In the Matter of the Value of Distributed Energy Resources
Working Group Regarding Rate Design

Case 15-E-0751
Matter 17-01277

Rate Design Proposal Submission

Clean Energy Parties: Solar Energy Industries Association, Coalition for Community Solar Access, the Natural Resources Defense Council, the New York Solar Energy Industries Association, the Pace Energy and Climate Center, and Vote Solar

Dated: May 29, 2018
Comments to New York State Department of Public Service
Rate Design Proposal Submission
Case 15-E-0751/Matter 17-01277

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I. INTRODUCTION & SUMMARY

The following rate design proposals are submitted by the Solar Energy Industries Association, Coalition for Community Solar Access, the Natural Resources Defense Council, the New York Solar Energy Industries Association, the Pace Energy and Climate Center, and Vote Solar (collectively the “Clean Energy Parties” or “CEP”). The Clean Energy Parties appreciate the opportunity to provide these proposals for consideration and further analysis.

If designed well, compensation for all distributed energy resource (“DER”) technologies provided through thoughtfully crafted rate design for all customers has the potential to encourage the high level of DER development that will be required to successfully transition to a clean, distributed grid and achieve New York’s energy policy goals. The CEP are comprised of a substantial portion of the clean energy organizations active in New York, trade associations that represent hundreds of job-creating businesses across New York, and non-profit and environmental organizations advocating for the greater deployment of clean energy technologies.

Our proposals focus on four specific rate design options, all of which were described in detail in earlier presentations at the working group. These include: 1) time of use rates 2) time of use rates with a critical peak pricing component 3) a two-part seasonal rate and 4) variable peak pricing. This document accompanies the input worksheets for each proposed rate design. The input sheet does not have functionality to include variable peak pricing, but we request the Joint Utilities (“JU”) and Department of Public Service Staff (“DPS Staff” or “Staff”) consider modeling this approach.

We note these are not our final proposals, but draft rate design options to consider in the context of a broader discussion. Following the modeling to be conducted by the JU and DPS Staff, the Clean Energy Parties reserve the right to withdraw and amend proposals and introduce new proposals.

This document not only explains our rate design proposals, but also points out the significant limitations of this exercise. We further explain why we believe more time should have been built in the process for understanding the proposal submission process. We also make recommendations on ways the Public Service Commission (“PSC”) can correct course. With a
Staff report due in December 2018 on a mass market net energy metering successor tariff to take effect in January 2020 there is ample time to reset these work streams and put the Rate Design Working Group on a better path. We encourage the leadership of the DPS Staff and the Commission to do so. These proposals and comments were prepared with the assistance of Gabel and Associates.

II. LIMITATIONS OF THE PROPOSAL SUBMISSION EXERCISE, THE NEED FOR PROCESS IMPROVEMENTS, AND THE NEED FOR OPTIONAL RATES

A. The Clean Energy Parties Proposals Represents a Good Faith Effort to Work Constructively Toward a Reasonable Outcome

The CEP submits our rate design proposals recognizing that there are constraints built into this process that make putting together more detailed proposals into the record impossible. While we appreciate the Staff’s expressed twin objectives to be able to compare proposals on an “apples to apples” basis, and keep the proposal submission process relatively simple, the overall process for considering rate design proposals is extremely limiting. The JU input tool only allows stakeholders to enter design parameters in terms of percentages, and not actual numbers.

In addition, the JU currently have not made available, and potentially do not have, more detailed information on customer usage patterns. It is our understanding from the stakeholder meetings that several of the state’s utilities do not conduct load research sampling exercises. Instead, they buy load profiles from consultants. This lack of detailed customer information is inadequate for more complicated rate designs. Advanced metering functionality should be deployed in order to gather granular usage characteristics of the rate class in order to better understand how proposed rate design will impact the customers on the rate (e.g. conduct bill impact analyses using sensitivities based on the usage patterns of the rate class). As it stands, the stakeholder are being expected to design more complicated rates without any consideration of the impacts on the totality of the rate class.

Furthermore, as we have raised previously, the JU tool does not consider important qualitative considerations such as whether customers will be able to understand a particular rate
structure. Ease of customer adoption should play a huge role in determining the final successor to net metering. We explain some of these considerations later in the document.

Our proposals represent a good faith effort to working constructively in the Staff framework despite its severe limitations.

