July 24, 2017

VIA ELECTRONIC FILING

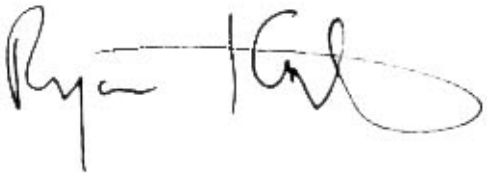
Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza, Agency Building 3
Albany, New York 12223-1350

Re: Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources

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, submits for filing these Comments in response to the to the Commission's May 12, 2017, *Notice Soliciting Comments Regarding Value of Distributed Energy Resources Implementation Proposal and Cost Mitigation Issues* in the above-referenced proceedings.

Respectfully Submitted,



Ryan Katofsky
Vice President, Industry Analysis

Comments on the Utilities' Value of DER Phase One Implementation Plans (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 12, 2017 *Notice Soliciting Comments Regarding Value of Distributed Energy Resources Implementation Proposal and Cost Mitigation Issues*, Advanced Energy Economy Institute (AEE Institute) is working with Advanced Energy Economy[1] (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 reply comments below. These organizations and companies are referred to collectively in these comments as the "advanced energy community," "advanced energy companies," "we," or "our."

Comments

Uniformity of Implementation Plans

We understand that each utility has different circumstances that require different approaches, at times, for implementing the VDER Order.[2] However, where circumstances do not require a unique approach, we recommend that the utilities implement the VDER order using the same approach. This will allow DER providers and customers to more easily adapt to the new tariff. Our primary concerns in this

[1] 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.

[2] The Commission's March 9, 2017 Order on Net Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters.

regard, as we discuss in further detail below, relate to the calculation of the Locational System Relief Values (LSRVs).

Locational System Relief Values

Pricing Methodology

We appreciate that not all of the utilities have available the necessary locational capacity costs needed to offer more precise locational pricing. Until such information can be developed, the methodology proposed by both Consolidated Edison and National Grid for determining locational value is reasonable. Both determine the LSRV by increasing the Marginal Cost of Service by 50%. In the long run, increasing the precision and granularity of the locational values will incent capacity to locate where it is needed most.

We note that Central Hudson has developed a more detailed methodology and provided locational costs based on potential future investment needs. While we have concerns with other elements of Central Hudson's LSRV methodology (see below), their work to quantify and disclose expected investment costs provides useful information to DER providers and increases transparency for market participants. We encourage other utilities to follow suit.

Loading Thresholds

The loading thresholds that Central Hudson has proposed appear to be significantly more tolerant than those used by the other utilities. Central Hudson applies a risk tolerance rating, allowing the loading to exceed planning levels for 6% of summer hours, significantly extending the time until the loading threshold is met. This lowers the value of the LSRV relative to the methodologies that the other utilities are using, as the other utilities do not appear to apply a similar risk tolerance rating. National Grid sets its threshold based on 100% of its planning rating and Con Edison uses 90-98% of its planning rating, depending on whether the constraint is on a network, area station, or at the sub-transmission level. All of the utilities apply different thresholds without describing why a certain threshold is needed. More conservative thresholds, as used by Con Edison, are likely to yield more LSRV areas while more tolerant thresholds, as used by Central Hudson, are likely to yield fewer LSRV areas. We recommend that the Commission seek justification for these loading thresholds to ensure that there is sufficient reasoning behind their application.

Additionally, the utilities propose using different timeframes to identify their LSRV areas. Each looked forward a different number of years to determine whether loading would exceed the established threshold. Con Edison only considered loading thresholds that would be exceeded by 2021 while National Grid looked forward to 2020. In both cases, the chosen year seems arbitrary and ignores the long-term deferral benefits of any investments that are upcoming in subsequent years. For example, DER that helps

avoid exceeding a loading threshold by 2022 still has value. Central Hudson took a different approach and used current upgrade costs and inflated them with a discount rate to the projected need year to come up with the present value of an upgrade deferral. This is a better approach, but will only provide useful results with known locational capacity costs. We recommend that the other utilities take this approach once they have determined their locational marginal costs.

Discounting the LSRV

Central Hudson's approach, which discounts the LSRV by 50%, is not consistent with the VDER Order. We agree that savings from incorporating DER should ultimately result in a benefit to customers. However, in the near term, many DER providers are adjusting to a decrease in compensation relative to net energy metering (NEM), and so we do not recommend implementing this shared savings approach at this time.

Hosting Capacity Limits

Each utility limits the capacity (in MW) available to participate in an LSRV by a different percent of the total capacity of the circuit. Central Hudson allows up to 20% of the capacity rating while National Grid allows 25%. As lower hosting capacity screens will decrease the ability of DER to defer utility capacity upgrades, the Commission should seek justification for these proposed levels.

These hosting capacity screens should not apply to dispatchable technologies which can adjust their output so that generation does not exceed minimum load on the circuit. Non-dispatchable technologies can also employ smart inverters to avoid many of the concerns that drive low hosting capacity screens.

Location-Specific Peaks

National Grid stated that they are looking into developing location-specific peaks to better coordinate DER generation with local capacity constraints. This approach makes sense in order for dispatchable DER to maximize the benefits it provides to LSRV areas. However, any new system of location-specific peaks should apply prospectively to new projects installed after the new system is implemented. The utility will also need to make live circuit loading data and expected demand peaks available so that DER can effectively respond to it. Without access to such data, DER would not be able to respond and it would therefore not be fair to judge DER performance based on a location-specific peak.

Cost Recovery

We recommend that any out of market costs associated with the VDER tariff should be handled in a similar fashion as any of the benefits. The bill is an important means for communicating with customers. Specifically identifying the costs in a separate VDER surcharge while using benefits to reduce existing on-bill recovery mechanisms/billing determinants hides the benefit to customers and only

identifies the costs. This is not a fair representation of the value of DER. Instead, any out of market costs should be recovered within existing mechanisms and surcharges.

Conclusion

We appreciate the opportunity to comment and your consideration of our concerns discussed herein.