

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

CASE 03-E-0188 – Proceeding on Renewable Portfolio Standard
Proposed Rulemaking

**COMMENTS OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. AND
ORANGE AND ROCKLAND UTILITIES, INC.**

Consolidated Edison Company of New York, Inc. (“Con Edison”) and Orange and Rockland Utilities (“O&R”) (collectively the “Companies”) respectfully submit these comments in response to a petition filed by NYSERDA proposing a restructuring of NYSERDA’s solar photovoltaic programs to implement the NY Sun Initiative (“NY Sun”) as part of New York State’s Renewable Portfolio Standard (“RPS”) program.¹

Introduction

NY Sun, recently announced by Governor Cuomo, proposes to expand the RPS-funded solar program in the State. The NYSERDA petition proposes to implement NY Sun by expanding solar programs within the current RPS program funding levels, thereby providing an increased focus on solar technologies without an increase in overall costs to consumers. The proposal would also continue the State’s support of a renewable energy program for a variety of energy types. The proposed adjustments, therefore, continue to support the overall customer interest for a future that includes a mix of renewable energy supply.

¹ SAPA Notice I.D. No. PSC-09-12-00010-P, Allocation of Renewable Portfolio Standard Funds; Overall RPS Funding, and Restructuring of the Photovoltaic Program.

The Companies support the overall direction of NY Sun and generally support the NYSERDA petition to integrate the NY Sun initiative into the State's RPS program.

NYSERDA's petition proposes an annual increased allocation of \$54 million of RPS funds to solar energy statewide, with a total program length of four years (2012-2015), resulting in a total reallocation of \$216 million. While solar energy is still one of the more expensive renewable resources available to the State, costs for solar energy have come down substantially in recent years, and the unique benefits of solar electricity generation (*e.g.*, non-emitting, quick to permit and install, compatibility with urban environments) lead the Companies to conclude that a meaningful increase in support for solar energy via the State's RPS program is appropriate at this time. Therefore, the Companies support NYSERDA's proposal to double the funds available to support solar resources in the State.

Moreover, the petition proposes a program design that the Companies believe will lower the cost of solar energy in the State. The petition envisions a statewide competitive solicitation program for solar facilities between 50 kW and 2 MW in size that are located on customer premises. The Companies support the creation of a statewide program to fund these larger-scale solar facilities because this action will facilitate solar energy installations for customers with larger energy needs. Currently, the only statewide RPS program specifically designated for solar energy caps facility sizes at 50 kW. Providing incentives to larger-scale customer systems, as NYSERDA proposes, will lower the overall per-kWh cost of solar energy due to the economies of scale available to these systems, and should attract a new group of solar developers with expertise in these larger systems to New York State. Relying on responsive competitive markets to procure the resources will also result in lower costs for solar energy.

In order to enhance the success and effectiveness of these initiatives, as discussed below, the Companies urge (1) specific allocation of funding to the Geographic Balance program, (2) maintenance of the current level of RPS collections, (3) consideration of a broader role for utilities for solar installation where system capital investment is anticipated, (4) flexibility to include solar installations larger than 2 MW, and (5) requiring energy efficiency investment from customers receiving incentives for installing solar energy.

The Geographic Balance Program Level Should Be Specified Up Front

NYSERDA proposes to allocate 75 percent of the proposed additional funds (\$40.5 million annually) to a statewide competitive solicitation for larger solar energy resources and 25 percent (\$13.5 million annually) to the statewide standard-offer solar rebate program for smaller solar resources (less than 50 kW). In addition, NYSERDA suggests that “a portion” of the \$40.5 million allocated annually to the competitive solicitation program be reserved for NYISO Zones G, H, I, and J to provide some geographic balance to the statewide spending of RPS funds.

The Companies urge the Commission to ensure a material allocation of the proposed competitive solicitation funds for the downstate region. Absent a specific geographic allocation, a statewide competitive bidding program could inadvertently undermine the PSC’s policy goal to improve the geographic distribution of State RPS. To address these concerns, the Companies propose that the \$40.5 million in annual funding for NYSERDA’s proposed statewide competitive procurement program specify an allocation to fund the existing Geographic Balance program.

The Companies recommend an allocation based on the energy consumption ratio of the downstate region to total statewide consumption (excluding LIPA energy consumption because

LIPA customers do not participate in funding the RPS program). Using the 2012 energy forecast from the NYISO 2011 Load & Capacity Data,² this approach would result in 52.5 percent of the proposed competitive statewide program funding dedicated to customers in zones G, H, I, and J, equal to \$21.1 million of the \$40.5 million annually. Further, within the Geographic Balance program, the Companies believe it appropriate to maintain the current sharing of funds between NYISO zones I/J and G/H, which was set as five-sixths (\$17.6 million) for the former and one-sixth (\$3.5 million) for the latter that the Commission established when it created the Geographic Balance program.³

The Commission Need Not Increase RPS Collections to Fully Fund This Initiative

NYSERDA proposes funding the first two years of this initiative via a combination of a \$90.5 million reallocation of RPS collection funds from the Main Tier program to the Customer-Sited Tier (“CST”) program and a reallocation of \$19 million of unencumbered CST funding previously reserved for other technologies in the CST program. The Companies support use of these funding sources for the first two years of the program. NYSERDA does not identify the funding source(s) for the second two years of new solar initiative and instead notes that “[i]n the 2013 RPS program review, the Commission could consider all available funding options to support the expanded PV program, potentially including a modest increase in collections.”⁴

² New York Independent System Operator, http://www.nyiso.com/public/webdocs/services/planning/planning_data_reference_documents/2011_GoldBook_Public_Final.pdf, Version 1, April 2011. Calculated using data on Table I-2A, page 12, “Forecast of Annual Energy by Zone – GWh.”

