**STATE OF NEW YORK**

**PUBLIC SERVICE COMMISSION**

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| In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design | **Matter 17-01277**<br>**Case 15-E-0751** |

**Request to Delay Phase One NEM Decision Until December 31, 2022 due to Severe Industry Disruption caused by COVID-19**

**Clean Energy Parties: the Solar Energy Industries Association, the Alliance for Clean Energy New York, the Coalition for Community Solar Access, the Natural Resources Defense Council, the New York Solar Energy Industries Association, and Vote Solar.**

**Dated: May 7, 2020**

## I. Introduction

The Clean Energy Parties[1] ("CEP") appreciate the willingness of the New York Department of Public Service ("DPS") to consider this request to delay consideration of implementation of any new changes to rate design for distributed generation ("DG") customers until the end of calendar year 2022 (December 31, 2022). CEP have participated faithfully in discussions regarding rate design changes for DG customers throughout the Reforming the Energy Vision ("REV") process. Currently, DPS staff is considering stakeholder input on the Whitepaper on Rate Design for Mass Market Net Metering Successor Tariff.[2] Staff has accepted comments and reply comments on the draft, and it is expected that a final version will be released prior to final Commission approval.

The CEP request that consideration of any changes to rate design for DG customers be delayed until the end of calendar year 2022.[3] COVID-19 has been devastating to the State of New York, including the solar industry. All renewable energy project installations in New York are currently at a standstill due to the moratorium on all non-essential construction and new project applications have declined by over 75%. The State has already lost thousands of jobs in the DG industry. While we expect installations may resume in the not-too-distant future, the long-term impacts of COVID-19 are unknown. Significant uncertainty exists for renewable developers because it is unknown when the COVID-19 crisis will end or how quickly customer interest in solar projects will return in the likely event of a deep recession.

Given the significant market disruption and uncertainty created by COVID-19, now is not the time to reduce bill savings opportunities for customers through large scale changes to rate design. New York should allow the continuation of Phase 1 NEM to maintain a strong customer incentive to invest in renewable energy projects. At the same time, DPS should delay the

[1] The Clean Energy Parties include the Solar Energy Industries Association, the Alliance for Clean Energy New York, the Coalition for Community Solar Access, the Natural Resources Defense Council, the New York Solar Energy Industries Association and Vote Solar. These trade associations and clean energy advocates collectively represent most distributed energy resource providers operating in New York State.

[2] Staff Whitepaper on Rate Design for Mass Market Net Metering Successor Tariff. State of New York Department of Public Service. December 9, 2019. Case 15-E-0751, Matter 17-01277.

[3] Extending Phase One NEM to the end of 2022 provides additional assistance to residential and small commercial systems as the federal tax benefits under current law continue to drop and reach zero for residential projects during that year.

establishment of the customer benefit charge ("CBC") or other rate design changes that harm the economics of solar projects. The imposition of either of these changes will detrimental to a now fragile industry. The solar industry could take many months, perhaps even years, to regain any sense of normalcy and stability.

## II. COVID-19 Impacts on New York Have Been Severe

The CEP filed reply comments on the Staff Whitepaper on March 16. 2020. On March 20, Governor Andrew Cuomo issued an executive order requiring all workers in non-essential businesses to stay home to reduce the spread of COVID-19, effective March 22. Days later Governor Cuomo issued another directive that shut down all non-essential construction.[4] This directive classified new power generation and battery storage construction as non-essential. This directive has stopped construction on all new DG projects, large and small and has had a devastating impact on the solar industry in New York.

The Solar Energy Industries Association ("SEIA") regularly surveys its members and has conducted ongoing survey research since this crisis began. The latest survey revealed significant COVID-19 impacts to DG developers in New York. For DG projects, New York based respondents are reporting new business declining by up to 75%. Among the same respondents (New York based), 70% have laid off workers, with four companies laying off more than 75% of staff.[5] The residential and small commercial solar markets have been hit the hardest, according to the New York and national survey data. Finally, SEIA is projecting that the New York solar industry will lose more than 9,000 jobs in June 2020, a decline of nearly 75% of the total solar workforce.

The non-essential construction ban has reduced installations for the second quarter of 2020 by 100% for all market segments. New York installation activity for 2020 is forecasted to be at least 48% lower than 2019, with the residential market facing the steepest forecasted decline at 59% below 2019 installations. These figures could be even worse than expected

[4] Guidance for Determining Whether a Business Enterprise is Subject to a Workforce Reduction Under Recent Executive Orders. Updated April 28, 2020..

[5] From a national perspective, 50% of survey respondents have laid off or furloughed workers. Of these companies, on average, the layoffs have been more than half of total employees.

because of the considerable uncertainty in forecasts. Clearly the solar industry in New York has already been negatively affected by COVID-19.

## III. The Impacts of COVID-19 will be Long Lasting

While the non-essential construction ban will eventually be lifted and New York DG developers will restart work relatively soon thereafter, the negative impacts from COVID-19 to the industry will be long lasting and severe. Nationally, 75% of companies in the solar industry have fewer than 50 employees. Companies of this size cannot withstand long work stoppages and sustained loss of revenue. Many of these companies in New York are currently facing severe hardship and likely bankruptcy. Although installations will likely resume soon after the non-essential construction ban is lifted, the state of the solar workforce and solar companies at that time is currently unknown.

The United States is also facing a near-term severe recession. Even after the COVID-19 pandemic ends, customers will be less likely to invest in DG systems because of reduced capital to invest in new projects. Customers may also be hesitant to allow construction projects at homes and businesses because of continued fear of virus exposure. Furthermore, the impacts of a recession could be acutely felt in the solar world due to the current structure of the Federal Investment Tax Credit, which requires tax liability in order to receive the benefit of the tax credit.

The reduced customer demand will lead to slower rebuilding of operations, even for larger companies. Installation workers and sales staffs will need to be rehired and retrained, which takes considerable time and effort. In short, it will take considerable time and effort for the DG industry to rebuild in New York following the devastating impacts of COVID-19.

## IV. Conclusion and Recommendations

The DG industry in New York is facing severe disruption and challenges brought by the COVID-19 pandemic. Installation of new projects is currently stopped, and it will likely take years for the industry to rebuild, even after construction work begins again. Customer demand will be reduced because of COVID-19 and the economic recession. For these reasons, we believe that now is not the time to implement sweeping changes to rate design for DG customers. As we've shown in previous comments, the rate design changes proposed in the Staff Whitepaper will decrease customer incentives to invest in new DG, presenting additional challenges to rebuilding the industry in New York. It will be difficult for New York to meet its ambitious clean energy goals in the face of recovery from COVID-19, which will only be made more difficult by implementing sweeping changes to rate design that harm the economics of new projects.

Accordingly, the CEP recommend that DPS delay consideration of any new changes to DG rate design until the end of calendar year 2022, including any decision to replace Phase One NEM and the implementation of a new customer benefit charge for DG customers.

Respectfully submitted,

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