



May 27, 2014

**VIA ELECTRONIC MAIL**

Hon. Kathleen Burgess  
Secretary to the Commission  
New York State Public Service Commission  
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Albany, NY 12223-1350  
Email: [secretary@dps.ny.gov](mailto:secretary@dps.ny.gov)

**RE: Cases 14-M-0101 and 14-M-0094; Core Principles for Reforming the Energy Vision and Creating a Clean Energy Fund From Columbia Center for Climate Change Law, Natural Resources Defense Council, Environmental Defense Fund and Pace Energy and Climate Center**

Dear Secretary Burgess:

Columbia Center for Climate Change Law, Natural Resources Defense Council, Environmental Defense Fund and Pace Energy and Climate Center applaud the Public Service Commission (Commission) on its efforts to reform the regulations and markets that guide electric and gas utility operations in New York State towards a cleaner, more efficient and sustainable future.

The Commission and Department of Public Service (DPS) are asking the right questions in the Reforming the Energy Vision (REV) Staff Report (Staff Report). We look forward to working with regulators and stakeholders to develop the answers.

As a general comment, we strongly support including reducing greenhouse gas (GHG) emissions as a key overall objective of the REV proceeding and believe this goal can be pursued in a manner that is entirely consistent with the other stated objectives of the REV proceeding. From the dire effects of climate change as described in the March 2014 Intergovernmental Panel on Climate Change report and the National Climate Assessment in May, to the devastation already seen in New York due to more frequent and destructive weather events, it is clear that utility reforms must prioritize reducing the climate pollution that threatens our way of life.

Likewise, REV outcomes should ensure that New York's new energy system drives reductions in other pollutants, such as NOx, SOx and PM, and their resulting cumulative impacts, which must be tracked and accounted for on a regular basis.<sup>1</sup> Doing so will maximize the value of system transformation and prevent perverse environmental and public health outcomes that could potentially result if these considerations are not front and center.

We also see great promise in the approach the Commission and DPS have advanced. The central station model for generating and distributing non-renewable power is increasingly being complemented by other options for meeting demand in a cleaner and more efficient manner. Better technology, environmental threats, and general system inefficiency are pushing the electric system toward decentralization. New York's regulations and market rules should be revisited to help encourage these changes.

We offer the following core principles to help guide the Commission and DPS staff as they refine the proposal. The Commission and DPS Staff should:

- **Ensure that emissions reductions remain central to REV's objectives and outcomes:** Ensure that the Distributed System Platform Provider (DSPP) incorporates the goal of decarbonizing the electric sector into its overall business model and adopts metrics to measure progress. Ideally, the legislature and/or Department of Environmental Conservation will ensure that statewide emissions reductions goals are in effect. Given the magnitude of climate challenge, emissions reductions goals should follow a public policy "80 x '50" glide-path consistent with minimizing the catastrophic effects of climate change and promoting public health and safety. This same public policy should also guide the design and operations of the DSPPs; market rules that foster competition must be complemented by the inclusion of explicit GHG reduction and air quality metrics that ensure that emissions reductions actually achieved are consistent with the short-, medium- and long-term reductions the prevailing science states is needed.
- **Ensure that the DSPP will be compensated in accordance with its performance with respect to stated public policy objectives:** Regardless of whether the legislature and/or DEC provide clear policy direction, the Commission and DPS Staff must set clear public policy targets that address GHG emissions reductions and improved air quality resulting from deployment of energy efficiency, energy conservation, renewable energy, and other strategies, and must develop a transparent system of DSPP rewards and penalties for reaching, exceeding or falling short of those targets. These public policy targets should be

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<sup>1</sup> Electric Generating Units (EGUs) 25 MW and above must hold Title V permits for criteria pollutants and also comply with the Regional Greenhouse Gas Initiative for carbon emissions. More distributed energy resources (DER) such as solar and wind, as well as storage, have clear emissions reductions benefits. And while many newer, high efficiency distributed generation technologies such as CHP and fuel cells have very low emissions, New York State DEC has yet to finalize and adopt its "DG Rule", making it difficult to ensure the rapid build out of more DG on the system will in fact be from these cleaner sources. As New York moves to a more distributed system, it will be essential for the state to carefully design and quickly adopt these and other overlaying environmental regulations in order to prevent backsliding on air quality and GHG emissions, while also avoiding the potential undermining of the "price on carbon" imposed on a subset of electric generation through RGGI.