³ Case 03-E-0188, Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard, *Order Authorizing Customer-Sited Tier Program Through 2015 and Resolving Geographic Balance and Other Issues Pertaining to the RPS Program*, issued April 2, 2010 (“CST Order”).

To the extent any of the Geographic Balance solar funding is undersubscribed, such funding could be made available for biogas facilities.

⁴ Petition, at page 5.

At this time, the Companies do not support an increase in the currently approved RPS collections schedule through 2015. RPS collections have more than doubled in the last two years. In 2009 statewide collections were \$82 million; in 2011 collections were \$170 million. Collections are already set to rise over the next four years: statewide collections will increase from \$203 million in 2012 to \$321 million in 2015. The Companies believe that existing, approved collections as well as significant unspent funds⁵ held by NYSERDA for the RPS program should be sufficient to fund the second two years of this expanded solar program. As a result, the Companies prefer a commitment by NYSERDA to seek a source of funding within the currently approved RPS collections. The Companies note that an overall RPS review is scheduled for 2013 and, while the entire program will be reconsidered at that time, the Companies suggest that the PSC adopt this funding approach for that anticipated review.

The Commission Should Consider a Role for Utilities in the NY Sun Initiative

In past RPS proceedings the Companies have requested permission to participate directly in NYSERDA solar resource solicitations. In the April 2, 2010 order that renewed the RPS program, the Commission rejected utility ownership *at that time*, while noting that “there may be merit in allowing utilities to participate further in this program, at a later date, if it were to be found that private investment is not available or sufficient in areas where utility ownership may

⁵ According to data made available in the 2012 NYSERDA RPS Report, issued on March 23, 2012, NYSERDA had \$214 million in cash on-hand as of the end of 2011, and forecasts that it will have \$255 million in cash on-hand as of the end of 2015.

Moreover, the Companies would note that the within solar proposal represents a better use of funds collected for renewable energy than fossil-fueled CHP.

be better targeted, more cost-effective and beneficial.”⁶ The Companies suggest that their participation should be reconsidered as part of the NY Sun program.

The Companies note that while the Geographic Balance program has generally been very successful to date in terms of marketplace response, the targeting of solar to specific zones identified by the utilities as being well suited to solar installations and also projected for capital investment by the utilities (and where NYSERDA provides an additional incentive) has not resulted in a meaningful increase of solar installations in those areas. The Companies should be allowed to participate in future solicitations to install solar resources on their own facilities, in the targeted network areas where solar resources would provide system benefits, and where NYSERDA is targeting solar resources. Where solar programs that merit such funding are identified, the Companies would proceed if selected in the competitive bidding process. The Companies could effectively target these locations because they have facilities in virtually all the areas within their service territories. Moreover, the utilities’ participation would provide the opportunity to evaluate the role of solar energy to defer utility capital investment. Whether or not the Commission permits the Companies to target investment on Company-owned facilities in their service territories, the Commission should examine whether the market is responding to the Commission’s request to target areas for solar resources.

The Commission Should Consider Flexibility to Allow Facilities Larger Than 2 MW

NYSERDA proposes limiting participation in the statewide competitive solicitation for solar energy to solar facilities that are no larger than 2 MW. The Companies support providing NYSERDA with the flexibility to allow even larger solar systems to participate in the proposed

⁶ CST Order, at page 35.

competitive solicitation program. Significant economies of scale are available to building larger systems, so allowing participation by such resources in the new competitive solicitation program will lower the cost for solar energy in the State. Allowing for larger solar resources also provides an opportunity for utilities to learn about challenges and benefits of larger solar facilities, such as the impact of the intermittency of such larger facilities on the distribution grid, or the potential ability to use such solar facilities to defer infrastructure investments.

The Commission Should Support Energy Efficiency Investment as a Pre-Requisite to Solar Installation

The Companies finally note that all of the existing customer-sited solar programs administered by NYSERDA require customers to perform an energy efficiency audit as a pre-requisite to receiving funding for solar facilities. The Companies strongly support incorporating this requirement in NYSERDA's proposed statewide competitive solicitation program. Energy efficiency is the most cost-effective technique to reach a cleaner energy future, and customers should be encouraged to improve their energy efficiency before the State subsidizes a more expensive source of clean energy like solar. If customers take the next step to actually install energy efficiency measures, the State will further benefit because such action will reduce the amount of solar energy required for that customer, thereby stretching the State's existing funding sources further and effectively reducing the total amount of renewable energy required to achieve the State's goal of 30 percent renewable energy consumption by 2015.

Conclusion

The Companies request that the Commission approve the changes requested by NYSERDA in support of the NY Sun initiative, with the modifications as described herein.

These changes include specifying an allocation of funding for the Geographic Balancing program, maintaining the current level of RPS collections, considering a role for participation by utilities, allowing projects larger than 2MW if they are more cost-effective in meeting the NY Sun goals, and providing that energy efficiency investments be a prerequisite for solar installations.

New York, New York
Dated April 16, 2012

/s/ Stuart Nachmias

Stuart Nachmias
Vice President
Consolidated Edison Company
of New York, Inc.