B. More Time Should Have Been Built into the Rate Design Proposal Submission Process to Allow for Better Stakeholder Understanding of the Tools and the Preparation of Better Proposals

After the April 6, 2018 exchange of presentations on high-level proposals regarding best practices in rate design and different rate design options at the rate design collaborative meeting, the JU presented for the first time a uniform approach for parties to submit rate design proposals. On April 10 and April 12, the actual handbooks and tables were published, and then revised and republished. Training sessions for stakeholders were announced with only two business days’ notice on April 17 and April 18. A second revision to the handbook, which included data on class load profiles, was published on April 27. A second revision to the Rate Design Proposal Input file was posted on May 17.

Following these sessions, and after querying the JU and its consultants directly regarding the data that would be available to inform our proposal, on May 4, the CEP submitted a letter in Matter No. 17-01277 requesting: 1) clarity on whether new rate designs would apply to the entire market or just target DER customers; 2) more granular data to inform our proposals; 3) cost of service studies for the utilities in question; 4) the bill impacts model developed by the JU related the inputs worksheets and 5) the modeling that had been requested by Staff from its consultant E3. The CEP requested these materials to inform our upcoming proposal.

On May 14, the Advanced Energy Economy Institute, an educational organization promoting the greater understanding of advanced energy technologies such as DER, filed a letter

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2 See Clean Energy Parties letter, 17-01277 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design, May 4, 2018. We referred to this as “bill impacts” modeling, although per subsequent conversation with DPS staff, this work is more appropriately characterized as “cost shift” modeling.
supporting the need for this information and requested an extension of the proposal preparation
deadline until June 22. On May 18, the CEP supported the AEE extension request. The JU
opposed it, despite having just made several revisions to the Rate Design Input file the previous
day. Without giving due consideration to the CEP filing, the DPS Staff responded, offered clarity
on the scope of the exercise, provided links to pdf files containing recent utility cost of service
studies which cannot be evaluated by outside parties, explained that the requested models were
not yet available, and extended the rate design proposal submission deadline by a mere six days.

In summary, the process for preparing stakeholder proposals has been unnecessarily
rushed, reasonable requests for data remain unanswered, and reasonable requests for more time
to prepare proposals were rejected with slim justification.3 The net impact of these decisions is a
proceeding that is biased against DER providers and other stakeholders, and heavily influenced
by the utilities.

Furthermore, the opportunity to formally comment on the utility handbooks and proposal
submission forms should have been provided to all stakeholders as they were being developed to
promote transparency, eliminate biases, and promote a shared understanding of the tools. This
work product was the result of considerable effort by the JU and their consultants and granting
CEP and other parties insight and access to the development of this work along the way would
have promoted the orderly conduct of the case. Insight into the development of the handbooks
would have helped eliminate rate design biases. One prominent example of handbook bias is best
illustrated by the customer charge, which the handbook clearly tries to direct toward a high value
charge based largely on the underlying ECOSS – a methodology of which many CEP strongly
disagree.

Notwithstanding these critical handicaps, and to move the case forward, the CEP has
prepared several rate proposals for further consideration.

3 See DPS Staff letter from May 18, 2018.
C. All Stakeholders Must Have Access to the Utility Modeling Tools to Facilitate Understanding of Rate Design Bill Impacts and Broader Economic Impacts

As the rate design working group moves forward, we reiterate our request from April 13, 2018 to allow stakeholders to have full access to the models the utilities and E3 will use to estimate the bill and economic impacts from the various rate designs proposed. We understand from Staff that these tools are not yet completed. However, we encourage the JU and Staff to make them available as soon as possible, even in draft form, to allow for potential modification and questions.

Failure to provide stakeholder access to these tools will seriously undermine confidence in the quantitative work conducted and call into question the legitimacy of any outputs advanced in this case. This step is too important to accept the output of a “black box” model without the ability to critically evaluate its methodology. Providing access will facilitate a shared understanding of the advantages and disadvantages of various rate design proposals and promote more constructive collaboration and potential consensus.

Finally, we also strongly recommend that DPS Staff publish the criteria they will use to select rate designs for further analysis. In addition, Staff should clearly explain in a written submission, similar to a “response to comment” document, why they chose to analyze one rate design over another and why some rate designs were rejected. Staff should also put forward a process in which non-selected rate designs may be considered for further consideration upon the recommendation of a majority of parties involved in the stakeholder working group.

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D. CEP Rejects Any Proposal That Segregates Distributed Generation Customers into a Separate Rate Class

In their May 18th letter, Staff stated:

As explained in the VDER Value Stack and Rate Design Working Group Process and 2018 Schedule and discussed during several meetings, the rate design proposals should be for a “Mass Market NEM Successor Rate.” Therefore, they should be proposals for a rate for mass market DER customers. As also discussed in the Rate Design working group, after a Mass Market NEM Successor Rate is approved, the appropriateness of that rate, or other modified rates, for non-DER customers will be considered.

