expected production to the 15 percent solar capacity factor assumed by the Commission in setting the megawatt (“MW”)

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<sup>1</sup> Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources* (“VDER Proceeding”), Order Regarding Value Stack Compensation (issued April 18, 2019) (“Value Stack Order”). Should the Commission deny clarification, the Joint Utilities respectfully ask that this be deemed a Petition for Rehearing, 16 NYCRR Sec.3.7, limited to the factual issues raised herein.

tranche limits or (2) adjust compensation to high-capacity-factor resources participating in CDG to be comparable for all technologies regardless of capacity factor.

By way of background, in its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters*, the Commission established “capacity-based allocations for mass market and CDG projects intended to limit the potential impacts of the VDER Phase One tariff on non-participants to an incremental net annual revenue impact of approximately 2% for each utility. . . .”<sup>2</sup> Therein, the Commission directed the utilities to calculate the “2% revenue impact target” and the Market Transition Credit (“MTC”) for each of these fixed-MW capacity allocations based on the “output levels in the pro forma *photovoltaic* profiles” and indeed sized these fixed-MW capacity allocations according to the assumed output of a solar generator.<sup>3</sup> Most recently, in its *Order Regarding Value Stack Compensation*, the Commission addressed both the MTC of the VDER Tariff as well as the newly established Community Credit, both of which are based on this two percent revenue impact target calculated using assumed solar generation profiles.<sup>4</sup>

The revenue shift, and resulting bill impact for non-participating customers, associated with a specific CDG-eligible technology will vary with its capacity factor and can be materially higher than the impact of a similarly-sized installation of a low-capacity-factor technology, such as solar. In some instances, eligible resources have abundant feedstock, *e.g.*, anaerobic digesters, or are allowed to consume natural gas, *e.g.*, fuel cells, and therefore can operate around-the-clock virtually all year long – nearly 8,760 hours. In contrast, the production of solar generation is inherently more limited because peak sunlight occurs only during a few hours of the day, and

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<sup>2</sup> VDER Proceeding, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (“Phase One Order”), p. 5.

<sup>3</sup> VDER Proceeding, Phase One Order, pp. 126-127 (emphasis added).

<sup>4</sup> VDER Proceeding, Value Stack Order, PP. 25-27.

also varies seasonally as the number of daylight hours in each day changes, leading to lower overall capacity factors. Simply put, a fuel cell operating at a 90-percent capacity factor will produce six times the kilowatt-hours (“kWh”) each year, receive six times the financial benefit from the MTC and Community Credit constructs and therefore impose six times the revenue shift to other customers as compared to a similarly sized solar installation. As such, either the MW cap for each capacity allocation must be reduced when higher load factor technologies are included, or the compensation levels must be reduced for higher load factor technologies. Otherwise, the two percent revenue impact cap will be exceeded.

This is not a matter of theoretical concern. For example, as of May 1, 2019, Con Edison has 14 separate fuel cell projects amounting to 53 MW of potential CDG projects in its interconnection queue. Assuming these projects all receive the recently approved 12 cent/kWh Community Credit and operate at a 90 percent capacity factor, the result would be \$50 million<sup>5</sup> of annual Community Credits or a \$1.3 billion revenue shift over the 25-year Community Credit period. This is a significantly higher bill impact to non-participating customers than a comparable level of qualifying solar generation which would receive \$8.4 million annually in Community Credits, or 83 percent less. The result is that this will quickly exceed the Commission’s two-percent limit and greatly harm non-participating customers. This is clearly an unintended consequence of the current program. Moreover, such CDG projects would also be eligible for 2.8 cents/kWh in environmental credits worth \$11.7 million/year<sup>6</sup> for 25 years and \$179/kW-year<sup>7</sup> in demand reduction value (“DRV”) payments worth \$9.5 million/year<sup>8</sup> for 10

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<sup>5</sup> The \$50 million/year figure is the product of 53 MW of fuel cells x 8760 hours in the year x 90% capacity factor x (\$0.12 kWh x 1,000 kWh/MWh = \$120/MWh).

<sup>6</sup> 53 MW of fuel cell x 8760 hours of the year x 90% capacity factor x (\$0.028/kWh x 1,000 kWh/MWh-\$28/MWh) = \$11.7 million/year.

<sup>7</sup> \$199.40/kW-yr x 90% capacity factor = \$179.46/kW-yr

<sup>8</sup> 53 MW of fuel cells x 90% capacity factor x (\$199.40/kW-yr x 1,000 kW/MW = \$199,400/MW-yr) = \$9.5 million/year.

years as well as energy and capacity payments. In addition, National Grid has 11 separate fuel cell projects that amount to 2.2 MW of injection capacity in service.

For the foregoing reasons, in order to allow high-capacity-factor resources to participate in CDG while maintaining the two percent limit on revenue shifting, and managing the resulting bill impacts for non-participant customers, the Joint Utilities respectfully urge the Commission to modify the CDG program changes set out in the Value Stack Order so that its initial intent relative to the two percent on incremental net revenue is maintained. The Commission must direct the utilities to either (1) count the contributions of high-capacity-factor resources towards each tranche or allocation based on the ratio of the expected production to the solar 15 percent capacity factor assumed by the Commission in setting the MW tranche and allocation limits or (2) reduce compensation to high-capacity-factor resources participating in CDG to be comparable on a \$/kW installed basis to that of a solar facility.

Date: May10, 2019

Respectfully submitted,

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