



New York Battery and Energy Storage Technology Consortium, Inc.

VIA ELECTRONIC FILING

August 20, 2021

Hon. Michelle L. Phillips
Secretary
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 – Response to Request for Comments on Proposal by the Joint Utilities of New York Regarding ACOS Methodology to Develop Standby and Buyback Rates

Dear Secretary Phillips:

The New York Battery and Energy Storage Technology Consortium (“NY-BEST”) and Advanced Energy Management Alliance (“AEMA”) submit these comments in accordance with the Notice Announcing Technical Conference and Establishing Comment Period and the Notice Extending Comment Period issued in the above-referenced proceeding on July 6 and August 5, 2021, respectively, in relation to the proposal by the Joint Utilities of New York to utilize an Alternate Allocator Method to Develop Standby and Buyback Service Rates. These comments are in response to the presentation materials from the Joint Utilities at the Technical Session held on July 22, 2021 and the related Workpapers entered into the record on July 29, 2021.

We greatly appreciate the Commission’s consideration of our comments and recommendations. If you have any questions about these comments or need additional information, please contact us at 518-694-8474 or by email at info@ny-best.org. Thank you.

Respectfully Submitted,

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CASE 15-E-0751 – In the Matter of the Value of Distributed Energy Resources – Response to Request for Comments on Proposal by the Joint Utilities of New York Regarding ACOS Methodology to Develop Standby and Buyback Rates

Comments of NY-BEST and AEMA on JU proposal to utilize an Alternate Allocator Method to Develop Standby and Buyback Service Rates

The New York Battery and Energy Storage Technology Consortium (“NY-BEST”)¹ and Advanced Energy Management Alliance (“AEMA”)² submit these comments in relation to the proposal by the Joint Utilities of New York to utilize an Alternate Allocator Method to Develop Standby and Buyback Service Rates. NY-BEST’s comments are in response to the presentation materials from the Joint Utilities at the Technical Session held on July 22,2021 and the related Workpapers entered into the record on July 29,2021.

New York Procedural History Regarding Standby & Buyback Rates

The current misalignment between Standby and Buyback rates has its origins the Stipulated Settlement that created the Standby Matrices. In 2001, prior to the 2003 Settlement that produced the Standby Matrices, Commission issued the “Guidelines for the Design of Standby Service Rates.” These guidelines defined costs for “Local” facilities as “costs for those facilities that are specifically installed to serve a specific customer, cannot be shared with other customers, and are predominantly designed to serve the individual customer’s maximum load, regardless of whether that load is coincident with the system peak.”^{3,4} The Standby Matrices overrode these principles through a negotiated settlement that was not cost based.

Over a decade passed until the Commission opened Case 16-M-0430 to accommodate a directive issued in the 5/19/2016 Order in 14-M-0101 asking the utilities to “make a filing that describes in detail the cost allocation methodology that is currently in use for the calculation of its current standby rates. The filing should include recent studies supporting the methodology.” The Commission further elaborated that fillings should include “a rate that rewards customers that engage actively with the utility to provide system value; a reduction in the percentage of costs allocated to the contract demand with a corresponding increase in the allocation of costs to the daily as-used demand charges;”⁵

¹ NY-BEST is a non-profit industry trade association with a mission to catalyze and grow the energy storage industry and establish New York State as a global leader in energy storage. NY-BEST comments reflect the position of the organization as a whole and do not necessarily represent the position of our individual members. Our membership has diverse interests and NY-BEST seeks to represent the broad interests of the energy storage industry.

² AEMA is a trade association under Section 501(c)(6) of the federal tax code whose members include national distributed energy resource companies and advanced energy management service and technology providers, including demand response (“DR”) providers, as well as some of the nation’s largest demand response and distributed energy resources. AEMA advocates for policies that empower and compensate customers appropriately--to contribute energy or energy-related services or to manage their energy usage--in a manner which contributes to a more efficient, cost-effective, resilient, reliable, and environmentally sustainable grid. This filing represents the collective consensus of AEMA as an organization, although it does not necessarily represent the individual positions of the full diversity of AEMA member companies.

