New York Battery and Energy Storage Technology Consortium, Inc.

VIA ELECTRONIC FILING

December 5, 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: CASE 15-E-0751 In the Matter of the Value of Distributed Energy Resources – Notice Soliciting Comments on Staff Report and Recommendations

Dear Secretary Burgess:

The New York Battery and Energy Storage Technology Consortium ("NY-BEST") is pleased to submit these comments for your consideration in the above referenced case in relation to Notice Soliciting Comments on Staff Report and Recommendations in the Value of Distributed Energy Resources (DER) Proceeding.

NY-BEST and our more than 150 member organizations from across New York State and beyond appreciate the opportunity to provide these comments and we stand ready to assist the Department of Public Service (DPS) staff and the Public Service Commission (PSC) in establishing a methodology, and interim methods, for valuing DER and designing rates for DER providers.

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

Respectfully,

William P. Acker
Executive Director

NY-BEST COMMENTS

CASE 15-E-0751 In the Matter of the Value of Distributed Energy Resources

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 more than 150 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 leaders, leading research institutions and universities, national labs and numerous companies involved in the electricity and transportation sectors.

Our mission is to catalyze and grow the energy storage industry and establish New York State as a global leader in energy storage. We do this by:

(1) Acting as an authoritative resource on energy storage, proactively communicating energy storage related news and information, and facilitating connections amongst stakeholders;
(2) Advancing and accelerating the commercialization process for energy storage technologies, from research and development, to products and widespread deployment;
(3) Educating policymakers and stakeholders about energy storage and advocating on behalf of the energy storage industry; and
(4) Promoting New York's world-class intellectual and manufacturing capabilities and providing access to markets to grow the energy storage industry in New York.

NY-BEST has been actively engaged in the State's Reforming the Energy Vision (REV) initiative and its related proceedings since its inception and supports NYS Public Service Commission's (PSC) efforts to transform New York's electric industry with the objective of creating market-based, sustainable products and services that drive an increasingly efficient, clean, reliable, and customer-oriented industry. We also support the goals of the State's Energy Plan and the Clean Energy Standard to generate 50 percent of the state's electricity from renewable sources by 2030 and reduce greenhouse gas emissions by 40

percent by 2030 and 80 percent by 2050. Energy storage is a key enabling technology for the State to achieve these policy goals. Accordingly, NY-BEST remains keenly interested in ensuring that methodologies and mechanisms that value energy storage are adopted as part of this proceeding.

General Comments on VDER

NY-BEST commends the DPS staff and the Commission for commencing the proceeding on the value of DER. We view the creation of a system to value LMP+D+E associated with DERS as being at the heart of accomplishing the goals of REV. The Staff Report and Recommendations for the Value of DER (Staff Report) proposes a major positive step towards full valuation of distributed energy resources (DERs), keeping New York at the forefront of policy design for the grid of the future. Moving to a full LMP+D+E market mechanism that encompasses all of the benefits articulated in a comprehensive Benefit Cost Analysis Framework and creates value for time-based and locational services is integral to achieving this vision over the longer term.

NY-BEST has been pleased to actively participate in the Value of DER proceeding since it commenced. We appreciated the opportunity to participate in the unique collaborative process established by DPS staff and to provide input to staff and to other parties and stakeholders through that process. We also acknowledge the effort of staff throughout this proceeding to ensure that all stakeholder voices and concerns were heard and explored.

Energy Storage Specific Comments

As we noted in our initial comments in this proceeding and continually in the numerous meetings of the collaborative, the unique benefits and services provided to the grid by energy storage technologies cannot be easily captured through a net energy metered framework approach and separate valuation methods must be developed for energy storage and other clean "dispatchable" DERs to ensure that these resources are appropriately and fully valued.

We were grateful during the collaborative that DPS staff created a Non-NEM Technology working group to discuss issues facing storage, dispatchable DERs resources and other non-NEM eligible technologies. The Working Group, led by DPS staff and comprised DER providers and utility staff, met on a number of occasions and put forth a series of recommendations which were presented to the collaborative. Among the

recommendations was the proposal that storage paired with an eligible generating facility, such as solar, be permitted to participate in the Phase One program. NY-BEST fully supported that recommendation and we appreciate its inclusion in the Staff Report. NY-BEST urges the Commission to adopt this recommendation. We also urge the Department and Commission to work with the NYISO and distribution utilities to develop the most accurate market signals aligned with the peak cost hours in the tariff. The Staff Report describes how the capacity values will be measured according to the identified hours, but it is unclear, with respect to the Demand Reduction Values, whether the DERs will have the information necessary to dispatch for maximum grid value. One of the major benefits of energy storage is that it is able to respond to dynamic market signals. NY-BEST encourages the Commission to adopt measures that better align those market signals with policy goals, and in so doing, unlock the many benefits storage technologies can provide to the grid.

