August 6, 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 15-E-0751 – In the Matter of the Value of Distributed Energy Resources

Matter 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack – Comments of the City of New York

Dear Secretary Burgess:

Pursuant to the Notice Soliciting Comments on Staff Proposal and Related Matters (“Notice”) issued by the Public Service Commission (“Commission”) on May 22, 2018 in the above-referenced matter numbers, the City of New York (“City”) hereby submits these Comments on the Proposal on Value Stack Eligibility Expansion (“Proposal”) issued by Department of Public Service Staff (“Staff”) on May 22, 2018.

The City has supported, and continues to support, the Commission’s efforts to encourage the adoption of distributed energy resources (“DER”) in New York State, including its Value of Distributed Energy Resources ("VDER") proceeding. These efforts are consistent with the City’s own efforts to advance Mayor Bill de Blasio’s vision for a thriving, equitable, sustainable, and resilient city, as set forth in One New York: The Plan for a Strong and Just City.¹ In particular, the City continues its support for measures that provide more robust compensation for DERs in areas where they can help address public policy priorities such as energy affordability, air quality, and heat vulnerability, among other issues. Expanding DER adoption in New York City also is

necessary to facilitate the achievement of the City’s objective of reducing greenhouse gas emissions 80 percent below a 2005 baseline by 2050.

These Comments generally address: (1) the recommendations set forth in Staff’s Proposal regarding expanded eligibility for VDER Value Stack compensation; and (2) issues related to interzonal crediting and Community Distributed Generation (“CDG”) subscription sizes as set forth in the Notice.

1. **Comments on Staff’s Proposal**

   A. The Commission Should Expand Value Stack Compensation to CES Tier 1 Eligible Technologies and Standalone Storage

   In the Proposal, Staff identifies three types of projects which may be eligible for Value Stack compensation (collectively, the “Expanded Technologies”): (i) resources eligible for Clean Energy Standard Tier 1 Renewable Energy Credits that were not already eligible for net energy metering (“Tier 1 Eligible Resources”); (ii) stand-alone storage/regenerative braking; and (iii) combined-heat-and-power (“CHP”) projects larger than 10 kW, up to 5 MW. (Proposal at 4-8.) Staff further recommends that, at this time, the first two Expanded Technologies should qualify for Value Stack compensation, but CHP should not.

   The City supports Staff’s recommendation that Tier 1 Eligible Resources and standalone storage technologies should qualify for Value Stack compensation. With respect to Tier 1 Eligible Resources specifically, the City currently captures biogas from a number of wastewater treatment facilities and landfills and utilizes it for onsite electric generation at two wastewater plants currently, with plans to do so at additional facilities in the next few years. Compensating all Tier 1 Eligible Resources under the Value Stack, including biogas generation, will more accurately value the benefits they provide and may help the City to further develop this technology at other facilities that currently do not capture biogas for electricity generation purposes.

   As to energy storage, the City has established an energy storage deployment target of 100 MWh by 2020, which will provide reliability and resiliency benefits for the electric grid and will allow for more efficient use of solar and wind generation already operational within the City. Expanding Value Stack compensation eligibility to energy storage technologies will promote their development and deployment, consistent with the City’s goals. Energy storage also offers an attractive means of expanding clean energy opportunities in New York City, where space constraints limit the amount of rooftop solar that can be installed.

   For the foregoing reasons, the City respectfully recommends that the Commission adopt Staff’s proposal to allow Tier 1 Eligible Resources and standalone storage/regenerative braking resources to participate in the Value Stack.
B. CHP Should Be Eligible for Value Stack Compensation, Subject to Interim Emissions Limits

As noted above, while Staff recommends that Value Stack eligibility be expanded to encompass two of the three Expanded Technologies, Staff also recommends that CHP between 10 kW and 5 MW not be eligible for Value Stack compensation at this time. Instead, Staff states that “further work is needed to define ‘VDER-eligible CHP’ such that granting eligibility to such resources will not worsen environmental impacts” and to ensure that such resources are “no worse” than bulk power with respect to CO₂ emissions and local pollutants in environmental justice (“EJ”) areas or similar locations. (Proposal at 7-8.) Staff further recommends working with the New York State Energy Research and Development Authority and stakeholders to develop the record to enable CHP eligibility to be given further consideration. (Proposal at 8.)

In the long term, more-refined compensation methodologies will be needed to ensure that DER projects are properly and precisely compensated for all of the benefits – including societal benefits – that they provide. However, this long term need does not justify a blanket exclusion of CHP from participating in Value Stack compensation at this time, provided that stringent air quality standards are enforced. Excluding CHP here also arguably runs counter to the Commission’s directive that VDER tariffs should be expanded to all DER “in a technologically-neutral, value-focused manner.”

