MULTIPLE INTERVENORS
REPRESENTING NEW YORK'S LARGE ENERGY CONSUMERS

September 10, 2018

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 18-E-0130 – In the Matter of Energy Storage Deployment Program

Dear Secretary Burgess:

In accordance with the Notice Soliciting Comments and Announcing Technical Conference issued by the New York State Public Service Commission on July 17, 2018 in the above-referenced proceeding, attached for filing please find the Initial Comments of Multiple Intervenors regarding the New York State Energy Storage Roadmap.

Respectfully submitted,

MULTIPLE INTERVENORS

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JJF/glm
Attachment
cc: Active Parties (via E-Mail; w/attachment)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Energy Storage Deployment Program **Case 18-E-0130**

INITIAL COMMENTS OF MULTIPLE INTERVENORS

Dated: September 10, 2018

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PRELIMINARY STATEMENT

In response to the *Notice Soliciting Comments and Announcing Technical Conference* ("Notice") issued by the New York State Public Service Commission ("Commission") on July 17, 2018 in Case 18-E-0130, Multiple Intervenors, an unincorporated association of approximately 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, hereby submits these Initial Comments on the *New York State Energy Storage Roadmap* (the "Roadmap"), which was issued jointly therein by the New York State Department of Public Service ("DPS") and the New York State Energy Research and Development Authority ("NYSERDA") on June 21, 2018.

The Roadmap sets forth broad policy recommendations to accelerate the adoption of energy storage technology, with the objective of creating a self-sustaining marketplace for such technology, and achieving Governor Cuomo's goal of installing 1,500 MW of energy storage in New York by 2025. DPS and NYSERDA collectively advance a wide range of potential policy, regulatory, and programmatic actions that, unfortunately, are very generalized in nature and lack adequate specificity as to their potential benefits and costs to customers. Such recommended actions include, but are not limited to: (a) direct, rate-related actions and programs of unspecified cost that would be implemented by the State's electric utilities; (b) a $350 million customer-funded Energy Storage Market Acceleration Bridge Incentive ("Bridge Incentive") to reduce the costs of investing in energy storage; (c) "Clean Peak" actions to reduce system peak load through the use of energy storage; and (d) recommended actions for the New York Independent System Operator, Inc. ("NYISO") with respect to improving the ability of energy storage resources to access the State's wholesale electricity markets.

Initially, Multiple Intervenors perceives numerous potential benefits associated with energy storage. The ability to withdraw power from the grid during less-expensive, off-peak periods and inject that same power back into the grid during more-expensive, on-peak periods can reduce wholesale electricity prices and customer costs, while improving the State's overall load factor. Due to the intermittency of many forms of renewable technologies being relied upon by the State at this time, the potential ability to couple intermittent renewable generation with storage potentially could improve the relative cost-effectiveness of such installations. Energy storage projects also could be employed to help address selected system reliability needs and power quality issues.

Due to these and perhaps other potential benefits associated with energy storage, Multiple Intervenors is supportive of efforts to revise and update market rules – at both wholesale and retail levels – to accommodate the use of energy storage and attempt to ensure that it can compete with other technologies on a level playing field. Customers seeking to utilize energy storage should have access to the technology, and be subject to fair and equitable market rules that are neither discriminatory nor punitive.

By the same token, however, Multiple Intervenors does not support subsidizing energy storage technology on the backs of captive utility customers. Just as energy storage should not be disfavored (*e.g.*, via utility tariffs or market rules), captive customers should not be compelled to subsidize this or other technologies. Frustratingly, the Roadmap advances recommendations that new subsidies be created, and other actions be taken for which projected costs and customer impacts have not been analyzed adequately, if at all.

One of the primary tenets of the Commission's Reforming the Energy Vision ("REV") effort is the development of rates that will "encourage desired market and policy outcomes including energy efficiency and peak load reduction, improved grid resilience and flexibility, and reduced environmental impacts ***in a technology neutral manner***."[1] Unfortunately, the Roadmap seeks to continue a disturbing trend of State actions that are inconsistent with any semblance of technology neutrality.[2] Rather than striving to ensure that storage can compete on a level playing field, the Roadmap goes at least one step further and proposes to slant that playing field in favor of storage in what would be yet another example of the State attempting to pick winners and losers in the energy marketplace.

