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August 27, 2018

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza, Agency Building 3
Albany, New York 12223-1350

Re: CASE 15-E-0751 – In the Matter of the Value of Distributed Energy Resources – Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs

Dear Secretary Burgess:

The New York Battery and Energy Storage Technology Consortium (“NY-BEST”) is pleased to submit these comments for Staff’s consideration in the above referenced case in relation to the Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs.

INTRODUCTION

The New York Battery and Energy Storage Technology Consortium (“NY-BEST”) is a not-for-profit industry trade association that serves as a voice of the energy storage industry for 160 member organizations on matters related to advanced batteries and energy storage technologies. Our membership covers the full span of activities related to research, development, production and deployment of energy storage devices, and currently includes: technology developers ranging in size from small start-up companies to global industry corporations, project developers, leading research institutions and universities, national labs and numerous companies involved in the electricity and transportation sectors.

NY-BEST is committed to achieving Governor Cuomo’s energy storage deployment target of 1,500 MW by 2025 and growing 30,000 jobs in this sector by 2030.
General Comments on Draft Staff Whitepaper

NY-BEST is committed to ensuring that methodologies and mechanisms that value energy storage are adopted through Value of Distributed Energy Resources (VDER) proceeding. Such methodologies are integral to ensuring that the State meets its Reforming the Energy Vision and renewable energy goals and achieves the Governor’s 1,500 MW energy storage deployment target by 2025.

As noted in the New York Energy Storage Roadmap, energy storage can provide numerous system benefits. However, the value proposition for storage hinges on the ability to stack multiple value streams, many of which are not realizable today. The Roadmap recommendations include a comprehensive set of actions to enable storage to realize these value streams, and among those actions are recommended changes to the VDER value stack. NY-BEST offers these comments within the context the Energy Storage Roadmap and the many actions that are needed to unlock the full potential of storage.

NY-BEST has actively participated in the Value Stack Working Group and in discussions regarding refinements to the value stack components. We have separately argued for inclusion of stand-alone energy storage as an eligible resource under the VDER value stack and continue to urge Commission action to that end. NY-BEST appreciates the efforts of DPS staff to engage stakeholders and in preparing the Draft Whitepaper.

NY-BEST agrees that changes to the DRV and LSRV components of the Value Stack are needed to improve revenue certainty and predictability to finance and build DER projects. We also agree that the VDER tariff should be used to supplement the utilities’ DSIPs and NWAs and that a properly designed VDER tariff is essential to deploying DERs which can improve system efficiency and avoid future infrastructure investment and related O&M.

Modified DRV Calculation and Compensation

NY-BEST generally supports Staff’s proposed changes to the methods of calculating the DRV component of the value stack, including:

- Utilizing the system wide MCOS for DRV;
- Updating DRV values in the Value Stack tariff no more frequently than every two years, consistent with the DSIP cycle, following a public review and comment process; and
- Establishing a choice of two options for compensation.
Regarding the options for compensation, NY-BEST agrees that the options presented would provide more revenue predictability for DER projects and thus improve financing and DER deployment. Under Alternative 1, the $/kW-year would be assigned as $/kWh to the same 460 peak summer hours (2-7 PM, June-August) used for Capacity Value Option 2 under the Value Stack. We agree with Staff that this would provide advanced knowledge of the specific hours and substantially reduce the current uncertainty resulting from a small number of hours due to factors like weather. It would also compensate a project for its performance during the overall set of hours that drives utility peak needs. NY-BEST notes that this option could help foster solar plus storage projects by helping to ensure DER output during the higher value hours.

Alternative 2 would establish a 7-year fixed $/kW-year DRV value for dispatchable DERs responding to a call signal from utilities. NY-BEST has advocated for this change as we believe that the DRV value from a given project is longer than three years and that by recognizing this with a longer fixed term DRV value, along with a call signal to improve the confidence in realizing the revenue, project financing costs and project economics will be improved. This proposal was included in the New York Energy Storage Roadmap. NY-BEST urges that in preparing the final Whitepaper, Staff incorporate reasonable limits on call notice, number of utility call signals, and the duration of the calls.

In addition, NY-BEST urges Staff to specify that all VDER eligible technologies, as well as stand-alone storage, are able to participate in both of the above alternatives.

**Sunsetting of LSRV**

NY-BEST has long supported a granular valuation (locational and temporal) of DERs and we continue to believe that mechanisms are needed to compensate those values. While we agree with Staff that the current LSRV compensation mechanism is imperfect, we are concerned that eliminating it in its entirety, and instead relying on the DSIP process, NWAs and Demand Response programs to fill this need, will not help build a robust DER market and will not maximize the system benefits of DERs. NWA procurements are sporadic and to date have resulted in award to only a limited number of selected vendors.

NY-BEST believes that Utility NWAs and LSRV should complement each other. By placing DER assets in LSRV zones, the size of future NWA procurements can be reduced or eliminated. DERs deployed in LSRV zones act as a load modifier to any future system infrastructure needs. If an NWA is procured in an LSRV zone and there is no further need to
install more DERs to address locational constraints, future DER installations would not receive LSRV. However, existing DER installations that are still providing the load modification, and reducing the need for an NWA, would still receive LSRV payment. In this way, the LSRV value maximizes system benefits and reduces costs.

NY-BEST is concerned that by eliminating LSRV, DER providers will not have the appropriate price signals and as a result, will focus on the lowest installation cost locations rather than highest system value locations. NY-BEST recommends that the LSRV value component be maintained and that, in the spirit of REV, continued efforts be made to improve the fidelity of the price signal.

In the event that the Staff proceeds with its recommendation to eliminate LSRV, NY-BEST recommends that limitations be removed on the ability of DERs participate fully in VDER value stack and DR or NWA programs. Given that neither the DRV nor the other components of the VDER value stack address locational value, we believe removing any such limitations is appropriate.

CONCLUSION

NY-BEST greatly appreciates the efforts of DPS staff to develop methodologies to value and compensate DERs. As stated above, we generally support the Staff’s proposal to revise the DRV compensation methodologies. However, we are concerned with the elimination of the LSRV and Staff’s recommendation to rely on the existing DSIP process, NWAs and DR programs to provide locational value.

NY-BEST appreciates the opportunity to provide these comments and we stand ready to assist the Department Staff in establishing methodologies for valuing DERs, including energy storage in this proceeding, as well as in the Energy Storage Roadmap and other REV-related proceedings.

If you have any questions or require additional information regarding these comments, please contact me at (518) 694-8474.

Respectfully,

Dr. William P. Acker, Executive Director