



New York Battery and Energy Storage Technology Consortium, Inc.

FILED ELECTRONICALLY

November 9, 2016

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: Cases 14-M-0101, 16-M-0429 - Proceeding on Motion of the Commission in
Regard to Reforming the Energy Vision; In the Matter of Earnings Adjustment
Mechanism and Scorecard Reforms Supporting the Commission's Reforming the
Energy Vision**

Dear Secretary Burgess:

The New York Battery and Energy Storage Technology Consortium (NY-BEST) is writing to request clarification and make recommendations to the Public Service Commission and Department of Public Service staff on the process for stakeholder participation in the preparation of utility system efficiency EAM plans which, pursuant to the Commission's Order Adopting A Ratemaking and Utility Revenue Model Policy Framework, are required to be filed with the Public Service Commission by December 1, 2016. The attached document includes a summary of our request and recommendations.

NY-BEST appreciates your consideration of this request and looks forward to receiving a reply. Should you have any questions or require additional information, please contact me at 518-694-8474.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Will Acker", written in a cursive style.

Dr. William Acker
Executive Director

THE NEW YORK BATTERY AND ENERGY STORAGE TECHNOLOGY CONSORTIUM (NY-BEST)

NY-BEST is writing seeking clarification of the process for stakeholder engagement and opportunities to participate in the System Efficiency Earning Adjustment Mechanism (EAM) filings being prepared by the Investor Owned Utilities, as well as to make recommendations to ensure a robust and meaningful stakeholder engagement process.

Pursuant to the Order Adopting A Ratemaking and Utility Revenue Model Policy Framework (Track Two Order),¹ New York's investor-owned electric utilities (IOUs) are required to file System Efficiency EAMs with the Public Service Commission (Commission) on December 1, 2016. In the Track Two Order, the Commission established criteria for the IOUs to follow in developing their System Efficiency EAMs. The first listed requirement is that each IOU should include "a description of stakeholder consultation undertaken in assembling the proposal."²The Track Two Order also states that IOUs need to file the initial system efficiency EAM with the Commission outside of a rate case in order for the Commission to "provide clear direction and avoid unnecessary and time-consuming argument in rate cases."³The clarity of these points notwithstanding, the path of the IOUs with respect to the system efficiency EAM remains unclear and REV stakeholders have seeking an appropriate forum in which to contribute to system efficiency EAM development. To date, neither the IOUs nor the Department of Public Service Staff (Staff) have provided direction in this regard.

NY-BEST is also concerned that clear transparent coordination between the EAM filings and utility rate cases is needed to clarify the process for establishing EAMs and to ensure that REV parties and stakeholders have an opportunity to meaningfully participate in their development. For example, Consolidated Edison's rate case and Joint proposal (16-E-0060) includes system efficiency EAM program goals and very specific limits on the types of storage projects eligible for system efficiency. NY-BEST had believed, pursuant to the Track 2 Order, that system efficiency EAMs were to be developed through a broader REV stakeholder process and, following approval by the Commission, would subsequently be adopted through utility rate cases. While we understand that Department staff and Con Edison have taken proactive steps to ensure that an initial system efficiency EAM is incorporated in the instant rate case, this approach is inconsistent with the process

¹Case 14-M-0101, Reforming the Energy Vision, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016).

²Track Two Order p. 75.

³ Track Two Order p. 61.

outlined in the REV Track 2 Order and, as a result, has created confusion as to whether it will obviate the need for a Con Edison system efficiency EAM filing or whether REV stakeholders will be afforded additional opportunities to further shape the Con Edison EAM.

NY-BEST and our members are not parties to the Con Edison rate case and thus we were not included in the rate case collaborative represented in the Joint Proposal, nor were we given notice of the relevant discussion. It is not clear that any technical solution providers were provided notice or were present for the collaborative. Significantly, our primary concern is that goals and potential precedents are being set through the rate case without full evaluation of the appropriate system efficiency goal for Con Edison or any direct input by providers of system efficiency. To be clear, NY-BEST supports the ultimate inclusion of system efficiency funding in rate cases, and we appreciate the positive motivations of Con Edison, Department staff and the rate case collaborative parties, but we are very concerned with the process undertaken in this case, the limited stakeholder engagement and the potential precedents and goals that are being set for system efficiency without any input from the providers of system efficiency.

With the system efficiency EAM filing deadline in less than a month and the Con Edison Joint Proposal before the Commission, NY-BEST is requesting and recommending the following:

1. The establishment of a Department staff-led structured working group(s) with utilities, market participants and REV stakeholders to focus specifically on developing the system efficiency EAM target methodology and to provide input into market based strategies for achieving this target in a way that delivers on economic and environmental objectives. We would suggest that the working group(s) be established as soon as practical and preferably by December 1, 2016
2. The Department commissions a third party analysis of the economic value of system efficiency improvements, with the goal of completing the analysis by February 1, 2017.
3. Contingent on the above, that the System Efficiency EAM filings, which incorporate Commission-established system efficiency targets and strategies, deadline be extended to March 1, 2017.