As we have stated at numerous Rate Design working group meetings, the CEP rejects as unduly discriminatory any proposal or rate design development process that would segregate distributed generation customers into a separate rate class. Further, we also reject any rate design that is mandatory for DER customers, even if they are maintained in the same customer class as other non-DER customers of similar type. The lack of concrete timeline for the consideration of rate modifications for non-DER customers, and the lack of an actual commitment to make such changes, means the current framework is untenable for DER providers and should be revisited.

For this reason, our proposal is to offer the rate design proposals described below as optional rates for all mass market customers in New York. Giving mass market customers the opportunity to opt into these rates provides both a gradual and measured way to evolve away from net metering and a way to better align non-DER customer’s usage with the underlying utility cost drivers. Rate designs that come out of this process should (1) test the market, (2) collect data, (3) provide valuable information on customer responsiveness to new designs, and (4) do no harm with regard to the growth of a nascent industry.  

Once well-designed optional rates are in place, the Commission could begin the process of analyzing default rates over a multi-year period for all customers. When revisiting default

5 Based in part on net metering and other renewable energy policies. New York now has the third highest number of solar jobs (9,012) behind only California and Massachusetts. See The Solar Foundation, “Solar Jobs Census 2017”, February 2017. Available at: https://www.solarstates.org/#states/solar-jobs/2017.
rates, the Commission would benefit from the lessons learned from the optional rate designs. Any transition in default rates must have clear timelines clear objectives, and should be initiated by PSC Order.

**E. To Advance the Goals of REV the Basic Customer Method Should be Used for the Assignment of Customer Costs**

An important element of rate design is the ability of rates to send effective and efficient price signals to customers. A fundamental goal of NY REV is the animation of third-party markets for DER-based products and services. As such, rates available to customers investing in DER, whether the default class rate or any optional rates, should be tested against the likelihood that the rate will provide a meaningful positive economic signal to participating customers. That signal should encourage adoption and support expansion of customer choices for DER-based products and services.

New York utilities have some of the highest fixed customer charges in the nation. High fixed customer charges are economically regressive and weaken price signals for DER adoption and use. High fixed customer charges weaken the structural economic opportunity for DER to ultimately reduce or defer utility capital expenditures.

New York’s high fixed customer charges can be largely attributed to the ECOSS methods used by utilities. These methods, which include minimum system, zero-load, and other approaches that increase the fraction of fixed costs characterized as customer costs and/or proposed for recovery through fixed customer charges are therefore fundamentally at odds with the NY REV model and goals.

The rate design proposals submitted by CEP therefore all assume as a foundational element the adoption of the basic customer method for assignment of costs as customer costs. This approach puts more costs in the resulting usage-based charges to customers and will directly increase the economic efficacy of rate designs in advancing customer adoption of DER-based products and services. This will advance the goals of the NY REV process.
F. Factors Beyond Bill and Economic Impacts Must Be Considered In Making Rate Design Choices

Once again, CEP reiterates our position that bill impact analyses and broader economic analyses are only two components of an effective rate design. Factors such as the ability of customers to understand and respond to rates in a meaningful way and the extent to which these rate designs encourage or hinder progress toward building markets for DER must also be considered.

Comments prepared by the parties on these qualitative factors should be given equal weight to bill and economic impacts when making decisions. An economically efficient but user-unfriendly – or confusing – rate design that is rejected by the market does not advance the State towards its policy goals. For example, establishing demand charges for mass market customers would frustrate the goals of REV by 1) unreasonably penalizing customers for demand that occurs for only a narrow time-period; 2) increasing overall consumption and frustrating energy conservation efforts, 3) reducing customer-sited investments in renewable energy and energy efficiency.

We strongly encourage parties to offer comments on our proposed rate designs and will respond to other rate designs in kind.

III. CEP RATE DESIGN PROPOSALS

A. Introduction to Rate Design Options

Our proposals focus on four specific rate design options, all of which were described in detail in earlier presentations made to the stakeholder group. These include:

1. Time of use rates;
2. Time of use rates with a critical peak pricing component;
3. Two-part seasonal rate; and
4. Variable peak pricing.

Each of these four proposals would be optional for all customers, including DER customers. The Clean Energy Parties believe these four rate options will provide customers with clear price signals on how their behavior influences investments in the distribution system. These
rates reflect the realities of systems costs and provide strong price signals to all customers by reflecting higher costs for energy at peak times.

