COUCH WHITE, LLP
COUNSELORS AND ATTORNEYS AT LAW

Couch White, LLP
540 Broadway
P.O. Box 22222
Albany, New York 12201-2222
(518) 426-4600

Amanda De Vito Trinsey
Partner
Direct Dial: (518) 320-3432
Telecopier: (518) 426-0376
Email: adevito@couchwhite.com

September 10, 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, NY 12223-1350

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

Dear Secretary Burgess:

The City of New York ("City") respectfully submits the attached *Initial Comments of City of New York in Response to the Energy Storage Roadmap* for filing in the above-referenced proceeding. Please contact me if you have any questions.

Respectfully submitted,

COUCH WHITE, LLP

Amanda De Vito Trinsey

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Attachment
cc: Party List (via DMM list serve)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

INITIAL COMMENTS OF CITY OF NEW YORK IN RESPONSE TO THE ENERGY STORAGE ROADMAP

Dated: September 10, 2018

COUCH WHITE, LLP
540 BROADWAY
P.O. BOX 22222
ALBANY, NEW YORK 12201-2222
518-426-4600

PRELIMINARY STATEMENT

The City of New York ("City") is a strong proponent of increasing customer access to distributed energy resources ("DER"), including energy storage resources ("ESR"), and has made unprecedented commitments to DER in an effort to achieve its objectives of creating a resilient and low-carbon energy supply, improving air quality, and reducing greenhouse gas emissions by 80 percent from 2005 levels by 2050, as set forth in *One New York: The Plan for a Strong and Just City* ("OneNYC").[1] The City also has established an aggressive ESR deployment target of 100 MWh in New York City by 2020.[2] These goals complement the State's Clean Energy Standard ("CES") that 50% of all electricity used in New York by 2030 be generated from renewable resources[3] and Governor Andrew Cuomo's recently-announced goal of installing 1,500 MW of energy storage in New York State by 2025.

Energy storage is a particularly attractive for technology for New York City given its unique physical and operational characteristics. Siting solar and other renewable generation within New York City is challenging due to the city's highly dense urban environment and affordability of siting. ESR can help improve the efficiency and utilization factors of these intermittent resources – which may improve the project's overall financial feasibility. Likewise, installing ESR in areas of need could help to address public policy priorities such as making energy

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1 *One New York: The Plan for a Strong and Just City* (issued April 2015) at 166, available at www.nyc.gov/html/onenyc/downloads/pdf/publications/OneNYC.pdf.

2 *New York City's Roadmap to 80x50* (issued September 26, 2016) at 48-49, available at: http://www.nyc.gov/80x50.

3 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 2.

affordable for all consumers, improving local air quality, strengthening the resiliency of the electric system, and reducing peak load.

The City supports the State's plans to encourage ESR development and is generally supportive of the concepts and recommendations set forth in the *New York State Energy Storage Roadmap* ("Roadmap") issued by Department of Public Service Staff ("Staff") and the New York State Energy Research and Development Authority ("NYSERDA") on June 21, 2018. The Roadmap sets forth Staff and NYSERDA's proposed policies, regulations, and initiatives needed to achieve Governor Cuomo's energy storage target. The City offers the following recommendations to improve the Roadmap for consideration by the Public Service Commission ("Commission"): (1) developing proper market designs and rate structures is vital to incentivizing ESR adoption; (2) improved access to data is needed to provide greater transparency and assist in siting ESR in areas with the most value to customers; (3) implementation of "Clean Peak" actions should be done in a strategic manner that balances reducing peak emissions with maintaining system reliability; (4) earnings adjustment mechanisms ("EAMs") developed to encourage ESR development should not be duplicative of existing EAMs and should consider the interests of customers; and (5) barriers to ESR participation in the wholesale markets should be removed expeditiously.[4]

Preliminarily, the City notes that there are a number of parallel efforts that are ongoing before the Commission to develop rules that will enable the acceleration of DER and ESR adoption. In particular, the Commission's Value of DER ("VDER") proceeding is working

