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VIA ELECTRONIC DELIVERY

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

> RE: **Matter 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack**
>
> **Matter 17-01277 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design**
>
> <u>**Joint Utilities' Presentation for April 6, 2018 Meeting of the Value of Distributed Energy Resources (VDER) Value Stack and Rate Design Working Groups**</u>

Dear Secretary Burgess:

On behalf of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively, the "Joint Utilities"), attached please find for filing the Joint Utilities' presentation entitled *VDER Rate Design Working Group Process for Developing Rate Design Proposals* for the subject April 6, 2018 meeting.

Thank you.

Respectfully submitted,

/s/ Janet M. Audunson

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Enc.

JOINT UTILITIES
OF NEW YORK

**VDER Rate Design Working Group
Process for Developing Rate Design Proposals**

April 6, 2018

NYSEG nationalgrid Orange & Rockland Rockland Electric Company conEdison Central Hudson A FORTIS COMPANY RG&E

Agenda and Preliminary Matters

- Meeting Objective:

    The purpose of this presentation is to provide an overview of JU's process to support the development of Stakeholder Rate Design proposals

- Agenda:
    - Rate Design Proposal schedule
    - Rate Design Proposal Input worksheet
    - Rate Design Input Handbook

Summary of Rate Design Support Process

- The process that is provided in the table below will be used to develop the Rate Design Proposals.

	Responsibility / Task	
1	**JU** makes Rate Design Proposal presentation	April 6
2	**JU** distributes final Rate Design Input Worksheet and Handbook to Stakeholders	April 10
3	**Stakeholders** and **JU** submit final Rate Design Proposals	May 14
4	**Stakeholders and JU** make NEM Successor Proposal Presentations; Feedback provided by all parties	May 23
5	**Staff** to down select proposals based on application of rate design principles	June 4
6	**JU** calculates initial rates based on Stakeholder Rate Design Proposals; conducts discussions with each **Stakeholder** on the calculated rates associated with their Rate Design Proposal.	June 30

- JU has developed a Rate Design Tool – the Rate Design Proposal Input workbook – to ensure that all Stakeholders provide information and guidance on their rate design proposals in a consistent manner. Detailed instructions for filling out the Input Workbook are provided in the Rate Design Handbook.
- The Workbook and the Handbook will be distributed on April 10.

The following slides provide an introduction to the Rate Design Proposal Input workbook

Description of Input Workbook

- The Rate Design Proposal Input Workbook consists of four sheets (tabs) to be completed by Stakeholders for each Rate Design Proposal. A companion document, the *Rate Design Handbook*, provides detailed instructions for filling out the Rate Design Proposal Input Workbook; the handbook also provides useful reference information concerning rate design, JU Residential SC-1 rates and Small Commercial Non-Demand rates, ECOS results, revenue requirements, load data and current billing determinants.

Tab 1 Stakeholder ID	Tab 2 Part A: Rate Structure	Tab 2 Part B: Proposal Overview

• Stakeholder organization, designated contact info.
• Organizations with the same or similar positions on rate design for VDER Phase Two rates are encouraged to collaborate in the development of joint rate design proposals.
	• Stakeholders are asked to indicate the rate design components of their Rate design proposal.
	• Based on the responses, Stakeholders will be directed to an area in Tab 3, Delivery, where they will be asked to provide quantification guidance for their rate design proposal.
		• Stakeholders are asked to provide a description of the rate design proposal, including:
		  • Rate class (e.g., Res. SC-1)
		  • Overall objectives
		  • Stakeholders' high priority Commission rate design principles addressed by proposal
		  • Benefits of proposal
		  • Other distinguishing features

Description of Input Workbook

In Tab 3 – Delivery - and Tab 4 – Supply - Stakeholders are asked to provide quantitative guidance for every <u>relevant</u> component of their proposed Rate Design

Tab 3 Delivery	Tab 4 Supply
• Proposed customer charge guidance is expressed as "percent of current customer charge" • Stakeholders are asked to define TOU periods, CPP details, how to measure demand • Guidance on proposed kW, kWh charges is expressed as price ratios or allocation percents for every relevant component of Stakeholder's proposed rate design	• Stakeholders are asked to provide details of each rate structure component for Stakeholder's supply rate proposal • Depending on the proposed supply rate structure, Stakeholders are asked for guidance on the proposed supply rate design

Support for Stakeholders in Rate Design Proposal Process

- JU understands that this process is complicated – Rate Design is complicated.
  - To assist Stakeholders in this phase of the rate design process, JU will conduct training sessions on the Rate Design Input process.
  - We have also established a Help Desk to provide assistance until the rate design proposals are due on May 14.
    - The Help Desk email address is **vderhelpdesk@ceadvisors.com**
  - To prevent concerns of possible JU influence on Stakeholder proposals, advice on technical matters will not be provided at the training sessions or from the Help Desk
    - Examples of technical matters that will not be provided include: advice on "appropriate" rate structures, analyses that could be performed to support a Rate Design Proposal, and how to perform a specific analysis.
  - The Help Desk will not be able to provide billing determinants for a proposed rate structure – Billing determinants will be determined after June 4 for the rate structures that result from the Staff down select process.