In effectuating State policies, it also is critical that the Commission review proposals dependent upon customer funds thoughtfully and carefully, and avoid burdening electric customers with excessive costs. Many of the Commission's current policy initiatives have large and recurring cost impacts on customers, and the collective impacts of those initiatives must be considered adequately. Specifically, the Commission should refrain from evaluating potential new expenditures of customer funds in isolation, and, instead, examine rigorously the collective costs and impacts of various initiatives, both existing and proposed.

Because the Roadmap is very broad in scope, Multiple Intervenors does not provide action-specific recommendations herein, with the exception of opposing the proposed, new $350

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[1] Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework, (issued May 19, 2016), p. 111, Appendix A (emphasis added).

[2] *See*, *e.g.*, Case 18-E-0071, *In the Matter of Offshore Wind Energy*, Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement (issued July 12, 2018) (mandating that customers subsidize the procurement of offshore wind, despite prior findings that competition between renewable resources would be "more effective" and "achieve lower long-term costs"); *see* Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (issued August 1, 2016) at 103.

million “Bridge Incentive” to subsidize energy storage.[3] Rather, these Initial Comments are intended to provide the Commission with broad guidance in developing its overall policy and regulatory framework for energy storage resources. Specifically, Multiple Intervenors advances the following positions on the Roadmap: (a) while efforts to ensure that energy storage can complete on a level playing field are meritorious and should be supported, proposals that would force customers to subsidize use of the technology should be rejected; (b) if, *arguendo*, the Commission rejects Multiple Intervenors’ position and determines that energy storage possibly should be subsidized at customer expense, then the potential cost impacts associated therewith must be evaluated comprehensively and in the context of all other policy initiatives that customers already are being required to fund, and the Commission should strive to avoid or minimize incremental costs to customers; and (c) with respect to the proposed Bridge Incentive, the Commission instead should return collected but unspent Clean Energy Fund (“CEF”) dollars to customers or, in the alternative, use such dollars to reduce future collections from customers.

COMMENTS

POINT I

GENERAL COMMENT – WHILE EFFORTS SHOULD BE UNDERTAKEN TO ENSURE THAT ENERGY STORAGE CAN COMPETE ON A LEVEL PLAYING FIELD, THE TECHNOLOGY SHOULD NOT BE SUBSIDIZED

As indicated in the Preliminary Statement hereto, Multiple Intervenors perceives numerous potential benefits associated with energy storage. Thus, lest there be any confusion,

[3] The Notice requests that parties organize their comments based on the Roadmap’s Table of Contents headings. If certain Points in these Initial Comments implicate specific topics in the Roadmap, those topics will be identified accordingly. Conversely, broader Points are labeled herein as “General Comments.”

Multiple Intervenors does not oppose energy storage, nor does it have material concerns with its anticipated growth in the marketplace. Indeed, Multiple Intervenors is supportive of efforts to identify and address – absent customer-funded subsidies – market barriers to the greater utilization of energy storage technology. For instance, retail market rules should be examined to ascertain if artificial barriers to energy storage exist. Rules and/or policies also should be adopted that compensate storage projects for the actual economic benefits provided to the system, but preferably not a penny more or less. There also may be alternative rate designs that could facilitate greater reliance on energy storage, although Multiple Intervenors contends that all such rate designs should be cost-based and neither create nor exacerbate interclass subsidies. Thus, similar to ongoing efforts at the NYISO to facilitate the participation of energy storage projects in the State's wholesale electricity markets, the Commission likewise should seek to ensure that retail rules, policies and rates do not impede, artificially, the use of energy storage technology.

Significantly, however, while Multiple Intervenors is supportive of energy storage being able to compete in wholesale and retail marketplaces on a level playing field, it does not support the creation of new, customer-funded subsidies of the technology. Rather than creating a desired level playing field for energy storage, Multiple Intervenors is concerned that some of the proposals in the Roadmap would rely on scarce customer funds to subsidize storage (*e.g.*, the proposed $350 million Bridge Incentive, addressed *infra*). Such subsidies are inappropriate and undesirable from the customer perspective, and Multiple Intervenors also questions whether they truly are needed:

> In general, **many customer-sited and distribution system use cases and paired solar + storage projects are, or will soon become, viable in downstate New York between now and 2025.** This is due to better project economics, where higher value streams offset higher costs. Economically attractive opportunities to pair storage with renewables and potentially to hybridize and/or replace

> fossil peaking units will also begin to arise, as will high-value distribution system use cases in upstate New York. In the longer term, numerous diverse use cases will become economic across New York, especially as the system adds more renewables and the cost of storage solutions continues to decline. Importantly, there will also be cases in which project economics far surpass the illustrative economics shown due to different load shapes and local electric system needs.

