June 14, 2021

VIA ELECTRONIC FILING

Hon. Michelle Phillips
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

Dear Secretary Phillips:

Advanced Energy Economy Institute (AEE Institute) and the Alliance for Clean Energy New York (ACE NY) submit for filing their joint Comments Regarding Customer Benefit Contribution in response to the Commission's May 11 Notice Soliciting Comments.

Respectfully Submitted,

Daniel Waggoner
Director
Advanced Energy Economy

Comments Regarding Customer Benefit Contribution Charges (15-E-0751)

Advanced Energy Economy Institute
Alliance for Clean Energy New York

Introduction

Advanced Energy Economy Institute (AEE Institute) is submitting these Comments in response to the May 11 *Notice Soliciting Comments Regarding Customer Benefit Contribution Charges.* In order to respond to this Notice, AEE Institute is working with Advanced Energy Economy[1] and the Alliance for Clean Energy New York[2] (ACE NY) to craft the comments below. These organizations are referred to collectively in these comments as the "advanced energy companies," "we," or "our."

Procedural History

The New York Public Service Commission ("Commission") has engaged in a years-long process to refine utility rates for customers with distributed energy resources (DER) so that they better align the charges these customers pay, and the credits they receive, with the costs and benefits their DERs provide to the utility system and to society. In its initial NEM Transition Order,[3] the Commission phased out volumetric credits for energy exported to the grid for most large demand-billed customers,[4] and instead established a Value Stack to determine the value of monetary credits for net hourly exports to the grid. At the same time, any on-site DER generation that displaces imports from the grid serves to reduce billings and is implicitly valued at the applicable retail rate for the customer. In the NEM Transition Order, the

[1] AEE is a national business association representing leading companies in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable.

[2] ACE NY's mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution.

[3] Order on Net Energy Metering Transition, Phase One Value of Distributed Energy Resources, and Related Matters, March 9, 2017.

[4] These customers can also include remote net-metered customers and community distributed generation (CDG) subscribers.

Commission preserved retail rate net metering for mass market customers[5] —residential and small commercial customers whose energy demand is less than 10 kW—until January 1, 2021, by which time a new, more targeted rate was to come into effect for these customers. Following a substantial Staff-led effort to explore new DER rates for mass-market customers, the Commission, in its Order Establishing Net Metering Successor Tariff (Successor Tariff Order), established a Customer Benefit Contribution (SBC) charge that would apply only to mass-market customers with on-site solar. The Commission also extended the date after which customers with newly installed solar systems would need to begin paying the CBC to January 1, 2022.

The CBC charge is applied monthly based on the size (installed kW) of the solar system and is meant to reflect the charges the utility would have collected from a customer for certain public benefit programs had the customer not relied on their DER to displace a portion (or all) of their volumetric billings. The charge is calculated, in brief, through 1) converting revenue requirements for public benefit programs included in utility rates (such as utility energy efficiency programs and low-income programs) into a $/kWh amount for each rate class, 2) adding the existing $/ kWh System Benefits Charge (SBC), 3) applying the resulting $/kWh total to the yearly output of a 1-kW PV system estimated through the use of an average capacity factor for solar, and 4) dividing the resulting yearly $/kW figure by 12 to arrive at a solar-specific $/installed kW per month CBC charge. The charge is non-bypassable and cannot be paid through bill credits.

The Successor Tariff Order directed the utilities to calculate the CBC using the above methodology for their mass-market customers and file the calculations by November 1, 2020. The Commission also noted that most parties had opposed the application of the CBC to customers on demand and standby rates, and while acknowledging that the parties' arguments have merit, directed the utilities to file calculations for CBC charges applicable to all customer classes and technologies for stakeholders to consider.[6]

Comments

The PSC Should Adopt a Technology-Neutral Approach the Application of the CBC

Advanced energy companies agree generally that all customers should contribute to public benefit programs, though we have not endorsed the proposed CBC charge specifically. However, if the Commission implements a CBC charge, it should do so in a technology neutral way. Therefore, if the

[5] The PSC also later extended Phase One NEM to demand-billed customers with on-site generation of less than 750 kW.

[6] Order Establishing Net Metering Successor Tariff, July 16, 2020, page 25

Commission chooses to implement a CBC for solar mass-market customers, we recommend that it should also implement a CBC for mass-market customers relying on other types of DER.[7]

The CBC Methodology was Designed for Customers on Volumetric Rates and Should Not Be Extended to Customers on Other Rate Designs

The CBC methodology was designed to recoup revenue for public benefit programs from customers with DER who are on volumetric rates. The size of the avoided contributions to public benefit programs is first quantified volumetrically and at a $/kWh rate before it is converted into a $/kW charge. In contrast, demand-billed customers do not pay for public benefit costs entirely through volumetric charges. While all customer classes pay the same SBC charge on a volumetric basis, demand-billed customers pay for several programs, such as utility energy efficiency and low-income programs, through their demand charges. Thus, a methodology that was developed to reflect the amount of public benefit funding that would have been collected from a customer on volumetric rates absent their DER does not reflect an appropriate amount for a customer on demand-based rates. Because of this mismatch and for a number of other reasons, we do not recommend applying the CBC to non-volumetric rates.

As a first order concern, the rationale for applying a CBC charge to demand-billed customers is much weaker than it is for customers on volumetric rates. Costs to the distribution system are generally a result of customer demand, either individual or coincident, and demand charges reflect these costs. The relationship between cost causation and demand charges is much more direct and accurate than with volumetric rates. Demand charges, therefore, are less likely than volumetric charges to result in an under recovery (or potentially an over recovery) of the costs imposed by customers' usage of the system. If a CBC charge were applied to demand-billed customers, it would require them to pay for public benefit programs in a manner that is not aligned with their use of utility service and the electric system.

Second, the CBC is likely to result in duplicate public benefits charges for many demand-billed customers. If a CBC were imposed, costs for the same public benefit programs would be recovered through demand charges and the CBC. Some DERs, solar for instance, may not reduce the peak demand of their customers by much, if at all, given that the output of DER is often variable and the peak demand for a customer can fall outside of when a DER can produce. While the DER may reduce volumetric energy consumption substantially, and therefore would result in a sizeable CBC charge, the customer may also pay demand charges that have not been reduced by the DER. Under this scenario, a customer with DER *would pay more* toward public benefit programs than a customer without DER. We believe this would run counter to the Commission's intent.

[7] The CBC should be designed using appropriate capacity factors for each technology.

Conclusion

Advanced energy companies appreciate the Commission's consideration of our comments and recommend that the Commission decline to apply the CBC charge to customers on non-volumetric rates at this time.