REV and Role of the System Efficiency EAM

NY-BEST is aware that the Commission, Department Staff, IOUs, and hundreds of stakeholders have devoted countless hours and resources to REV and its various on-going proceedings. We are requesting that the system efficiency component of REV be given greater focused attention recognizing that it is an integral part of achieving REV goals. NY-BEST believes that the system efficiency EAM programs are a material, immediate opportunity to deliver on core REV objectives: to use competitive market tools to obtain a cleaner, more valuable, more robust, and less costly electric system.

Throughout the various REV proceedings, the Commission has stated, “one of the most important objectives of REV is improving overall system efficiency, including the efficiency of capital investment to create value for customers. Toward that objective, peak reduction is among the most immediate priorities for REV implementation.”⁴ NY-BEST shares this view.

System efficiency provides an immediate opportunity for a cross cutting strategy to make the system less costly while also achieving the State’s environmental goals. NY-BEST strongly endorses the Commission’s setting of ambitious targets for each IOU related to system efficiency. Once set, this approach will allow IOUs to use a variety of existing tools to achieve the target, including everything from aligning demand charges with system peak, to demand response auctions and standing offers in specific locations, to incorporation of energy storage for peak reduction with high infrastructure utilization. The IOUs also benefit in a manner that aligns with customer, environmental and system needs. Through this EAM structure the IOUs would receive commensurate payments not only for achieving targets, but also through shared savings, by retaining some of avoided costs that they made possible.

Like the Commission, NY-BEST also considers the system efficiency EAM as a bridge and transitional measure to the distribution system market place envisioned under REV.⁵ If system efficiency is addressed as the Commission has articulated, with ambitious targets to “encourage market building investments and business” combined with an implementation strategy that takes an enterprise-wide approach, this vision can be realized.⁶ However, if system efficiency is addressed instead through a traditional resource acquisition approach,

⁴ Track Two Order p. 72.

⁵ Track Two Order p. 60.

⁶ Track Two Order p. 75 and 77. “There are numerous ways in which a distribution utility can influence peak at both the bulk and distribution levels. These individual actions do not necessarily aggregate into a defined peak reduction program, but rather should represent an enterprise-wide priority that filters through into many areas of utility activity.” Track Two Order p. 77.

NY-BEST believes it will not fully catalyze a market. And, while an ambitious target is essential, the implementation strategy adopted to achieve the target is equally as important to ensuring that the system efficiency EAM is a bridge to a market, rather than an end in itself.

NY-BEST understands that the goals of REV are to make the electric system cleaner, less costly, and more valuable, which is among the biggest challenges of the 21st Century. Throughout REV, the Commission has highlighted tensions that readily arise between cost, reliability, and the environment. The System efficiency EAM is a unique and immediate piece of REV that addresses all of these elements. It is only in part about reducing peak demand and improving utilization factors. We view System efficiency EAM as essential to improving system and capital efficiency while simultaneously reducing carbon and other environmental pollutants.⁷ If the environmental components are omitted, the EAM has not succeeded.

Finally, in addition to serving as tools to reduce cost, catalyze a market, and tackle environmental externalities, NY-BEST views the system efficiency EAM as a technology neutral mechanism. It provides a platform for all demand side resources to be part of the solution. And, in the Commission's Order Adopting a Clean Energy Standard, it is the system efficiency arena that the Commission highlighted as the near term opportunity for energy storage to participate in the New York market.⁸

Conclusion

We commend the Commission for developing the REV initiative and truly leading the world in this approach. NY-BEST supports the Commission's decision to incorporate the system efficiency EAMs in the Track 2 Order. We are asking for an opportunity to assist in ensuring that what the Commission envisioned in the Track 2 Order for system efficiency becomes a reality.

Stakeholder groups were established for development of the energy efficiency EAM and interconnection EAM, and NY-BEST is seeking a similar opportunity to engage on the system efficiency EAM. We also urge the Department to set more specific guidelines and targets for the IOUs to meet in the preparation of the system efficiency EAMs and clarify the process between the EAM filings and rate cases.

⁷ Track Two Order pp. 73 and 74

⁸"It is expected that the value of storage to be accurately monetized in the development of the retail markets for energy efficiency and the utility EAMs for system efficiency." Case 15-E-0302, Reforming the Energy Vision, Order Adopting a Clean Energy Standard (issued August 1, 2016) pp. 103-4.

NY-BEST stands ready to assist Department staff and we are happy to answer any questions you may have.

Thank you for your consideration of this request.