³ Opinion and Order Approving Guidelines for the Design of Standby Service Rates, 10/26/2001, Case 99-E-1470, Appendix A, pp. 3-4

⁴ Ibid, pp. 3-4

⁵ PSC Case 14-M-0101 Order 5/19/2016, p. 103

On April 28, 2017, National Grid filed a rate case. In its filing, National Grid proposed to adopt the ACOS methodology proposed in 16-M-0430 and it was adopted in the Stipulated Settlement to the case approved by the NY PSC.⁶

On December 12, 2018, the Department of Public Service (Department) staff issued its Staff Whitepaper on Standby and Buyback Service Rate Design that included a set of principles and recommendations to better align Standby and Buyback rates with actual costs of service.⁷ This Whitepaper was followed by the Commission Order entered on 5/16/2019 that ordered all utilities except National Grid to file Allocated Embedded Cost of Service (ACOS) studies and draft Standby & Buyback rates and tariffs *“in conformance with the discussion in the body of this Order.”*⁸

Department Staff’s consultant, Guidehouse, produced a robust Decision Tree Framework and associated methodology to arrive at cost based Standby and Buyback rates. The Decision Tree and associated workpapers illustrating the methodology were largely compliant with the May 2019 Commission Order. Staff held five Technical Sessions and five rounds of comments on this track of the proceeding over the last two and half years.⁹ After all of these technical sessions and eight months after Department Staff and its consultant, Guidehouse, released their proposed Decision tree, the JU proposed their AA method.

As demonstrated in Table 1, Guidehouse’s Decision Tree largely complies with the May 2019 Commission Order, while the JU proposal significantly deviates from the May 2019 Order.

⁶ PSC Case 17-E-0238, Testimony & Exhibits of Rate Design Panel, p. 38, Exhibit E-RDP-5

⁷ PSC Case 15-E-0751, PSC Staff WHITEPAPER ON STANDBY AND BUYBACK SERVICE RATE DESIGN AND RESIDENTIAL VOLUNTARY DEMAND RATES, Issued 12/12/2018

⁸ NY PSC Case 15-E-0751, Order 5/16/2021, pp. 64-67

⁹ Technical Sessions or presentations pertaining to ACOS and Standby and Buyback rate design were held on 11/15/2019, 2/7/2020, 1/27/2021, 2/23/2021, and 7/22/2021 and comments have been due on 2/28/2020, 3/30/2020, 4/13/2020, 3/8/2021, 4/13/2021, and 8/20/2021 (scheduled)

Table 1¹⁰

Topic	Language from May 2019 Order	Guidehouse	JU AA
Method to translate ECOS Study to ACOS	"the Commission notes that considerable analysis and judgment will be required in assigning percentages of shared versus local to each item in each cost category for each Service Classification. Utilities will be required to provide supporting data to justify their proposed assignment of costs between shared and local. In exercising this judgment in applying ACOS studies in the development of Standby Service rates, the goal of the process is to produce a relatively consistent approach across utilities" (p. 28)	The Guidehouse method groups utility assets by voltage and FERC Form 1 category to determine if they should be categorized as local, shared, or allocated. The methodology provides transparency into the asset level categorizations	All utility assets at voltage levels above the customer are considered shared. Utility assets at the customer voltage level are allocated based on an NCP/ICMD ratio for most utilities and customers. ConEd & O&R determine the numerator of their allocation ratios using a blend of NCP and ICMD which is then divided by ICMD to determine the local vs. shared ratio.
Buyback Charges	"the Commission does agree that a local cost is driven by the peak flow of power, regardless of the direction, and any category of costs that has the potential to be reduced by an injection should not be classified as local." (p. 28)	The Guidehouse Decision Tree Framework includes Question 6 as a mechanism to differentiate local costs that should not be included in Buyback contract demand	There is no mechanism to differentiate Standby demand from Buyback demand
Grid Access Demand Charges	"The accuracy of these price signals will be improved with the utilities application of the ACOS methodology and offering more granular Daily As-Used Demand Charges with Off-Peak, On-Peak, and Super-Peak charge components, as the Commission is requiring as part of this Order." (p. 61)	The Guidehouse method arrives at a cost based price signal based on asset level determinations of local and shared	All assets are grouped together by voltage and all assets at the customer voltage level are assigned shared or local based on ratios of NCP, ICMD, or a blend of NCP-ICMD. There is no granular categorization of utility assets by asset type and function
Contract Demand	"the Contract Demand Charge recovers the local costs of the embedded system itself," (p. 62)	The Guidehouse method identifies assets that drive local costs	All costs are grouped together at the voltage level and allocated based on ratios

The Commission Should Reject the Joint Utilities AA Proposal

The Commission must reject the JU’s proposed AA method for the following reasons:

1. As we demonstrate in the Table above, the JU proposal is not responsive to the May 2019 Order. Below, we provide detail on how the JU proposal deviates from the Order, with the Commission’s language shown in italics
 - a. *"the Commission notes that considerable analysis and judgment will be required in assigning percentages of shared versus local to each item in each cost category for each Service Classification. Utilities will be required to provide supporting data to justify their proposed assignment of costs between shared and local."*¹¹
 - i. The Order clearly states that utilities must make a shared vs. local determination by cost category and provide supporting justification for that. The JU AA does not do this, but instead lumps all costs together by voltage level and uses two unsupported allocators based on billing determinant

¹⁰ Based on the workpapers submitted on 7/29/2021, it appears that only ConEd and Orange & Rockland are using blended NCP-ICMD values in the numerator of their ratio. NY-BEST recalls the percentages described at the Technical Conference as 50/50 and 75/25 (NCP, ICMD) for Secondary Small Commercial and Residential classes, respectively, but the NCP-ICMD blended values in the workpapers do not have formulas enabled and cannot be replicated using these ratios.