The attached rate design input sheet includes time of use rates, time of use rates with a critical peak pricing component, and a two-part seasonal rate. It does not include details for the variable peak pricing proposal as the input sheet was not built to accommodate this rate design.\(^6\)

**G. Customer Charge**

Each of the four rate design proposals is a two-part structure, comprised of a customer charge and energy charges. Once again, the customer charge in each proposal follows the methodology known as the basic customer method. The basic customer method is a nationally accepted cost-based approach for determining the customer charge. This method only includes costs that vary with the number of customers on the system, and generally includes meters, customer service, billing, and the service drop. This method does not include any costs associated with shared distribution infrastructure.\(^7\) The input sheet developed and shared by Joint Utilities only offers an adjustment to the current customer charge, in percentage terms. We reject this approach and request each utility to calculate the customer charge using the basic customer method for all of CEP’s proposed rates.

**H. Time of Use Rates**

The CEP Time of Use rate proposal is outlined in the input sheet under d1 of the delivery rate structures tab. Generally, the proposal is modelled off of Time of Use rate proposals that were adopted the California Public Utilities Commission as a successor to net metering. This proposal uses the basic customer method to determine the customer charge. It also relies on seasonal variation of energy prices, as well as daily differences in peak to off-peak rates. We

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\(^6\) We further note that many fields of the utility input sheet are not customizable. For instance, in the delivery tab, we have not proposed several elements of a specific rate design, and designated these with the phrase “NOT PROPOSED” where applicable, as there was no other way to eliminate these elements.

\(^7\) Shared distribution infrastructure costs include any costs in FERC accounts 364-368. These accounts do not include costs that vary directly with the number of customers on the system. Some utilities have previously included some of these costs in calculating the customer charge, but we reject this approach because it is not a reasonable cost-based method.
propose a summer three-to-one peak to off-peak ratio for this exercise but reserve the right to modify our proposal throughout this process. This peak to off-peak ratio is designed to elicit a response from customers, while not being overly punitive to customers who can only modify their usage to some degree. The lower two-to-one peak to off-peak ratio proposed for winter months reflects the difference in utility costs from summer to winter. We also propose assuming a peak period in the summer of four hours, six hours in the winter. Further, the peaks for distribution and generation costs should be aligned to increase acceptability by customers.

I. Time of Use Rates with A Critical Peak Pricing Components

The Time of Use rate with Critical Peak Pricing follows the same general format as the Time of Use rate but adds a critical peak pricing element. This option relies on the basic customer method for determining the customer charge, and also uses the same peak to off-peak ratios as the time of use rate, for both summer to winter and peak to off-peak times. We propose using a peak to off-peak ratio for the critical peak price element of six-to-one in summer and five-to-one in winter. This high ratio was assumed to drive a high response from customers on this rate and given that CPP events will only be called infrequently, should limit the potential impact on any given customer.

J. Two Part Seasonal Rate with a Customer Charge

This simple rate design proposal is shown under section b of the delivery rate structures tab. This rate proposal uses the basic customer method to determine the customer charge and relies on a seasonal variation of a flat energy charge. The summer to winter ratio is three-to-one. This option will allow customers an opportunity to stay on a two-part rate with no time varying element, but does better reflect system costs through the reduced customer charge and seasonal variation of the energy rate.

K. Variable Peak Pricing

Our final rate proposal option is Variable Peak Pricing. This rate has a variable volumetric component with a peak price that varies based on day-ahead system forecasts. Customers are provided notice of the peak rate on the prior day. The input sheet does not have
functionality to include variable peak pricing, but we request Joint Utilities and Staff to model this approach. For this rate, we again propose to use the basic customer method to determine the customer charge. The Clean Energy Parties would like to work with Joint Utilities and Staff to determine the best approach in modeling this rate proposal.

IV. FURTHER RECOMMENDATIONS

A. Further Recommendations for the Conduct of the Case

The Clean Energy Parties submit these four rate design proposals for consideration. We strongly recommend Staff choses these options for further analysis. In addition, to encourage transparency and promote confidence in the analysis used in the final Staff report, we recommend the following:

- Staff adopts optional rates as a way to test new rates designs, while committing to address default rates for all customers on a concrete timeline;
- Staff provides a written justification for why certain rate designs were selected for further analysis;
- Staff provides access to the JU modeling tools and the economic analysis that is in development as soon as possible; and
- Staff balances the bill impact analysis with other qualitative considerations such as the ease of customer adoption when considering rate design proposals.

These process improvements will encourage the orderly conduct of the case, improve stakeholder confidence and will likely help yield a balanced result that is fair to DER customers, achieve the Cuomo Administration’s DER policy deployment goals, and help benefit ratepayers and the environment. Questions on this filing and the accompanying input sheets should be addressed to David Gahl (dgahl@seia.or) and Kevin Lucas (klucas@seia.org) Thank you.

Respectfully submitted,

/s/


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