[4] The City also jointly submitted comments in this proceeding with Azure Mountain Power, Environmental Defense Fund, the Institute for Policy Integrity at New York University School of Law, Natural Resources Defense Council, New York City Environmental Justice Alliance, and WattTime specifically responding to the Roadmap issues related to Smart Dispatch and the E Value.

towards refining a Value Stack methodology that will more accurately value and compensate DER for its societal, environmental, and system benefits. To some extent, issues discussed in that and other Reforming the Energy Vision ("REV") proceedings may overlap with Staff and NYSERDA's recommendations in the Roadmap. The City understands that this is an evolving process, and its comments herein should not be construed as precluding the City from raising new or additional information where relevant in such other proceedings. The comments set forth herein are intended to be broadly informative as to the overall policy and regulatory framework that should be considered for accelerating ESR adoption.

COMMENTS

POINT I

DEVELOPING A PROPER MARKET DESIGN AND RATE STRUCTURE IS VITAL TO INCENTIVIZING ESR DEVELOPMENT [ROADMAP SECTION 4.1 RETAIL RATE ACTIONS AND UTILITY PROGRAMS]

In order to properly incentivize investments in ESR, it is vital that existing barriers to their accelerated adoption be removed. The ESR market, rate structures, and utility programs should be properly designed in such a manner that provides developers with confidence in the value streams received and regulatory framework. The City is encouraged that the Roadmap offers numerous utility program- and rate-related recommendations intended to foster greater penetration of ESR in New York that are meritorious and warrant consideration by the Commission. The City offers the following recommendations to guide the Commission in reviewing those proposals.

First, in order to incent adoption of ESR, delivery rates need to be designed in such a way that sends accurate price signals to the market and properly accounts for and maximizes the environmental and societal benefits of implementing ESR. To that end, Staff and NYSERDA recommend that "utilities should develop an optional rate, built on the current standby rate, that

implements a more granular time- and location-varying daily as-used demand rate" similar to Consolidated Edison Company of New York, Inc.'s ("Con Edison") existing "Rider Q" standby rate pilot. As noted above, there is tremendous overlap between what is being proposed in the Roadmap and ongoing efforts related to rate design pursuant to the Commission's VDER proceeding. Department Staff's proposal on value stack eligibility expansion provides that potential additional eligible resources for VDER tariff applicability include stand-alone energy storage, as well as regenerative breaking.[5] Accordingly, the City's comments on the Roadmap incorporate the positions advanced in the VDER proceeding regarding ESR.

In the VDER proceeding, the City submitted comments advocating that standby and buyback rates should not apply to the expanded class of technologies eligible for Value Stack compensation, including Tier 1 Eligible Resources and standalone storage resources.[6] As noted in the Commission's March VDER Order, the purpose of the VDER proceeding is to provide compensation to DER that accurately reflects the actual value provided by those resources, including value to the grid. [7] It is imperative that any other rate design elements intended to compensate for self-generation should be carefully weighed to ensure they do not serve as barriers to DER adoption.

Nevertheless, in the event that the Commission determines that standby rate components should be extended to the expanded technologies, the Commission should clarify when these components would apply, and when they would not. For example, in the March VDER

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[5] Case 15-E-0751, In the Matter of the Value of Distributed Energy Resource, Staff Proposal on Value Stack Eligibility Expansion (filed May 22, 2018), p. 4-5.

[6] Case 15-E-0751, In the Matter of the Value of Distributed Energy Resource, Comments of the City of New York (August 6, 2018).

[7] Case 15-E-0751, supra, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) at 3.

Order, the Commission confirmed that large on-site projects (which pair with ESR) may separately meter their DER project, in which case all generation would be injected into the grid and the project would receive compensation based on the full Value Stack.[8] The City recommends that, similar to what the Commission determined in the March VDER Order, ESR be subject to the same potential metering approach to avoid standby rates, both at the customer load meter and at the ESR injection meter. Such approach would remove rate design barriers and improve project economics.