Further, excluding CHP fails to acknowledge that, while CHP may have differing greenhouse gas and other emissions characteristics as compared to zero-emissions renewable technologies like solar and wind, they still can provide positive societal, economic, and environmental benefits in furtherance of State and City goals. For example, CHP can provide load balancing for intermittent renewables. Siting CHP in strategic locations in New York City can help enhance the reliability of the electric grid, particularly when they are used in microgrid applications that supply electricity and thermal energy to critical facilities like hospitals and shelters, and can island from the electric grid during times of emergency. Likewise, CHP could help displace dirtier generation units that oftentimes are located in EJ communities. CHP can help defer traditional investments needed to address growth in system demand, for example, as part of Consolidated Edison Company of New York, Inc.’s (“Con Edison”) Brooklyn-Queens Demand Management program approved by the Commission.

Given these potential benefits, the Commission should instead rule that CHP can participate in Value Stack compensation, subject to the adoption of interim air pollution limits as a short-term solution to ensure that CHP receiving Value Stack compensation provide less emitting power than a customer might otherwise purchase from the grid. Such interim limits would avoid completely ignoring the value of CHP, while simultaneously protecting against situations where emitting DER is compensated under the Value Stack but nevertheless worsens local pollution.

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The City submits that the proposed efficiency standards set forth in Staff’s Discussion Document, which served as a basis for the Proposal, are reasonable interim standards for CHP seeking to participate in the Value Stack. These emissions limits, which were adapted from Con Edison’s Standby Rate Pilot, would act as an appropriate safeguard for local communities against increased pollution, while allowing stakeholders to further refine Value Stack compensation methodologies to properly account for CHP efficiency standards.

The City further notes that, throughout this proceeding, it has advocated for abandoning the binary REC/no-REC distinction that currently defines the environmental (“E”) value component of the Value Stack, in favor of a continuous, sliding-scale ‘E’ payment that accounts for true differences in emissions between an eligible DER technology and grid power, including negative values as necessary. Staff should continue to refine the E value component to enable a more flexible compensation scheme that accurately prices, and obviates the need for placing strict limits on, DER emissions. Until such time that the E value component is refined, however, the interim emissions limits from the Con Edison Standby Rate Pilot are an appropriate measure to allow CHP to participate in the Value Stack.

For the foregoing reasons, the City respectfully recommends that the Commission rule that, subject to the adoption of interim emissions limits, CHP between 10 kW and 5 MW should be eligible to participate in the Value Stack.

C. Clarity is Needed on the Opt-In Rules for the Expanded Technologies

Although not explicit in the Proposal, it is the City’s understanding that Staff is proposing for Tier 1 Eligible Technologies and standalone storage resources to be eligible to participate in the Value Stack on an opt-in basis. The Commission should direct Staff to clarify whether the City’s understanding of its intent is correct.

Assuming Staff is indeed creating an “opt-in” mechanism, the City respectfully requests that the Commission further clarify when the Value Stack compensation term is deemed to begin for such resources, and the duration of the Value Stack compensation term. For both simplicity and fairness, the City recommends that the Value Stack compensation term begin when the technology opts into Value Stack compensation, and that it continue for a period of 25 years from the opt in date, consistent with the length of Value Stack compensation granted to new projects pursuant to the March VDER Order.

D. Standby and Buyback Rates Should Not Apply to Value Stack Resources

On Page 9 of the Proposal, Staff recommends that standby or buyback rates that otherwise would apply to non-VDER customers should be applied to the expanded class of technologies

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4 March VDER Order at 56.
eligible for Value Stack compensation, including Tier 1 Eligible Resources and standalone storage resources.

The City disagrees with Staff’s proposal, and recommends instead that the Commission not extend standby and buyback rate obligations to these technologies. As noted in the 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. 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 Order, the Commission confirmed that large on-site projects may separately meter their DER, in which case all generation would be injected into the grid and the project would receive compensation based on the full Value Stack. As the City understands it, any customer that elects this metering approach would avoid standby rates, both at the customer load meter and at the DER injection meter. The City requests that the Commission confirm its understanding as such.

2. Comments on Issues Raised in the Notice

A. The Commission Should Not Approve Interzonal Crediting, But Should Focus Instead on Addressing Existing Barriers to DER Penetration Within New York City

In the Notice, Staff seeks stakeholder feedback on whether DERs eligible for Value Stack compensation should be permitted to apply the credits they receive to the bills of customers in the same utility territory as those DERs, but in a different New York Independent System Operator, Inc. (“NYISO”) load zone.

The Commission should refrain from considering interzonal crediting in New York at this time. The City previously has raised concerns that interzonal crediting could discourage DER development in New York City, or that City residents and businesses will not reap the benefits thereby. For example, it is unclear whether projects sited in NYISO Zone J (NYC) would generate more Value Stack revenue than those sited in Zone I (Westchester). The primary economic difference between the two areas is the cost to build a project. Available space, necessary permits, installation labor, and other overhead are likely to be more expensive in New York City due to population density, scarcity of space, and other socioeconomic factors.

