September 4, 2018

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

Dear Secretary Burgess:

Digital Energy Corp (Digital) submits these informal comments regarding Staff’s Draft Whitepaper regarding VDER Compensation for Avoided Distribution Costs dated July 26, 2018. Digital is a DER project developer and a DER management and operations consulting company. Digital assists owners in operating CHP plants in New York City and provides other consulting services. Staff proposes modifying DRV calculations and compensation; sunsetting LSRV; and expanding Phase One NEM to certain on-site projects.

COMMENTS

1. **Modified DRV Calculation and Compensation** - Digital supports bringing accurate and predictable price signals to the market through the inclusion of DRV and LSRV. Revenue streams for financing DER projects are often based on a Power Purchase Agreement (PPA) and are typically set up for terms of 15, 20, or 25 years (PPA Term). Financing projects are based on revenue streams that are determined to be highly certain (i.e., low risk). Digital supports setting DRV to a reasonably accurate value that is predictable for the PPA Term. Digital notes that DRV Alternate 1 has a 5% band that would probably be evaluated by a financier on a worst-case basis to reduce risk to the financier. In addition, the Staff offers DRV Alternate 2 which specifies a fixed value for 7 years providing uncertainty for the remainder of the PPA Term. Neither of these appear to provide enough certainty to allow for the maximum value of DRV to be financed through typical underwriting. Of course, determining the full value of DRV in the future is the issue. Digital suggests that a minimum value for the PPA term be established to allow for a straightforward underwriting analysis.
2. **Sunsetting of LSRV** - Digital believe there is additional value to siting DERs based on distribution system locational need. It appears to be assumed that the NWA process is working reasonably well to resolve distribution system locational infrastructure requirements. However, Digital is unaware of any public data to show that NWA solicitations are working effectively. The utilities have offered NWA RFPs but have not informed the market as to how that process has performed. Feedback should be provided to the market, so the market participants can decide whether it is worthwhile to participate in the utility-controlled solicitations. Transparency is what the market needs to respond effectively. Each NWA proposal submitted to the utility takes many man-hours to create, which are resources taken away from other areas for these privately held companies. Project developers could use historical market information, including up to date Benefit Cost Analysis (BCA) of the other solutions available to the utility, to assist in determining whether or not it is cost effective for them to offer a proposal in an NWA solicitation. The utilities refer to the NWA RFP process as “auctions”, however, Digital does not see how these solicitations can be considered public auctions. The current NWA process fails to offer transparency, and therefore, the market does not get feedback on what solutions are clearing the utility-controlled NWA market. Given the lack of NWA transparency, Digital does not see a case for doing away with the LSRV value stack item.

3. **Phase One NEM for Certain On-Site Projects**

   Digital supports the expansion of VDER value stack to all DERs and specifically supports the proposal in the Staff’s draft white paper.

Thank you for the opportunity to provide comments.

Respectfully Submitted,

Jonathan Lilian
Vice President, Digital Energy Corp