COALITION FOR COMMUNITY SOLAR ACCESS

PO Box 65491
Washington, DC 20035
202-888-6252
info@communitysolaraccess.org
communitysolaraccess.org

November 20, 2017

VIA ELECTRONIC SERVICE
Hon. Kathleen H. Burgess
Secretary of the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building Three – 14th Floor
Albany, New York 12223-1350

Re: Case 15-E-0751 – *In the Matter of the Value of Distributed Energy Resources*.

Case 15-E-0082 – *Proceeding on the Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program*.

Dear Secretary Burgess:

Please find the Comments of the Coalition for Community Solar Access ("CCSA"), the Alliance for Clean Energy New York ("ACE NY"), the Natural Resources Defense Fund ("NRDC"), Pace Energy and Climate Center, New York Solar Energy Industries Association ("NYSEIA"), Solar Energy Industries Association ("SEIA"), and Vote Solar in response to the Commission's September 14, 2017 *Order on Phase One Value of Distributed Energy Resources, Implementation Proposals, Cost Mitigation Issues, and Related Matters, Appendix A. Questions for Comment Regarding Project Size Cap*.

Please contact me at 202-524-8805 or jeff@communitysolaraccess.org with any questions.

Respectfully submitted,

Jeff Cramer
Executive Director, CCSA
jeff@communitysolaraccess.org
202-524-8805

Attachment

STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

In the Matter of the Value of Distributed Energy Resources	Case 15-E-0751
Proceeding on the Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program	Case 15-E-0082

COMMENTS OF THE

CLEAN ENERGY PARTIES

Dated: November 20, 2017

STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

In the Matter of the Value of Distributed Energy Resources	Case 15-E-0751
Proceeding on the Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program	Case 15-E-0082

Introduction

The following comments are submitted by the Comments of the Coalition for Community Solar Access ("CCSA"), the Alliance for Clean Energy New York ("ACE NY"), the Natural Resources Defense Fund ("NRDC"), Pace Energy and Climate Center, New York Solar Energy Industries Association ("NYSEIA"), Solar Energy Industries Association ("SEIA"), and Vote Solar (collectively, the "Clean Energy Parties", or "CEP") on the Commission's September 14, 2017 *Order on Phase One Value of Distributed Energy Resources, Implementation Proposals, Cost Mitigation Issues, and Related Matters, Appendix A. Questions for Comment Regarding Project Size Cap*.

The CEP commend the Commission for prioritizing the question of increasing the eligible project size under the Value of Distributed Energy Resources ("VDER") framework. The VDER Order's initial 2 MW project size limit is a vestige of New York's net metering policy – a policy that the Commission has now moved beyond in favor of a "value stack" approach based on the values DER resources provide to the grid and society. We appreciate the Commission's thoughtful consideration of the project size issue in the September 14, 2017 Implementation Order ("Implementation Order") and look forward to near term implementation of a higher capacity limit. Maintaining the 2 MW limit imposes unnecessary, duplicative costs on DER providers without any offsetting benefits for ratepayers, utilities or society. Indeed, as the Commission recognized in the Implementation Order, the current policy of requiring subdivisions in order to construct projects larger than 2 MW slows down DER deployment, increases costs and workload for municipalities, and has the potential to increase land use impacts due to setback requirements for separate parcels.[1] As such, the current 2 MW limit is directly contrary to the State's goal of promoting the efficient deployment of DERs and should be modified. In addition, the Commission has recognized that allowing projects larger than 2 MW is important for reducing the soft costs of installing DERs.[2] For these reasons, the CEP strongly support adopting a more appropriate limit that will not impose these unnecessary costs. The CEP support the proposal to move to a 5 MW system size limit for projects on the VDER Phase One Value Stack Tariff, and recommend that the Commission consider increasing this limit further as part of the VDER Phase 2 process.