Based on these factors, it is conceivable that a Westchester project would be able to offer lower per-kWh prices to utilities than an analogous project located in New York City, and therefore also provide subscribers with relatively-higher bill savings. This in turn could incentivize development in Westchester to the exclusion of the City. In the alternative, solar developers could

5 March VDER Order at 3.
6 March VDER Order at 94.
opt to increase profit margins and sell each kWh from a Westchester project at a rate that aligns with the market rate for City-based CDG projects, thereby depriving New York City customers of any potential benefits offered by interzonal crediting. Proposed increases to the market transition credit ("MTC") for CDG projects located in the Con Edison service territory could further improve the economics of locating CDG projects in Westchester and not in New York City, where DER uptake already is low.\(^7\)

Instead, the City recommends that the Commission make firm commitments to removing existing barriers to DER adoption in New York City. For example, the City can provide support to catalyze the nascent CDG market – either by providing host sites to alleviate site acquisition trouble or by acting as an anchor subscriber to reduce perceived counterparty risk for developers – so long as barriers to enable New York Power Authority ("NYPA") customers to participate in Value Stack projects are removed. The City has been working collaboratively with Con Edison and NYPA to address the potential participation by NYPA customers in Value Stack projects, including behind-the-meter Value Stack projects for the City, as well as siting CDG projects with only Con Edison subscribers on City-owned territory. These efforts should be continued.

Similarly, a significant proportion of City residents reside in master-metered buildings and barriers to meaningful participation by master-metered customers in CDG projects must be resolved, which issue has been expressly recognized by the Commission.\(^8\) While Staff has acknowledged the issue and has expressed a willingness to work collaboratively with other parties to resolve it,\(^9\) the Commission should establish a concrete timeframe for Staff and stakeholders to develop a mutually-agreeable solution to allow customers in master-metered buildings to participate in clean energy opportunities.

Third, the City has expressed support for the development of an EJ adder component to the Value Stack, which would incentivize CDG development in communities in the City that traditionally have borne a disproportionate burden of prolonged underinvestment, pollution, and corresponding public health and socio-economic impacts. The Commission should continue to refine the Value Stack and take actions to ensure that clean energy projects serving such communities are properly valued and compensated for all of the benefits they provide.

\(^7\) For the Con Edison service territory, Staff has proposed a nearly 40% increase in the MTC value for Tranches 0/1. See Case 15-E-0751 et al., In the Matter of the Value of Distributed Energy Resources, Staff Whitepaper on Future Community Distributed Generation Compensation (filed July 26, 2018) ("CDG Compensation Whitepaper").

\(^8\) See Case 15-E-0751, supra, Order Denying Petition for Rehearing and Making Other Findings (issued October 24, 2017), at p. 3 ("The Commission accordingly directs [Staff] to consider how to address the practical and financial obstacles that tenants who live in master-metered buildings face in participating in DER markets, and to file a report identifying barriers and potential actions.").

\(^9\) CDG Compensation Whitepaper at 6 ("To further ensure that all New Yorkers are able to take advantage of the benefits of CDG, Staff will work with NYSERDA and stakeholders to investigate and propose options for allowing submetered customers to receive the MTC or similar compensation").
For the foregoing reasons, the City respectfully recommends that the Commission refrain from adopting interzonal crediting at this time, and instead affirm its commitment to continuing to address barriers to DER proliferation in New York City. Specifically, the Commission should establish a concrete timeframe for addressing and resolving the following issues: (1) continued work on NYPA customer participation in Value Stack projects to enable a full suite of CDG options for the City, including situations where the City subscribes to output from a CDG project in which other subscribers are Con Edison customers; (2) development of a framework to address and remove the barriers to clean energy project participation by residents in master-metered buildings; and (3) development of compensation mechanisms that appropriately value and compensate clean energy projects located in or serving underserved communities.

B. Minimum CDG Subscription Sizes Should Be Reduced Or Eliminated

In the Notice, Staff seeks stakeholder feedback on whether the minimum subscription size for customers to participate in CDG should be reduced from an annual amount of 1,000 kW to some lesser subscription size. The City supports reducing or eliminating the minimum subscription size for customers to participate in CDG. It is the City’s opinion that minimum (and maximum) subscription sizes limit the flexibility for both developers and customers, particularly for projects that are tailored for a specific customer base or specific neighborhood. Imposing subscription limitations also could discourage CDG providers from providing innovative products and services to participants, which is crucial at a time when CDG is still growing in New York State. Establishing stringent participation parameters could further have the unintended consequence of discouraging customers from participating in CDG programs, and in clean energy generally, if they either do not meet the minimum consumption requirements, or must dramatically change their consumption patterns in order to participate. Instead, the Commission should allow the market to dictate how many members can be accommodated within each CDG project, and provide CDG developers flexibility to design their projects to suit those needs.

For these reasons, the City supports a reduction to (or elimination of) the current minimum CDG subscription size.

3. Conclusion

The City respectfully recommends that the Commission adopt its recommendations as set forth in these Comments. The City appreciates the opportunity to submit these Comments on the Proposal and looks forward to working with Staff and other stakeholders to improve options for DER development and deployment.

Respectfully submitted,

[Signature]

Susanne DesRoches

cc: Party List (via email)