(Roadmap at 8; emphasis in original.) Inasmuch as energy storage already is economic under certain scenarios, and is expected to become increasingly economic under many more scenarios over time, Multiple Intervenors submits that it is unnecessary for already-overburdened customers to be forced to financially subsidize energy storage.

For the foregoing reasons, while Multiple Intervenors recognizes numerous potential benefits associated with energy storage, and supports efforts to remove artificial barriers to use of the technology through cost-based changes in rules, policies and rates that level the playing field, Multiple Intervenors opposes the creation of new, customer-funded financial subsidies to artificially benefit energy storage projects.

POINT II

GENERAL COMMENT – PROPOSALS ADVANCED IN THE ROADMAP MUST BE EVALUATED COMPREHENSIVELY AND IN THE CONTEXT OF OTHER POLICY INITIATIVES THAT CUSTOMERS ARE BEING FORCED TO FUND

As the Commission evaluates the broad range of proposals and recommendations set forth in the Roadmap, it must not do so in a vacuum. Rather, Multiple Intervenors urges the Commission to fully and fairly evaluate storage-related proposals – particularly those requiring customer funding – in the context of all the other discretionary programs already authorized by the Commission. For the reasons set forth in Point I, *supra*, while the Commission should evaluate possible policy, rule and rate changes that would remove or address artificial barriers to the use of energy storage and place the technology on a level playing field in New York, it should at the same time refrain from tilting that playing field in favor of energy storage through the use of customer-funded subsidies. If, *arguendo*, the Commission considers taking actions in this proceeding that are dependent on customer funds, it should, at a minimum, evaluate all such actions in the context of the numerous other initiatives similarly dependent upon customer funds.

For example, customers already are funding, *inter alia*, the following initiatives:

- the CEF, which requires customers to pay over $5 billion in utility surcharges to fund customer-sited renewable projects, energy efficiency programs, and market transformation programs, as well as capitalization of the New York Green Bank;
- Tier 1 of the Clean Energy Standard ("CES"), which requires customers, through load-serving entities ("LSEs"), to procure increasing amounts of Renewable Energy Credits ("RECs") to provide billions of dollars in out-of-market compensation to new renewable projects;
- Tier 2 of the CES, which requires customers, through utilities, to provide out-of-market compensation to existing renewable facilities demonstrating financial need, including facilities that already have received millions of dollars in out-of-market payments from customers under the Renewable Portfolio Standard;
- Tier 3 of the CES, which requires customers, through LSEs, to procure Zero-Emission Credits to provide billions of dollars in out-of-market compensation to selected, existing nuclear facilities;
- utility-administered energy efficiency programs of increasing magnitude that are dependent upon hundreds of millions of dollars in customer collections annually;

- a new offshore wind initiative, which will require customers, through LSEs, to procure Offshore Wind RECs, or O-RECs, to provide at least hundreds of millions of dollars in annual, out-of-market compensation to offshore wind projects;
- the "Value of Distributed Energy Resource ('DER')" tariffs, which require non-participating customers to pay out-of-market compensation to customers with qualifying DER projects; and
- new Earnings Adjustment Mechanisms, which require customers to pay utility shareholders millions of dollars in incentive payments, above and beyond the cost to provide safe and reliable electric and/or gas service, for achieving certain outcomes for which the utility's management may or may not have been responsible.

In addition to the foregoing, customers are being called upon to support numerous utility investments related to REV, including, but not limited to: (a) proposed investments in advanced metering infrastructure; (b) information systems and other investments purportedly necessary to help fulfill utility functions as distributed system platform providers; (c) capital, operating costs and incentives associated with non-wires alternatives and non-pipeline alternatives; and (d) REV pilot programs costing many millions of dollars apiece. Customers also are being required to fund new incentives for various forms of beneficial electrification. Finally, customers may be required to pay higher – potentially much-higher – wholesale electricity prices due to a carbon pricing initiative that currently is under consideration in the NYISO stakeholder process.