¹¹ PSC Case 15-E-0751, Order, 5/16/2019, p. 28

ratios to determine shared vs local cost apportionments.¹² The JU have not demonstrated that an allocator of Non-Coincident Peak (NCP) over Individual Customer Maximum Demand (ICMD) more accurately reflects the local versus shared proportion of utility assets required to serve customers. The JU have provided minimal data to support this method which is in direct conflict with the requirement of the May 2019 Order to “*provide supporting data to justify their proposed assignment of costs.*”

1. The proposal to determine the local versus shared allocation ratio for certain customers using a blend of ICMD and NCP is concerning to NY-BEST and AEMA due to the lack of justification as to how an ICMD-NCP blend more accurately reflects system costs. It appears that only ConEd and Orange & Rockland have employed this method in the workpapers submitted on 7/29/2021. By placing ICMD in both the numerator and the denominator, a blended formula places a floor on the local apportionment that is equal to the weighting of the ICMD variable. In other words, if the blending factors are 50/50, the formula could be re-written as “Local Share = 50% plus (NCP/(2*ICMD))” This seems arbitrary and ConEd hasn’t provided sufficient justification into the record to support adoption of this blending method.
 - b. *“any category of costs that has the potential to be reduced by an injection should not be classified as local.”*¹³
 - i. The Order clearly intended for a distinction between Standby and Buyback Contract demand charges. The JU AA does not provide a mechanism to do this.
 - c. *“the goal of the process is to produce a relatively consistent approach across utilities”*
 - i. The JU AA does meet this aspect of the May 2019 Order, but at the expense of nearly all other aspects of the Order’s determinations and Orders regarding how the ACOS studies should be conducted. Instead of pushing ConEd, Orange and Rockland, and Central Hudson closer to the ACOS framework that the Commission has repeatedly stated that it wants, this proposal pulls all of the JU away from it and reverses several years of progress on this issue.
2. Guidehouse’s Decision Tree Framework is responsive to the May 2019 Order and provides a logical method to arrive at Standby and Buyback rates. ConEd demonstrated in their presentation during the 2/23/2021 Technical Conference and their 3/9/2021 workpaper submissions that they can produce a partially compliant ACOS study that with some modifications could come closer to meeting the stated Standby and Buyback Rate Design objectives of the Commission.
3. Most importantly, the Guidehouse proposal, and not the JU proposal, is consistent with the Commission’s mandate and state policy objectives. By adopting the Guidehouse proposal

¹² 15-E-0751 JU Standby ACOS Allocation Proposal Slides from 7/22/2021 Technical Session, p.3

¹³ PSC Case 15-E-0751, Order, 5/16/2019, p. 28

with the modest adjustments proposed by NY-BEST in its comment letters dated 3/8/2021 and 4/12/2021, the Commission will advance fair and accurate cost causation principles that will benefit all ratepayers. And by eliminating an arbitrarily determined rate and replacing it with a rate tied to fair cost causation principles, the Commission will remove one of the biggest barriers to storage development in New York and move the state closer to complying with the CLCPA.

The Commission has expended great effort over the last five years to align Standby and Buyback rates with actual costs supported by rigorous analytical ratemaking methods. The JU submitted their proposal three months after the final round of comments in this proceeding and five months after the final Technical Session. Whether intentional or not, such a drastically different and unsupported proposed approach at this time conflicts with the PSC's objectives in promoting fair, orderly and efficient conduct of proceedings. In sum, the JU AA proposal amounts to a last ditch offer of a Stipulated Settlement driven by ConEd's view that contract demand charges are too low for High Tension customers.

If the Commission were to accept this JU AA, New York will find itself in the exact same position as in 2003 where significant work to align Standby and Buyback rates will have been disregarded and overridden by a Stipulated Settlement. There is extensive evidence in the proceeding record to adopt the Guidehouse Decision Tree Framework and methods with some limited changes to accommodate utilities that have non-compliant Embedded Cost of Service (ECOS) categorizations. NY-BEST and AEMA urge the Commission to expeditiously issue an Order consistent with this overwhelming evidence, and to cast aside the unsupported and poorly documented JU AA proposal that is in direct conflict with the directives of the Commission's May 2019 Order.

