INTRODUCTION

On March 9, 2017, the Public Service Commission (Commission) issued the VDER Phase One Order, which included specific megawatt (MW) capacity allocations for three tranches in each utility territory.¹ Community Distributed Generation (CDG) projects interconnected after the issuance of the VDER Phase One Order are assigned to the first open tranche in the territory where they are interconnected; that assignment then determines their eligibility for Phase One Net Energy Metering (NEM) or a particular Market Transition Credit (MTC).

On October 18, 2017, Niagara Mohawk Power Corporation d/b/a National Grid (National Grid or the Company) filed a

petition for approval of minor tranche adjustments, seeking approval to adjust the Tranche 0/1 MW limit up to 139.915 MW, and to adjust the Tranche 2 MW limit downward to 157.085 MWs in its service territory (the Petition). National Grid’s Petition explains that it initially made an error in allocating Tranche positions by inadvertently omitting a total of 14 projects, including solar and farm waste projects. These projects have various capacities between 0.090 MWs and 2 MWs, for a total of 20.915 MWs that the Company did not include in its original tranche assignments. National Grid requests that the Commission permit it to expand Tranche 0/1 and reduce Tranche 2 by an equivalent amount, so that the 14 projects can be included in Tranche 0/1 without reducing the capacity available in Tranche 0/1 such that the legitimate expectations of other developers might be frustrated.

In this Order, the Commission finds that National Grid’s proposed resolution appropriately maintains a net annual revenue impact on non-participating customers of under two percent, while also avoiding imposing a negative impact on developers based on National Grid’s error. The Commission therefore grants National Grid’s Petition and adjusts the Tranche allocations as requested.

BACKGROUND AND SUMMARY OF PETITION

As noted in the Reforming the Energy Vision (REV) Track Two Order, Case 15-E-0751 was established to provide a process for determining the value of Distributed Energy Resources (DER), for both planning and transactional purposes. After an extensive stakeholder outreach process, the VDER Phase One Order was

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approved. The VDER Phase One Order established a framework for the transition in compensation methodologies from net metering to a more granular appraisal of the value of DER in order to capture the temporal and locational values created by these resources.

To create a gradual transition from NEM to more value-based compensation, CDG projects are either eligible for Phase One NEM compensation or, if compensated under the Value Stack tariff, are eligible for an MTC for their residential and small commercial members, based on the difference between the “Base Retail Rate” and “Estimated Value Stack.”\(^3\) The compensation methodology and amounts applicable to a project are based on its assignment to one of three tranches, which include MW capacity allocations in each utility territory. Tranche 0 constitutes the capacity allocation available in Phase One NEM for CDG projects. Any capacity remaining in Tranche 0 after the 90 business day deadline for determining eligibility for Phase One NEM is allocated to Tranche 1.

Projects in Tranche 1 receive Value Stack compensation with a per kWh MTC derived by subtracting the Estimated Value Stack from the Base Retail Rate such that compensation in Tranche 1 is approximately equal to compensation under Phase One NEM. Once the Tranche 1 allocation has been reached, projects are placed in Tranche 2 and receive Value Stack compensation with a reduced MTC. The per kWh MTC for projects in Tranche 2 are derived by subtracting the Estimated Value Stack from a number equal to 95% of the Base Retail Rate. Finally, when the Tranche 2 allocation has been exhausted, projects are placed in Tranche 3, which receive Value Stack compensation with a further reduced MTC. The Tranche 3 per kWh MTC is derived by subtracting the

\(^3\) VDER Phase One Order, p. 16.
Estimated Value Stack from a number equal to 90% of the Base Retail Rate.

A total amount of capacity was allocated to the Tranches in each utility based on a mechanism designed to ensure a combined incremental net annual revenue impact in each utility service territory of approximately 2% or less from the Tranches plus a separate allocation for mass market on-site projects. The total capacity allocated to CDG projects built during Phase One NEM was divided among these Tranches such that utilities with a total capacity allocation for CDG projects greater than 100 MWs would place 25% of that allocation in Tranche 0. For utilities with a total capacity allocation for CDG projects less than 100 MWs, 50% of the total incremental MWs were placed in Tranche 0. The portion of the Tranche 0 capacity allocation that was not exhausted during the 90 business day period for determining eligibility for Phase One NEM, if any, was assigned to Tranche 1. The remaining capacity allocation was allocated approximately evenly to Tranche 2 and Tranche 3, rounded to whole MW numbers.

In National Grid’s territory, 119 MWs were assigned to Tranche 0/1, 178 MWs were assigned to Tranche 2, and 177 MWs were assigned to Tranche 3. This total tranche allocation, combined with the allocation for mass market on-site projects, was estimated to cause an incremental net annual revenue impact of 1.20% if fully subscribed.