Although the CEP strongly support this change, it is important that the Commission not overestimate the impact removing the unnecessary project size cap would have on DER project economics. Based on conversations with developers, the CEP expect that lifting the cap to 5 MW could reduce overall installation costs by approximately 2.5-4% on average. Given the significant reduction in compensation that the VDER Phase One Order has already imposed for many DERs across the state, we feel strongly that this commonsense efficiency improvement is both necessary and appropriate. Specifically, this improvement would be a modest but important part of a solution to enable projects in certain regions that would not otherwise make economic sense and to allow projects in other regions to provide slightly better customer savings and/or terms driven by competition. In the remainder of these comments, the CEP provide answers to the Commission's questions regarding the transition to a 5 MW cap that were enumerated in Appendix A of the Implementation Order.

1. <u>Should the increase in the capacity limit be limited to particular technologies, such as solar photovoltaic (PV) generation, or should it include all eligible technologies?</u>

The CEP recommend that an increase in allowable capacity be extended to all eligible technologies. Limiting a capacity increase to solar photovoltaic PV generation could unnecessarily constrain the development of other DER technologies, including energy storage deployed with solar going forward, or standalone storage if and when VDER Phase One is expanded to include it.[3] In addition, the Commission should take this opportunity to either (1)

---

[1] September 14, 2017 *Order on Phase One Value of Distributed Energy Resources, Implementation Proposals, Cost Mitigation Issues, and Related Matters,* page 46.
[2] March 9th Order, page 143.
[3] As is currently being considered in the Phase Two Value Stack Working Group.

clarify that for purposes of the VDER tariff, the 5 MW size limit applies only to the capacity of the eligible generating unit, and would not be affected by the co-location of energy storage or any other non-generating technology behind the same meter, or (2) clarify that the 5 MW project size limit is per technology for any given project, which is the approach the Interconnection Technical Working Group ("ITWG") will be recommending for updating the NY Standard Interconnection Requirements ("SIR").[4]

2. <u>Should the increase in the capacity limit be limited to particular project types, such as Community Distributed Generation, or should it include all project types?</u>

The CEP see no valid reason to limit the increase in project size to particular project types. As discussed above, the 2 MW limit is a leftover from New York's net metering policy, which has now been replaced by the VDER framework. In our view, no public policy rationale exists for maintaining this legacy limit for any DER project under the new tariff.

3. <u>Should the increase in project size be limited to new projects to avoid market disruption and implementation issues?</u>

As the CEP explained in our July 24, 2017 comments, increasing the project size threshold for projects current in the interconnection queue will enable the utilities to process applications more efficiently while also allowing DERs to reduce costly and unnecessary equipment redundancies. We therefore recommend that proposed projects in any phase of the interconnection process meeting certain specific criteria as of the date of an Order increasing project size eligibility should be afforded a limited opportunity to request a cost estimate for consolidation up to 5 MW-AC. Such a provision is consistent with the SIR, which ensure that proposed projects up to 5 MW-AC undergo rigorous technical review independent of their method of compensation.

Several members of the CEP have been working with Staff and the utilities through the Interconnection Policy Working Group ("IPWG") on a proposal to allow consolidation to take place in an orderly and fair fashion. The CEP support the components of the proposal currently under development at the IPWG. Under that proposal, existing projects up to 2 MW each may request consolidation as long as they meet the following criteria:

[4] To be clear, this ITWG recommended eligibility approach is complementary but distinct from its recommendations for studying proposed DER interconnections that involve energy storage based on operating characteristics.

1. The projects to be consolidated must be physically adjacent to one another.
2. The projects to be consolidated must hold sequential queue positions on the feeder and substation.
3. If applicable, the projects to be consolidated must be within the same MTC tranche.
4. Projects that meet the above criteria will be responsible for paying any additional costs that are necessitated by the consolidation of their applications (e.g., for re-studies, if necessary).

The above criteria will effectively manage any potential queue impacts while ensuring that the benefits of increased project size limits have an immediate on-the-ground impact. Specifically, we anticipate that the potential savings associated with consolidating adjacent projects behind one Point of Common Coupling will make it possible for some projects that otherwise may not be able to proceed through the interconnection process due to excessive interconnection costs to advance to construction. Consequently, adopting such a policy would promote the state's goals of deploying DERs, and would help to reduce attrition and inefficiency in the interconnection process, and the waste of utility and DER developer resources that would result without this policy.