Moreover, eliminating the application of a contract demand charge to dispatchable ESR is important because such assets relieve load rather than increase load during peak periods. It makes little sense to subject dispatchable ESR to a contract demand charge, as there may be instances where a resource must charge at a faster rate due to system needs or market conditions which would trigger penalties and a contract demand increase based on the utility tariffs in place today. Contract demand charges inhibit flexibility and optimized market participation by ESR and instead promote paltry operating decisions which is contrary to REV principles.

Second, the Commission should continue to refine the Value Stack and take actions to ensure that clean energy projects, including ESR, are properly valued and compensated for all of the benefits they provide. The City supports the development of a more granular environmental ("E") value component of the Value Stack that accounts for true differences in emissions between energy from ESR and grid power. The City's comments and recommendations on the E value and measuring emissions benefits of ESR are set forth in its Joint Comments filed concurrently in this proceeding.[9]

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8 *Id.* at 94.

9 See fn. 4 supra.

The City continues to support the development of an environmental justice ("EJ") Value Stack adder that would incentivize ESR development in communities in the City that traditionally have borne a disproportionate burden of prolonged underinvestment, poor reliability, pollution, and corresponding public health and socio-economic impacts. The City also recommends that, in the context of the VDER proceeding, the Commission consider a resilience adder that compensates ESR that serve critical community facilities like hospitals. A resilience adder would encourage developers to site ESR in locations where such assets can serve these critical facilities and ensure that they can continue operating in the event of a widespread power outage.

Staff and NYSERDA also recommend that (i) the rate lock for the Distribution Relief Value ("DRV") component of the VDER Value Stack be extended from 3 to 7 years in order to reduce ESR financing costs; and (ii) utilities establish a DRV call signal for top utility system hours similar to the existing Commercial System Relief Program ("CSRP") call signal. (Roadmap at 33). As the Roadmap notes, these changes could help reduce financing costs for ESR, and allow them to provide distribution value on a more consistent basis. Accordingly, the City encourages the Commission to further explore these recommendations.

Third, as to the utility's role in encouraging ESR adoption, the Roadmap recommends that utilities begin developing optionality values as part of their benefit cost analysis ("BCA") frameworks that quantifies the value of an ESR project's potential flexibility for capital planning purposes, and expand the scope of their Non-Wires Alternative ("NWA") opportunities to include consideration of expanded DER portfolios that will reduce their customers' total bills. Additionally, the Roadmap included a recommendation that there be a technical conference with stakeholders in Summer 2018 to develop and consider real options valuation methodology that is

appropriate for utility planning.[10] The City supports a more nuanced stakeholder process to develop components to the BCA which will have a significant impact to project economics. The City does not suggest leaving this to the utilities' discretion without further input via a stakeholder process. Moreover, NWA opportunities should continue to be limited to those solutions that could be as operationally effective as traditional infrastructure solutions and with lower costs than the traditional solutions.

With respect to Staff and NYSERDA's proposal to allocate $350 million of collected but unspent funds (*e.g.*, from the Clean Energy Fund) toward a statewide bridge incentive to accelerate ESR adoption ("Bridge Incentive"), it is important that such monies are utilized in a manner that ensures the most benefit to customers from increased ESR. As currently drafted, the Roadmap suggests that the Bridge Incentive should "prioritize those use cases with the best economics and ability to scale quickly within the next 3-5 years." (Roadmap at 50).

In allocating Bridge Incentive funding, the City submits a practical approach should be taken that prioritizes funding of ESR projects based on the value proposition these projects provide to customers. For example, projects with highest avoided emissions profiles, or projects that provide low-income customers with bill reductions and clean energy opportunities, should be given priority for Bridge Incentive funding. As to the Roadmap proposal that NYSERDA create an adder for storage systems paired with solar under its NY Sun program, the City recommends that this adder also be subject to the existing MW Block incentive framework to ensure that incentives are equitably distributed Upstate and Downstate.