According to the Petition, following issuance of the VDER Phase One Order, the Company determined the tranche assignments for projects in its service area pursuant to the criteria established in the VDER Phase One Order, and thereafter advised developers of their tranche assignments. The Company explains in the Petition that it subsequently discovered that it had inadvertently omitted 14 projects, which should have been assigned to Tranche 0/1 based on the criteria established in VDER
Phase One Order. These projects have various capacities between 0.090 MWs and 2 MWs, for a total of 20.915 MWs that the Company did not include in its original tranche assignments.

In its Petition, National Grid explains that if it were to simply add those projects back to the allocation calculations, 20.915 fewer MWs would be available in Tranche 0/1. However, National Grid states, developers may have made planning decisions based on the tranche information initially reported, including National Grid’s October 13, 2017 report on the available capacity of Tranche 0/1. The Company maintains that reducing the available capacity in Tranche 0/1 based on the previously omitted projects could unreasonably impact developers who have made planning decisions based on National Grid’s previous reports. Therefore, to avoid prejudicing those developers, while also assigning the 14 omitted projects to Tranche 0/1, consistent with the VDER Phase One Order, National Grid requests that the Commission permit it to expand Tranche 0/1 and reduce Tranche 2 by an equivalent amount.

NOTICE OF PROPOSED RULEMAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on November 29, 2017 [SAPA No. 15-E-0751SP11]. The time for submission of comments pursuant to the Notice expired on January 29, 2018. No comments were received.

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4 National Grid also suggests that adding the 14 projects to Tranche 0, which they are appropriately placed in pursuant to the VDER Phase One Order, would result in other projects being bumped from Tranche 0 to Tranche 1 in the absence of Commission action. This is inaccurate because Tranche 0/1 is a single Tranche for the purpose of capacity, such that, as long as capacity remains in Tranche 0/1, additional projects can be added to Tranche 0 without any projects being moved to Tranche 1.
LEGAL AUTHORITY

As described in the VDER Phase One Order, the Commission has the authority to direct the treatment of DERs by electric corporations pursuant to, inter alia, Public Service Law (PSL) Sections 5(2), 66(1), 66(2), and 66(3). Pursuant to the PSL, the Commission determines what treatment will result in the provision of safe and adequate service at just and reasonable rates, consistent with the public interest and the efficiency of the electric system.

DISCUSSION AND CONCLUSION

A determination on this matter requires consideration of what outcome would be equitable for the impacted developers and for non-participating ratepayers. Because the developers of the 14 projects that were initially, and erroneously, excluded from consideration met all the criteria for placement in Tranche 0/1, any resolution that did not place those 14 projects in Tranche 0/1 would unreasonably harm those developers based on the Company’s error. However, as National Grid notes, placing those projects in Tranche 0/1 without expanding the size of Tranche 0/1 would require reducing the available capacity in Tranche 0/1 below the level reported on October 13, 2017, and in a manner inconsistent with developer expectations. Developers planning projects in National Grid’s service territory likely made decisions and investments based on their understanding of the remaining capacity in each Tranche, as reported by National Grid. To reduce that capacity at this point would frustrate those good-faith actions.

Moving 20.915 MWs from Tranche 2 to Tranche 0/1, as National Grid suggests, would avoid frustrating legitimate developer expectations. However, it would increase the incremental net annual revenue impact of the Tranches and
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therefore impact non-participating customers. Table 5 of the VDER Phase One Order calculates the combined incremental net annual revenue impact of the tranches, as authorized in that Order, and the mass market on-site project capacity allocation, if fully subscribed, to be 1.20%. Moving 20.915 MWs from Tranche 2 to Tranche 0/1 would increase that impact by less than a tenth of a percent, if fully subscribed. This increase is relatively minimal and retains an incremental net annual revenue impact well below the targeted maximum of 2%.

National Grid’s proposed resolution appropriately maintains a net annual revenue impact on non-participating customers of under the 2% target, while also avoiding imposing a negative impact on developers based on National Grid’s error. Moreover, the total incremental CDG MWs available through the tranches is unchanged. The Petition ensures that impacted developers and non-participating ratepayers are treated equitably, and is therefore approved.

The Commission orders:

1. Niagara Mohawk Power Corporation d/b/a National Grid shall modify the sizes of Tranche 0/1 and Tranche 2 in its service territory, as established in the March 9, 2017 Order On Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters in Case 15-E-0751, to 139.915 MW and 157.085 MW, respectively, as discussed in the body of this order.

2. This proceeding shall be continued.

By the Commission,

(SIGNED) KATHLEEN H. BURGESS
Secretary