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Via Electronic Delivery

September 24, 2018

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 18-E-0130 – In the Matter of Energy Storage Deployment Program.

Dear Secretary Burgess:

Pursuant to the July 17, 2018 Notice Soliciting Comments and Announcing Technical Conferences issued in the above-captioned proceeding, the Independent Energy Efficiency Program, Inc. ("IEEP"), Municipal Electric Utilities Association ("MEUA"), and the New York Municipal Power Agency ("NYMPA," and together with IEEP and NYMPA, the "Municipal Utilities") hereby submit the following reply comments on the *New York State Energy Storage Roadmap and Staff Recommendations* (the "Roadmap") issued 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.

Specifically, the Municipal Utilities would like to urge a deliberate, individually tailored, and cost-effective approach to New York's energy storage goals that takes a holistic view of the State's energy policies while retaining flexibility to allow for individualized solutions. The members of the Municipal Utilities are all municipal electric utilities. All of these municipal systems are not-for-profit enterprises, which acquire the lowest cost power available and distribute that power to their customers at no profit. Essentially, these systems are customer-owned.

The MEUA is an association of forty New York municipal electric utilities. All MEUA members are entitled to a portion of the Niagara Power Project by federal and State statute, and contract. The majority of MEUA members require more energy than they are allocated through preference power. These members acquire their supplemental energy needs through NYMPA. NYMPA is a joint action agency of thirty-six New York municipal utility members. NYMPA

was formed in 1996 pursuant to Section 119-o of the General Municipal Law, and commenced supplying power to its members in May 1998.

The IEEP is a not-for-profit corporation, and the mechanism used by the MEUA to advance the State's energy efficiency goals. The IEEP is a cooperative entity designed to implement energy efficiency and system benefit projects, as well as renewable resource demonstration and education programs, in the participating municipal systems' service territories. While the Municipal Utilities' programs are administered centrally for economies of scale and consistency of contracting, each municipality determines which of the approved programs it will offer. The Municipal Utilities' programs are designed to deliver benefits to the system and its electric customers based on specific local input. The Municipal Utilities' programs are funded through an adder to its member systems' purchased power costs, as approved by NYPA and the Commission.

The Municipal Utilities' members vary widely in their relative size, operating characteristics, customer makeup, and location. For example, one of the smaller members, with under 450 total customers, is a winter peaking system with a peak load of 2.1 MW. Eighty percent of the customers are residential. By contrast, a larger member has over 17,000 total customers and a system peak, in the winter, of 116 MW. The combined load of the Municipal Utilities' members accounts for just over 2.0% of the New York Control Area. The member systems span the State, and are located in urban, rural, tourist destination, and university settings. Each system provides its customers individually tailored, grassroots programs with unparalleled community participation.

The Municipal Utilities believe that energy storage has the potential to provide a multitude of benefits to the grid. However, those benefits vary greatly depending on both location and operating characteristics of individual installations. Therefore, the Commission must ensure that storage resources are both fully and accurately compensated for their contributions.

First, it is imperative that the Commission recognize that not all storage installations offer the same benefits. As pointed out by multiple parties, as a general matter, behind-the-meter, customer-sited systems tend to benefit individual customers, whereas transmission and distribution level installations benefit all customers of those transmission and distribution networks.[1] Therefore, grid-scale and distribution level projects should be prioritized when a cost benefit analysis supports their installation. Utilities are necessarily in the best position to evaluate where storage is most beneficial on their systems in the distribution context.[2] Therefore, they should continue to lead in evaluating when and where storage is best deployed on their systems. This is especially true for the Municipal Utilities' members. Because of their relatively small size, they enjoy a unique level of community engagement that can be leveraged

[1] Case 18-E-0130, *In the Matter of energy Storage Deployment Program*, New York State Smart Grid Consortium Comments (Sept. 11, 2018), at 5 ("NYS Smart Grid Comments"); Case 18-E-0130, *supra*, Joint Utilities Comments (Sept. 10, 2018), at 4, 7–9 ("JU Comments").