[10] Roadmap at 43.

POINT II

IMPROVING ACCESS TO DATA WILL PROVIDE GREATER TRANSPARENCY AND ASSIST IN SITING ESR IN AREAS WITH THE MOST VALUE TO CUSTOMERS [ROADMAP SECTION 4.5.4 DATA ACCESS]

On pages 59-62 of the Roadmap, Staff and NYSERDA identify the main data sources currently available to support ESR development (*e.g.*, hosting capacity maps, and Green Button Connect data in limited areas), but note that additional guidance on data accessibility will be needed in order for developers to identify, evaluate, and meet system needs. To promote investment in ESR, Staff and NYSERDA recommend, *inter alia*: (i) requiring utilities to provide DER developers and operators with hourly load data (actual and forecasted) for substations that connect the distribution system with the bulk electric system; and (ii) a coordinated effort between the utilities, NYSERDA, and Staff to develop, implement, and maintain a searchable data platform containing customer-related data.

Access to enhanced system data is critical for system planning purposes, particularly with respect to accelerating ESR development in New York City and facilitating the success of State and City energy efficiency and greenhouse gas emissions reductions policies. As such, the City supports Staff and NYSERDA's recommendation that utilities be required to provide developers and operators with more granular substation load data. This data will inform developer and operator decision-making as to areas on the electric system where siting ESR can provide the greatest benefit, in terms of deferring feeder, substation, and other investments needed to ensure system reliability and resource adequacy.

The City also supports the development of a searchable data platform containing customer-related data that can assist DER developers with identifying potential candidates for ESR and/or other DERs, subject to appropriate mechanisms to maintain protection for customer data.

In developing the data platform, necessary privacy standards and access limitations should be utilized to ensure that consumer privacy risks are mitigated.

POINT III

IMPLEMENTATION OF "CLEAN PEAK" ACTIONS SHOULD BE DONE IN A STRATEGIC MANNER THAT BALANCES REDUCING PEAK EMISSIONS WITH MAINTAINING SYSTEM RELIABILITY [ROADMAP SECTION 4.6 "CLEAN PEAK" ACTIONS]

The Roadmap recommends a number of "Clean Peak" actions that are designed to help facilitate a shift toward meeting peak demands with clean energy, including aligning storage approaches with the New York State Department of Environmental Conservation's ("NYSDEC") draft combustion turbine peaking unit regulations to reduce NOx emissions from major electric generating facilities (e.g., peaking units). (Roadmap at 12). The City is a strong proponent of improving air quality and reducing emissions within the city. That notwithstanding, in analyzing Staff and NYSERDA's proposed Clean Peak actions, the City urges the Commission to proceed carefully and strategically to ensure that, in crafting policies designed toward achieving clean energy goals, system reliability is also maintained.

Regulatory changes that affect the operation of peaking units in New York City may have a significant impact on in-city generation, electric reliability, costs to consumers, and air emissions. New York City is home to over eight million residents, is a critical world financial and commercial center, and has innumerable industrial, commercial, and retail entities located within its borders. Maintaining a reliable electrical system at reasonable cost and improving air quality are of paramount interest to the City and the millions of residents of, and visitors to, New York City. Further analysis should be performed to demonstrate where on the electric system and to what extent ESR can provide the same reliability benefits that traditional peaking units provide.

The City also recommends that based upon the results of the New York Independent System Operator, Inc.'s ("NYISO") Reliability Needs Assessment process in 2020, if any resources are identified as short-term reliability solutions by the local transmission owner or the NYISO, the Commission should implement a stakeholder process to assess alternative approaches to solving the reliability need, and develop short- and long-term solutions that address reliability needs while minimizing overall costs to consumers. If a reliability need is identified, it is important to fully understand what the comprehensive cost impacts will be to ratepayers.