Many of the above initiatives have price tags in the billions of dollars on an individual basis, and the aggregated cost obviously is much higher. Additionally, many of these initiatives involve long-term commitments of customer funds. Thus, when the Commission undertakes to evaluate a new initiative to promote energy storage – or, really, any new initiative – the projected costs thereof must not be evaluated solely in isolation, but also in the context of all of the other costs being imposed on customers currently and in the future. Frustratingly, it often appears that single expense items in utility rate cases costing in the tens of thousands of dollars – while legitimate topics of inquiry – receive much-greater cost-related scrutiny than new policy initiatives costing in the hundreds of millions of dollars or more.

In analyzing the Roadmap and developing a framework to facilitate (as opposed to subsidize) the adoption of energy storage in New York, the Commission should focus, first and foremost, on the best economic interests of customers. Multiple Intervenors is very concerned that, if discretionary costs continue to be imposed on customers, the aggregate price and rate impacts of the Commission's collective initiatives will cause energy-intensive businesses to increasingly shift production, capital and jobs to other regions. In other words, the ability of customers to fund expensive policy initiative after expensive policy initiative is extremely limited to non-existent at this point. Accordingly, the proposals advanced in the Roadmap must not be evaluated in isolation but, rather, in the context of all of the other commitments being imposed on customers.[4]

[4] Multiple Intervenors also notes that the increased costs associated with most of the Commission's initiatives ultimately (and often inequitably) are recovered from customers on a volumetric basis, thereby imposing the greatest (and disproportionate) impacts on large, high-load-factor customers. These customers, ironically, are amongst the most energy efficient customers in the State and most important to retain if the State's current load factor is to be maintained, let alone improved over time.

POINT III

SECTION 4.4 – THE COMMISSION SHOULD RETURN UNSPENT CEF FUNDS TO CUSTOMERS, OR USE SUCH FUNDS TO REDUCE CUSTOMER SURCHARGES

Section 4.4 of the Roadmap recommends that NYSERDA work with the utilities and the Long Island Power Authority to develop a $350 million statewide Bridge Incentive, via multiple programs, in order to drive down costs and accelerate energy storage adoption. Importantly, Staff specifically recommends that "existing sources of funds such as funds authorized under the Clean Energy Fund or other previously collected but currently uncommitted funds be identified to support this recommended funding commitment." (Roadmap at 49). For the reasons advanced, *supra*, Multiple Intervenors opposes utilizing $350 million of customer funds to subsidize energy storage. Instead, such uncommitted funds should be returned to customers expeditiously. Alternatively, they should be utilized to reduce future CEF collections.

Multiple Intervenors' strong preference is that unspent and/or unallocated CEF funds be returned to customers in an expeditious and equitable manner, rather than being repurposed to subsidize energy storage through a Bridge Incentive program. At the Commission's direction, utilities have assessed and collected billions of dollars from customers in surcharges under the CEF, and that is only one of many discretionary initiatives that customers are being forced to fund at a very steep cost. The Commission is responsible for acting as the steward of those customer funds. To the extent certain funds are uncommitted – for whatever the reason – such funds should be returned to customers expeditiously. Again, this is customer money, and the Commission should not feel obligated to spend every penny irrespective of the circumstances. While returning the funds to customers is appropriate – if not overdue – and would have the most beneficial impact on high energy costs, an alternative – and acceptable – option would be to utilize such unallocated funds to reduce future CEF collections, thereby lowering energy costs moving forward.[5]

If, *arguendo*, the Commission rejects Multiple Intervenors' positions and approves a $350 million customer-funded Bridge Incentive program, it should, at a minimum, ensure that such funding constitutes the maximum amount of subsidies accorded to energy storage and refrain from approving any incremental collections or payments from customers. While the Commission may desire that customers subsidize numerous different types of programs and technologies, there are limits to the costs that customers can and should bear. Moreover, it is far from clear that any economic subsidies are required here, as energy storage is becoming increasingly economic. Therefore, the Commission should refrain from expending customer funds and, instead, focus on ensuring that existing policies, rates and tariffs do not impede, artificially, the growth of energy storage technology. In other words, the Commission should seek to levelized the playing field for energy storage, rather than slanting it towards that – or any other – technology at customer expense.

[5] While the return of or reduction in CEF collections may not seem all that substantive a customer benefit to some at first blush, it bears emphasizing that many large, high-load-factor non-residential customers are forced to pay surcharges that often approach – and exceed – the cost of traditional electric delivery service.

CONCLUSION

For the foregoing reasons, Multiple Intervenors urges the Commission to adopt its positions in this proceeding.

Dated: September 10, 2018
Albany, New York

Respectfully submitted,

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