We further support the work referenced in the Staff Report that is underway at NYSERDA to develop a solar-plus-storage "intervention" to more fully capture the value provided by the combination of solar and energy storage technologies. NY-BEST agrees with the Staff Report recommendation encouraging NYSERDA and the utilities to examine intervention and demonstration strategies that can help further monetize system value, especially in high value locations of the distribution system. NY-BEST and our members welcome the opportunity to provide input into the development of such a program and we further encourage timely action by the Department and the Commission to bring this program to fruition.

NY-BEST also supports the Staff Report recommendation that utilities should be required to begin developing tariffs that more fully unbundle the values and services currently embedded in average bundled rates. The increased granularity offered in these unbundled tariffs will facilitate accurate compensation of DER providers. NY-BEST supports unbundling costs to the end customer to allow multiple benefit streams to storage and other DER technologies. Such unbundling of rates should reflect the individual attributes embedded in electricity service; for example, energy, capacity, ancillary services, environmental impacts, or others.

ADDITIONAL ACTION REQUESTED

Given the Department's desire to address NEM eligible technologies as part of the Phase One tariff, the Staff Report does not include a mechanism to value energy storage as a standalone resource. Upon review of the Staff Report and recommendations, NY-BEST

members have identified a potential approach for the Commission to include non-exporting, behind-the-meter storage and request that the Commission consider amending the proposed Phase One tariff to include these resources from the start in order to quickly adopt measures that could spur additional private sector investments that will benefit the grid.

For example, of the proposed Phase One tariff methodology's four "values", two could apply directly to non-exporting, behind-the-meter storage with minimal modification. Specifically, the system capacity value and local delivery value could be calculated and compensated with the Phase One tariff immediately, while the other values that storage can provide are further evaluated. Compensation would then be based on the directly measured discharge output of the storage system (instead of the energy exported to the grid) and value for that energy would consist of the Installed Capacity Value and Demand Reduction Values calculated for the Phase One tariff. This structure would make a storage tariff available quickly while more complex questions such as environmental value or valuing exported energy can be addressed in time.

If the Commission opts to not make this change to the Phase One tariff, NY-BEST urges the Commission to follow the recommendations of the Non-NEM Technologies working group and the recommendation in the Staff Report to address standalone storage as early as possible in 2017, and not wait to address this as part of the Phase Two tariff. Such immediate action is essential to adequately recognize and create locational value for other important DER services and benefits, such as capacity and grid services (frequency response and regulation, spinning reserves, voltage/VARs support, system control and dispatch, etc.). These services are essential to the achieving the State's goals of reducing peak demand, improving system efficiency and supporting the increased penetration of renewable energy. Importantly, energy storage provides all of these benefits and energy storage providers remain unable to fully monetize these benefits.

In the absence of such action, NY-BEST and our members remain concerned that the prolonged REV process and current market uncertainty is hindering private investment in the state. Specifically, uncertainty in future revenue and market risk are causing private capital to wait to enter the market.

We are also concerned about how generation that is produced and consumed behind the meter is being valued in the proposed Phase One methodology. The Staff Report assumes that the retail rate is sufficient compensation for benefits related to energy and demand

reductions behind the meter. However this approach fails to provide market signals for demand reductions that provide capacity relief and does not distinguish between clean and conventional generation that is consumed behind the meter. Both of these values are incremental to retail rates. Retail rates, whether volumetric or based on non-coincident peak demand, do not value reductions of energy consumption at system peak differently from reductions that take place when demand is low, despite the fact that reductions at peak can reduce costs. Similarly, clean generation that causes reductions in energy imports from the utility is of higher value than conventional generation that reduces imports from the utility in the same way. This value is not recognized if there are no RECs generated for the clean generation that is produced and consumed behind the meter. Both of these concerns have an impact on New York's ability to achieve its system efficiency and environmental goals, and we believe that they should be addressed as part of this proceeding.

CONCLUSION

NY-BEST greatly appreciates the efforts of DPS staff and the Commission to develop methodologies and interim mechanisms to value DERs. As stated above, we support the goals of the REV initiative and we believe energy storage is a key enabling technology to achieve those goals. The Staff Report proposes a major positive step towards the valuation of distributed energy resources and begins to recognize the important role for storage.

As we move forward, our primary concern is that appropriate interim measures, which place a value on all of the services that storage can provide, be put in place in the near term to ensure that New York's grid is able to realize the benefits provided by storage.

NY-BEST believes there is an immediate need to create new methods that will give confidence, stability, and visibility to future revenue streams to all DER providers for a host of DER services and benefits, including energy, capacity and grid services. Without some reasonable level of revenue certainty, DER projects will likely not be built and the State will not realize the goals of REV. NY-BEST encourages the Commission to adopt additional interim programs that will animate markets and spur private investment in New York markets.

We appreciate the opportunity to provide these comments and we stand ready to assist the Department, Commission, utilities and all stakeholders as these and other REV-related proceedings continue.

New York Battery and Energy Storage Technology Consortium, Inc.