The City understands that there are some very locational system-specific issues pertaining to sub-transmission and distribution system impacts that may require further review and analysis in the context of understanding reliability implications. Specifically, there are certain peaking units that exist to provide relief for load pocket constraints. It is not readily apparent whether the physical and operational characteristics of ESR would be well-suited to either displacing or supplementing such peaking units, and rather, a holistic solution that includes actions to be undertaken by the local transmission owner and distribution utility may be required.

With respect to the NYSDEC's proposed peaking unit regulations, as currently drafted, they would extend the time for peaking units to comply with new NOx emissions requirements if a specified amount of energy storage is sited in the same NYISO load zone as that peaking unit. Given the need for more analysis pertaining to sub-transmission and distribution system impacts, the City sees this as an opportunity for coordination between the Department and the NYSDEC so that the full impacts of the NYSDEC's rulemaking can be realized in advance of implementation. It is unclear whether the NYSDEC intends to adopt a "one-size-fits-all" approach to this issue, or whether such an approach is appropriate. Additionally, it is not readily apparent how the extension of the proposed system averaging provision would impact units potentially identified as a short-term reliability solution under the current proposal. The Commission should

take these potential regulatory issues into account in crafting policies that favor relying on ESR to meet peak demand over traditional peaking units.

Finally, the Roadmap recommends that utilities directly impacted by the NYSDEC's forthcoming NOx regulations for major electric generating facilities (e.g., peaking units) be directed to develop Peaking Unit Contingency Plans that address the potential retirement of existing peaking unit generators. (Roadmap at 66). The City cautions that this recommendation may be premature at this time given that the regulations are still under development. Given the absence of any proposed rulemaking by the NYSDEC with respect to peaking unit regulations, many issues remain unresolved, for example, the regulations' potential impacts on the regulated community and cost impact such regulation may have on consumers. If a final rulemaking has not yet been issued, the regulated community has not been identified and the utilities will not have the necessary details by which to design an adequate contingency plan. For example, the utilities would lack an understanding of what the generators plan to do from a business perspective.

Instead, the City recommends that the utilities should wait until a final rulemaking is issued to work with the NYSDEC, the Department of Public Service, and impacted stakeholders to develop Peaking Unit Contingency Plans. Alternatively, if the Commission finds that the utilities should begin developing Peaking Unit Contingency Plans before the issuance of a final rulemaking, the Commission should ensure that the development process for such contingency plans allows for full participation by interested stakeholders. As noted above, many peaking units are located in New York City, and the City, therefore, has a direct interest in ensuring that Peaking Unit Contingency Plans that affect the city adequately address reliability and consumer cost concerns.

POINT IV

DEVELOPMENT OF ADDITIONAL EAMS SHOULD NOT BE DUPLICATIVE OF EXISTING EAMS [ROADMAP SECTION 4.2.1 EARNINGS ADJUSTMENT MECHANISMS]

On page 40 of the Roadmap, Staff and NYSERDA recommend that the Commission direct each utility, in its next rate case filing, to propose an EAM that would incentivize the improvement of distribution system-wide load factor. The Roadmap states that a load factor EAM "could be effective in deploying energy storage" because "[s]torage is uniquely qualified to improve load factor, as it increases off-peak load and decreases peak load, and can make the most significant improvement to load factor per unit of any technology." (Roadmap at 40.)

The Commission should ensure that any new EAMs designed to foster adoption of ESR are not duplicative of existing incentives so that utility shareholders are not rewarded twice for the same outcome. For example, in its May 19, 2016 Order in the Reforming the Energy Vision proceeding, the Commission adopted a number of outcome-based EAMs to encourage market development, including EAMs intended to reduce bulk system peak demand, improve system load factor, and improve energy efficiency.[11] Similarly, in its most recent three-year electric rate plan, Con Edison proposed, and the Commission approved, several EAMs including, *inter alia*: (1) an EAM for incremental system peak (MW) reduction; (2) a DER Utilization EAM to encourage expansion of the use of DERs in Con Edison's service territory; and (3) a Customer Load Factor

[11] 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), at pp. 53-71 ("Track Two Order").