established as part of the proceeding, or in parallel proceedings and directly incorporated into REV outcomes.<sup>2</sup>

- **Fully value distributed energy resources (DER):** The DSPPs will need to develop, with input and guidance from the Commission and other stakeholders, new tools to monetize the benefits of DERs and establish new market structures so that clean generators can compete on a level playing field with large, centralized generators and associated transmission. Currently, DER products (including renewables, efficiency, and other demand side measures) do not receive the full value of the benefits that accrue to the public and the energy system. In addition to the system support benefits that spring from distributed resources by their very nature, fair valuations need at a minimum to support internalization of positive and negative environmental externalities.
- **Better align retail and wholesale market products:** Ensure that consistent market signals are in both the wholesale markets managed by the New York Independent System Operator (NYISO) and the emerging markets that are contemplated as part of the DSPPs' business model. For example, in recent years, repeated changes in NYISO market rules have been a factor in declining levels of DR participation, and these wholesale market rules will likely need to be modified to harmonize with the REV vision.<sup>3</sup> The changes needed to effect this alignment will likely be two-way -- not only ensuring that the new markets/products that Staff contemplate being managed by the DSPPs conform to existing NYISO market rules, but also considering how new retail products at the DSPP level should influence and inform wholesale products and market rules adopted by the NYISO.
- **Address who the DSPP is, and by what rules it engages:** Be deliberate in deciding the question of whether the role of the DSPP should be assigned to an independent new entity, or to the incumbent utilities. This question was to some extent taken as a given in the Staff Report. The DSPP must be an open and interoperable platform that lowers barriers of entry to new participants in order to animate markets. It is the critical lynchpin to success and adoption of a new way of doing business. The entity chosen to be DSPP must be both committed and have the requisite skills and personnel to carry the task. An incumbent utility could have inherent biases, both financial and cultural, to undercut or discount resources that may provide important public policy benefits. The Commission and DPS Staff should carefully consider whether independent entities or incumbent utilities are better suited to perform DSPP functions. The rules of DSPP engagement with third parties, including but not limited to rules related to grid and information access, interoperability, control of meters and billing functions, product bundling and

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<sup>2</sup> As it stands, only solar PV has post-2015 commitments of support from the Commission. The Clean Energy Fund appears to be contemplating a new approach to remaining EE/RE targets, budgets and program design for 2016-2020, and the Order instituting that proceeding directed NYSERDA to submit a report to the Commission in August on what that new approach might entail. These outcomes will be inextricably linked to the REV outcomes, and should act as "guard rails" to ensure the state promotes the resources that are consistent with its public policies and in the ratepayer interest, even as the broader system fundamentals are transformed and the delivery of products and services becomes more open.

<sup>3</sup> According to the NYISO's Load & Capacity Data, participation in demand response programs fell from approximately 2,465 megawatts in 2010 to approximately 1,283 megawatts in 2014, a nearly 48 percent decline.

interconnection procedures must be clearly determined to create a “level playing field” for new market entrants.

- **Preserve and Affirm State commitments to energy efficiency and renewable energy:** Provide assurance that progress on achieving greenhouse gas reductions through energy efficiency and renewable energy will not falter during the transition period toward the full implementation of the DSPP. While the Commission has launched a Clean Energy Fund Proceeding (#14-M-0094) that seeks to establish a bridge fund to smooth the transition to a more market-based DSPP structure, it is imperative that backstop mechanisms be put in place to ensure that clean energy deployment is not permitted to falter if the new marketplace does not promptly develop to fill any gaps created by any potential reductions in public subsidies. In addition, the REV model should provide opportunities for customers in all sectors to achieve valuable energy savings and the resulting environmental benefits those energy savings deliver.

Respectfully submitted,

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