A prototype of Tab 3, Delivery that shows an example of the requested quantitative and rate structure inputs for proposed Seasonal 3 Part TOU delivery rates is provided in the Presentation Appendix. This example, or other examples will be discussed at the training sessions
  - Training Session dates and times will be announced April 10

Description of Rate Design Handbook

- The Rate Design Handbook is a companion document to the Rate Design Input Workbook. The Handbook contains rate design reference information, including:
  - Instructions for Completing the Rate Design Input Worksheet
  - Reference Data
    - Fundamentals of Rate Design
    - ECOS Approach and Residential and Small Commercial Non-Demand Results by Company
    - Current Mass Market Residential and Small Commercial Non-Demand Rates
    - ECOS Residential and Small Commercial Non-Demand Summary Charts
    - SC-1 and SC-2 non-demand Billing determinants
    - JU load data
    - Current approach to recover ICAP costs in Supply rates

Summary

- Meeting Objective:

  This presentation provided an overview of JU's process to support the development of Stakeholder Rate Design proposals

- We reviewed:
  - Rate Design Proposal schedule
  - Rate Design Proposal Input worksheet
  - Rate Design Input Handbook

Appendix

Prototype Input Workbook

RATE DESIGN PROPOSAL INPUT WORKSHEET

Rate Design Proposal Example

- This Rate Design Example demonstrates how the Rate Design Proposal Input Worksheet should be filled out for a hypothetical utility HG&E for proposed Seasonal 3 Part TOU delivery rates.

- The Seasonal 3 Part section of the Rate Design Proposal Input Worksheet will look like this when the file is first opened (the numbered boxes are added for this presentation):

Customer Charge **[1]**	100%	of current customer charge
Per kWh Charge (calculated by JU based on allocation inputs and per kWh price ratios, below.)		
Demand Charge (calculated by JU based on allocation inputs and per kWh price ratios, below.)		
Of remaining class revenue requirement, what percentage should be recovered through		
Demand Charges	50%	
Per kWh Charges	50%	**[2]**
Please provide the following price ratios:		
Per kWh Charges - to shape summer / non-summer per kWh rates		
Summer Peak: Non-Summer Peak	1 : 1	**[3]**
Per kWh Charges - to shape peak / off peak per kWh rates		
Peak: Off Peak, Summer	1 : 1	**[4]**
Peak: Off Peak, Non-Summer	1 : 1	
Demand Charges - to shape summer / non-summer demand rates		
Summer Peak: Non-Summer Peak	1 : 1	**[5]**
Demand Charges - to shape peak / off peak demand rates		
Peak: Off Peak, Summer	1 : 1	**[6]**
Peak: Off Peak, Non-Summer	1 : 1	
Demand Measure		
Peak Period Definition **[7]**		
Peak period includes:		

Duration of TOU periods		
Summer Months	Hours/Day	
Peak	12	
Off Peak **[8]**	12	
Non-Summer Months	Hours/Day	
Peak	12	
Off Peak	12	

In the Rate Design Input Workbook, cells that represent Stakeholder's Rate Design inputs are highlighted in yellow (enter values) and blue (select from drop down menu).

Example Stakeholder Decision-making Process

[1] Stakeholder X reviews the HG&E cost data and decides to propose that customer charge for the HG&E NEM replacement rate design should be cost-based. Stakeholder X determines that increasing the current customer charge by 120% will achieve their rate design objective

[2] Stakeholder X decides to propose that 90% of remaining class revenue requirement be recovered through demand charges and 10% be recovered through per kWh charges.

[3] To "shape" the seasonality of the energy rates Stakeholder X reviews the HG&E load data, and determines that the Summer Peak to non-Summer Peak energy price ratio should be set at 1.4:1

[4] To "shape" the time varying component of the energy rates, Stakeholder X reviews the HG&E load data, and determines that the Peak to Off-peak energy price ratios should both be set at 2:1 for both summer and non-summer months.

[5] To "shape" the seasonality of the demand rates Stakeholder X reviews the HG&E load data, and determines that the Summer Peak to non-Summer Peak demand price ratio should be set at 1.2:1

[6] To "shape" the time varying component of the demand rates, Stakeholder X reviews the HG&E load data, and determines that the Peak to Off-peak demand price ratios should be set at 1.5:1 for both summer and non-summer months.

[7] Stakeholder X decides to use monthly maximum coincident peak demand as the measure of billing demand.

[8] Stakeholder X reviews the HG&E load data, and determines that the Summer Peak period should be 12 hours and the non-Summer Peak period should be 8 hours for non-holiday weekdays.

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