EAM to incent Con Edison to improve the load factor for poor load factor customers.[12] These EAMs overlap with the EAMs proposed by Staff and NYSERDA. An EAM that focuses on decreasing peak load is duplicative of existing peak reduction EAMs. Similarly, Con Edison's Customer Load Factor EAM seeks to improve load factor for poor load factor customers, and it is unclear whether and to what extent achievements toward that EAM goal could also help Con Edison attain a new load factor EAM and earn a return for its shareholders. Potential overlaps between EAM goals should be resolved before new EAMs are adopted and implemented.

Second, EAMs and utility shareholder incentives must be directly linked to incremental achievements rather than business-as-usual performance. Prior to any new EAMs being implemented, an analysis should be conducted to collect baseline information, benchmark each utility's current system-wide load factor, and set appropriate targets above those baselines. Similarly, the Roadmap recognizes a need to "mitigate what could become a reverse incentive to simply increase off-peak load to improve load factor…." (Roadmap at 40). Indeed, the City agrees that a load factor EAM should not be achievable through load shifting alone. A new EAM should be designed in such a manner that fosters development of ESR (the technology at issue), rather than through broad targets and metrics that can be achieved through alternative means like load shifting or other forms of DER.

[12] *See* Case 16-E-0060, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc., Order Approving Electric and Gas Plans (issued January 25, 2017), at p. 71.

POINT V

BARRIERS TO ESR PARTICIPATION IN THE WHOLESALE MARKETS SHOULD BE REMOVED EXPEDITIOUSLY [ROADMAP SECTION 4.7 WHOLESALE MARKET ACTIONS]

While developing the retail market for ESR is important for accelerating penetration of this technology, the retail market is only one piece of project economics and developers should have the opportunity to maximize all available revenue streams for the technology. As the Roadmap acknowledges, there is a process ongoing at the NYISO to develop market rules to allow ESR to participate in NYISO-administered wholesale markets. On February 15, 2018, Federal Energy Regulatory Commission's ("FERC") issued a Final Rule ("Order 841" or "Order") in its proceeding regarding ESR participation in competitive wholesale markets. Order 841 directs each RTO/ISO to revise its tariff to establish a participation model consisting of market rules that, recognizing the physical and operational characteristics of ESR, facilitates their participation in the wholesale markets.[13] Moreover, FERC directed RTOs/ISOs "to **remove barriers** to the participation of electric storage resources in the **capacity**, energy, and ancillary service markets operated by Regional Transmission Organizations (RTO) and Independent System Operators (ISO) (RTO/ISO markets)."[14]

Order 841 directed RTOs/ISOs to make a tariff compliance filing by December 3, 2018 establishing such market rules. The Order also provided that such rules should be fully implemented in the NYISO's markets by December 3, 2019. The City submits that what the NYISO has indicated will be included in its forthcoming FERC compliance filing does not go far enough to create a market design and rules that recognize the unique physical and operational

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[13] Electric Storage Participation, 162 FERC ¶61,127 (2018), at 7 ("Order No. 841").

[14] Order 841 at i (emphasis added).

characteristics of ESR. Significantly, the NYISO has indicated that its December compliance filing will not include market rules that permit dual participation in both the wholesale and retail markets.[15] Until the NYISO's wholesale market design concept can be reconciled with the retail market and how ESR practically operates and participates in the markets, the full potential of ESR technology implementation will not be realized.

The City agrees with the Roadmap that "energy storage in the distribution system should be allowed to provide separate and distinct services to both the utility and the NYISO." (Roadmap at 69). It is the City's understanding that the existing business case for ESR technology needs to be improved in order for ESR adoption to increase, but many ESR projects likely are uneconomic if the resource is permitted to receive only one value stream (*i.e.*, retail rate or wholesale rate only). As such, it is critical at this nascent stage of the ESR market to develop appropriate rules to allow for dual participation in both retail and wholesale markets and enable developers to maximize all available revenue streams. The City is committed to working with Staff and the NYISO to develop and implement dual participation market rules and supports the Roadmap recommendation that dual participation issues be addressed at the NYISO in short order.