As indicated above in the criteria being developed in the IPWG, projects with existing VDER MTC tranche reservations would be afforded the ability to seek the increased project size. Projects with reservations within the same tranche should be able to consolidate without any changes to their tranche reservation, level of MTC or remaining capacity available in that particular tranche. However, a project with an existing tranche reservation should not be able to simply request additional MW capacity in a closed tranche if the developer does not already have that additional capacity reserved. Also, while not currently part of the IPWG proposal outlined above, the CEP recommend that for simplicity purposes, if a developer has projects in two different tranches and wants to consolidate them into one larger project, then the entire consolidated project would be required to move to the tranche with the lower MTC level.

In addition, any 5 MW project already in the interconnection queue should be eligible for VDER compensation if, as of the date of an Order increasing project size eligibility, they have not yet paid their 25% interconnection payment. The 25% interconnection payment is a logical threshold because it is when the Interconnection Agreement ("IA") is executed. The IA documents and provides information to the developer and utility for billing and crediting purposes, and in the case of VDER CDG also prompts the utility to act administratively and reserve the project space in the VDER tranche system.

It should also be noted that 5 MW projects in general – whether consolidating per the above criteria, existing in the interconnection queue and pre-25% payment, or new going forward – will not negatively impact utility service or otherwise result in additional costs for utilities. The current New York SIR, after two years of updates, is well-equipped to handle the technical review and process of such projects with its maturity requirements and binding timelines, and will likely undergo another update in the coming months to even more efficiently and effectively review projects. In addition, all upgrade costs remain the responsibility of developers and the proposed projects.

a. Should existing projects larger than 2 MW be permitted to opt-in to the Value Stack?

Yes, as detailed above, existing projects above 2 MW should be allowed to opt-in if they meet certain criteria. Specifically, we recommend that existing 5 MW projects in the interconnection queue that have not already paid their 25% interconnection payment as of the date of an Order increasing project size eligibility be eligible to opt-in to VDER compensation. There appears to be no policy rationale for preventing projects that are already moving through the interconnection process from making this choice as long as they meet the requirements of the VDER tariff at the time they opt-in.

b. Should existing projects smaller than 2 MW be permitted to expand their capacity?

Yes, as detailed above, projects 2 MW or smaller in any phase of the interconnection process that want to consolidate and that meet certain specific criteria regarding physical location, queue position, and MTC tranche, as of the date of an Order increasing project size eligibility, should be afforded a limited opportunity to request a cost estimate for consolidation up to 5 MW. Although the same general policy rationale for allowing multiple projects to consolidate could apply to single projects that wish to expand, the impact of single project expansion on other DER developers would be different in that the overall number of MW seeking to interconnect is increased. That could affect the project costs and feasibility of subsequent projects already in the queue behind the existing single project wishing to increase in size. Thus, it would be unfair to allow a single existing project in the queue to unilaterally expand its capacity. However, if all of the projects that could be affected by the proposed size increase (i.e., all projects behind the expanding project in the queue) are comfortable with the expansion and give their consent, we note that then there appears to be no policy rationale for preventing such an expansion.

4. <u>How this can be implemented to maximize the benefit to ratepayers, both participating and non-participating, from any cost reductions?</u>

Increasing the maximum project size above 2 MW should have no impact on the potential costs to non-participating ratepayers or the utilities, because any rate impacts associated with the MTC have already been considered by the Commission and addressed through the CDG tranche system created in the Commission's March 9 Order.[5] Capacity reservation via the tranche system is the appropriate mechanism for calibrating ratepayer impacts under VDER Phase One; project size is a separate issue that is broader than MTC projects and should be considered separately. Conversely, implementing this commonsense change will result in incremental cost savings to DER providers and other participating ratepayers, as well as reduced administrative burdens on utilities' interconnection teams and on municipalities by reducing the number of interconnection and subdivision requests. In addition, we take issue with the narrative that such a change would allegedly result in a windfall to developers. Such a frame is inappropriate and unhelpful. The current 2 MW cap is simply a vestige of a policy that is no longer in place – a vestige that imposes additional costs and burdens on all parties without any benefit. Eliminating this vestige will simply allow the appropriate amount of market development to proceed in light of the remaining constraints on the market.