[2] *See* JU Comments at 4.

into individually tailored projects that integrate seamlessly into utility planning at a grassroots level unachievable by larger utilities. The Municipal Utilities are currently studying the feasibility of a number of storage installation across several member systems in partnership with local communities. That localized, utility-integrated approach should be encouraged and allowed to continue.

The Municipal Utilities agree with New York State Smart Grid Consortium, and other commenters, that storage should not be preselected as the optimal solution in all situations.[3] As explained by some commenters, in order to achieve the most cost-effective and beneficial outcomes for ratepayers, all solutions should be evaluated on a technology neutral basis, and storage should be selected only if it is the most beneficial.[4]

Next, the Municipal Utilities would like to address a proposal, offered by several commenters for a Clean Reliability Program and associated Clean Reliability Credit, which would centrally procure storage and finance those procurements through a renewable energy credit ("REC") like mechanism.[5] Any such program is premature at this time. It is imperative to allow markets to provide sufficient revenue streams for efficient and cost-effective storage deployment before ratepayers are subject to yet another funding obligation. As pointed out by several commenters, the State is currently pursuing a multitude of ratepayer funded public policy programs.[6] Those include energy efficiency, the Clean Energy Standard through RECs and Zero Emission Credits, the forthcoming Offshore Wind RECs, and the potential for expenditures to promote the adoption of electric vehicle charging infrastructure. The cumulative costs, and impacts on the bulk system, of all of these programs should be considered holistically.[7] Potential impacts on reliability of these initiatives together must also be considered, and reviewed with the input of the New York State Reliability Council, the Northeast Power Coordinating Council, and the North American Reliability Corporation.

There has been no demonstration that additional funding is necessary to achieve New York's storage goals. Proceedings are currently underway to create revenue streams in both the wholesale and retail markets.[8] The Commission should not predetermine that these proceedings will not be successful in compensating storage resources for all the value they provide. Until and unless such a demonstration is made, mandated long-term contracts funded by ratepayers are premature.

A one size fits all approach for storage procurement may not be warranted for New York. Upstate zones appear less ripe for wholesale storage applications, at least initially. Storage has

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[3] NYS Smart Grid Comments at 5; JU Comments at 5–6.

[4] NYS Smart Grid Comments at 5; Case 18-E-0130, *supra*, NY-BEST Comments (Sept. 11, 2018), at 3, 19 ("NY-BEST Comments").

[5] *See, e.g.*, NY-BEST Comments at 22–24.

[6] *See, e.g.*, JU Comments at 2 n.4.

[7] *See* JU Comments at 2.

[8] *See, e.g.*, Case 18-E-0130, *supra*, New York Power Authority Comments (Sept. 10, 2018), at 2–5, 11–16.

higher potential in downstate locations due to higher energy and capacity costs, and higher concentrations of generating facilities that emit CO2, SO2, NOx, and PM as outlined in the NY Public Policy filing.[9] Further, downstate zones will be most heavily affected by upcoming NYSDEC Environmental Regulations applicable to air emissions from peaking units.[10] Accordingly, the immediate focus of any energy storage program should be concentrated downstate, where the most benefits are expected to be realized. The costs of the program should be allocated to its beneficiaries.

Municipal Utilities are non-for-profit, customer-owned systems, whose primary goal and obligation is to provide safe, reliable, and resilient service at just and reasonable rates. The Municipal Utilities have a program in place to evaluate and implement system benefit projects like energy storage, which program has produced a sustained and demonstrated legacy of success. That program should be allowed to continue unimpeded so that individual project decisions can continue to be made within the grassroots, individually tailored structure that has served ratepayers so well. This will allow continued collaboration and coordination among the utilities and other stakeholders to ensure quality, cost-effective decisions are made that meet the long-term needs of the affected municipalities and their residents.

Respectfully submitted,

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By: /s/
Konstantin Podolny

[9] *See* Case 18-E-0130, *supra*, Azure Mountain Power Company et al. Comments (Sept. 10, 2018), at 4–6.
[10] *See* NY-BEST Comments at 22.