Proposed ESR wholesale market participation rules must adequately recognize the unique physical and operational characteristics of ESR and be designed to accommodate those characteristics. Some of the parameters currently being discussed within the NYISO process may not be conducive to extracting maximum benefits from ESR technology. For example, the City has concerns that the current requirement that ESR have a minimum runtime duration of 4 hours will limit the viability of ESR in the wholesale markets. Instead, the City agrees with Staff and

[15] NYISO, Capacity Market Rules for Energy Storage Resources, Installed Capacity Working Group (August 23, 2018), *available at*: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2018-08-23/ESR%20Capacity%20Model_Tariff_8_23.pdf.

NYSERDA's recommendation that the NYISO accelerate its examination of whether ESR could provide greater value to the grid with a modified minimum runtime requirement that provides the technology more flexibility. Likewise, the NYISO should accelerate the development of rules to allow ESR to participate in the NYISO Ancillary Services market and provide services such as flexible/fast ramping products and additional reserve products. These actions will provide ESR with flexibility to benefit the grid in multiple ways and will unlock additional revenue streams. The City looks forward to continuing to work with Staff and the NYISO in developing these market rules.

The City supports Staff and NYSERDA's recommendation that ESR and DER be wholly exempt from existing NYISO Buyer Side Mitigation ("BSM") rules. (Roadmap at 66). The NYISO has not performed any studies demonstrating that ESR and DER are incentivized, or have the physical/operational capability, to actually exercise market power and suppress prices - which is the intent of the BSM rules. Moreover, imposing BSM rules on ESR and DER market participation models simply because this is what presently exists in the NYISO's tariff for a traditional generator neglects to incorporate the FERC directives to "establish market rules that, recognizing the physical and operational characteristics of electric storage resources, facilitate their participation in the RTO/ISO markets."[16] The FERC further ordered ISOs/RTOs "to remove barriers to the participation of electric storage resources in the capacity, energy, and ancillary service markets . . . ."[17] Applying BSM rules to ESR and DER as a default market design arguably creates an unnecessary barrier to their entry into the market.

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[16] Electric Storage Participation, 162 FERC ¶61,127 (2018), at p. 2 ("Order 841").

[17] Order 841, at i.

ESR has the potential to assist during critical peak periods, relieve system constraints and can be integrated into the NYISO's system planning if such resources are able to participate in the wholesale market and retail market simultaneously. For all of the reasons set forth above, the City encourages the NYISO to takes the actions recommended herein and remove barriers to wholesale market participation by ESR.

CONCLUSION

The City is a strong proponent of the State's efforts to encourage the development of ESR in New York. The City appreciates the opportunity to provide these comments and looks forward to working with the Commission and interested stakeholders to promote the successful integration of ESR into the City's and State's electric portfolio.

For the foregoing reasons, the City respectfully requests that the Commission adopt the recommendations set forth herein.

Respectfully submitted,

Amanda De Vito Trinsey

Amanda De Vito Trinsey, Esq.
COUCH WHITE, LLP
Counsel for the City of New York
540 Broadway
P.O. Box 22222
Albany, New York 12201-2222
Tel.: 518-426-4600
Fax: 518-426-0376
E-mail: adevito@couchwhite.com

Dated: September 10, 2018
Albany, New York

Susanne DesRoches
Deputy Director, Infrastructure Policy
NYC Mayor's Office of
Recovery and Resiliency
Mayor's Office of Sustainability
253 Broadway, 14th Floor
New York, New York 10007
Tel: (212) 788-7554
E-mail: sdesroches@cityhall.nyc.gov

Dated: September 10, 2018
New York, New York