Moreover, it is important that the Commission not forget that all of the normal rules of market economics apply to the DER sector. In no competitive market are profits determined exclusively by the cost of providing a product. Rather, in the DER market as in other markets, profits or net benefits are determined by the relative market power of various actors in the market. In New York's DER market, existing market forces will result in the sharing between project developers, financiers, and customers of any cost savings achieved. In other words, competition will drive market participants to optimize consumer offerings and efficiently

[5] As noted in other comments, the CEP take issue with the Commission's determination of ratepayer impacts, and do not concede that ratepayer impacts have been appropriately assessed or that such impacts are of the magnitude identified in the March 9 Order.

reinvest in further DER development, in furtherance of the state's clean energy and economic development goals.

Finally, we note that if the Commission were to implement some additional policy to attempt to share the cost reductions that DER developers may achieve from the elimination of the legacy 2 MW cap, it is likely that developers will simply be deterred from seeking the increased project size, and no one – neither participating ratepayers nor non-participating ratepayers – will benefit. Specifically, a new policy such as a reduction in the MTC for larger projects would offset the soft cost reductions gained from the project size increase, thus defeating the purpose of this soft cost reduction to help reach a sustainable DER market. In addition, adjusting the MTC would be inconsistent with its role as a placeholder for potentially significant unpacked values that were not determined during Phase One. For all these reasons, we urge the Commission to simply implement this commonsense change as proposed, without additional unnecessary adjustments to the components of the VDER tariff.

5. **Should this be implemented with an auction-type solicitation, similar to that described in the Staff Whitepaper on Community Distributed Generation Compensation After Tranche 3, filed on August 29, 2017 and included in this Appendix as Attachment 1? If so, please consider and comment on auction design issues, as discussed in that Whitepaper.**

No. Implementing this policy via an auction would introduce numerous additional soft costs for both developers and the entity implementing the auction, potentially eliminating any gains achieved through an increased project size limit. It would also likely cause further delay and would be subject to the same challenges that the CEP pointed out in our October 30, 2017 comments on Tranche 4.[6]

6. **Should projects larger than 2 MW be required to dedicate a certain portion of their project to subscribers with low or moderate incomes?**

No. The policy regarding DER project size is not related to serving customers with low or moderate incomes ("LMI"). The elimination of existing inefficiencies in the project development

[6] Submitted in case 15-E-0751 *In the Matter of the Value of Distributed Energy Resources* and Case 15-E-0082 *Proceeding on the Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program* in response to the August 29, 2017 Notice Soliciting Comments.

process that are imposed by the current 2 MW limit will not address the barriers to serving LMI customers.

Respectfully submitted,

Jeff Cramer
Executive Director,
Coalition for Community Solar Access
Phone: 202-524-8805
Email: jeff@communitysolaraccess.org

/s/ Anne Reynolds
Anne Reynolds
Executive Director
Alliance for Clean Energy New York
Phone: 518.432.1405
Email: areynolds@aceny.org

/s/ Miles Farmer
Miles Farmer
Clean Energy Attorney
Natural Resources Defense Council
Phone: 212.727.4634
Email: mfarmer@nrdc.org

/s/ Valessa Souter-Kline
Valessa Souter-Kline
Policy Coordinator
New York Solar Energy Industries Association
Phone: 518-288-5250
Email: valessa@nyseia.org

/s/ Sheryl L. Musgrove
Sheryl L. Musgrove
Senior Staff Attorney
Pace Energy and Climate Center
Phone: 914-422-4221
Email: smusgrove@law.pace.edu

/s/ *David Gahl*
David Gahl
Director of State Affairs, Northeast
Solar Energy Industries Association
Phone: 518-487-1744
Email: dgahl@seia.org

/s/ *Sean Garren*
Sean Garren
Senior Director, Northeast
Vote Solar
Phone: 301-541-8675
Email: sean@votesolar.org