The Commission Has a Robust Record to Use in Making a Decision

Based on the record amassed in this proceeding, NY-BEST and AEMA recommend that Commission take the following actions¹⁴:

- Require that the NY Utilities use the Decision Tree Framework as proposed by Guidehouse to perform Shared vs Local determinations for utility asset types by voltage level
 - To promote uniformity, the Commission should issue guidance regarding the logic used to determine shared versus local allocations in the asset categorizations suggested by Guidehouse, require utilities to justify their asset categorizations in their compliance filings, and retain the authority to order revisions to compliance filings if they deviate significantly from Commission guidance.
 - Require modifications to the ConEd and Orange & Rockland ECOS methods to provide for the ability to answer Question 6 in the Decision Tree so that costs included in Buyback charges are differentiated from Standby contract demand.
- Enact the time limited exemption to Buyback charges as proposed in the November 2020 Whitepaper and use this process to arrive at cost-based Buyback charges that do not hinder the ability of storage resources to provide services to NYISO.

¹⁴ Greater detail on each of these recommendations can be found in Docket 15-E-0751 and the NY-Best Comments filed 3/8/2021 and 4/13/2021

- Adopt the Coincident Peak (CP) to Non-Coincident Peak (NCP) ratio for use in the allocation step after Question 5 in the Decision Tree as per the Guidehouse methodology.
- Promote a uniform and cost-based approach to Standby and Buyback rate design grounded in rigorous asset category determinations of shared versus local to realize New York’s longstanding objective of reforming these rates and thereby enabling the storage industry to reach NY’s aggressive CLCPA goals of 1,500 MW and 3,000 MW of storage deployed by 2025 and 2030, respectively.

There is nothing in the JU AA proposal that alters NY-BEST’s and AEMA’s conclusions regarding how the Commission should construct Standby and Buyback rates in conformance with the guidance from the Commission in the May 2019 Order and prior proceedings. While the JU claim that their filing “addresses the concerns of non-utility parties by providing a reduction in local allocation from current levels for many classes”¹⁵, their method has the effect of reducing local costs for secondary voltage rates and raising it for Primary voltage rates. The effect is to increase Standby contract demand charges on the rates where larger storage systems are most likely to get built. This change is not in response to concerns of non-utility parties, but instead is a self-serving attempt to stymie the growth of storage on their systems.

Revenue Neutral Standby Rate Design Ensures that Rates Will Be Self Adjusting

In NY, Standby and Buyback rates are designed to be Revenue Neutral to the otherwise applicable rate. Using the Coincident Peak / Non-Coincident Peak (CP/NCP) allocator as proposed by Guidehouse will automatically result in adjustments to the ratios used to determine local versus shared costs as developers construct more storage. It is a safe assumption that energy storage systems will not draw power during the NYISO CP. As the amount of storage in the system increases, the amount of NCP will increase relative to the CP. This will have the effect of adjusting the allocators each time the billing determinants for each rate case are updated.

The May 2019 Order requires “each utility to report no less often than annually on the number of customers within each service classification migrating to optional Standby Service rates, and the associated bill impacts on non-participating customers within each such service classification.”¹⁶ As a result, local and shared apportionments could be updated annually or biannually as the number of Standby rate customers increases.

While ConEd is concerned about a cost shift due to the low contract demand charges on the SC 9 rate, at the present time the total dollar amount of this cost shift is negligible due to the small number of Standby customers taking service on this rate. As the number of standby customers and proportion of storage relative to the rest of the rate class increases, the difference between CP and NCP demand will increase, thereby increasing the revenue requirement allocated to local contract demand charges. If the CP to NCP ratios are updated frequently, the dynamic nature of revenue neutral standby rate construction will limit sustained and material cost shifts.

Table 2 shows the current CP to NCP kW billing determinants and ratios for selected NY utilities based on the CP and NCP values provided in their workpapers. The table also shows how the CP to NPC ratios may change if New York is to reach its stated energy storage goal of 3,000 MW by 2030.

¹⁵ 15-E-0751 JU ACOS Presentation 7/22/2021 Slide 12

¹⁶ PSC Case 15-E-0751, Order, 5/16/2019, p. 63

While Table 2 uses several assumptions to estimate future storage buildout, it illustrates the fact that the percentage of costs allocated to Shared will drop as more storage is added in a rate class.

Table 2

	Utility	ConEd		O&R
	Rate	SC 9 CNV	SC 9 TOD	SC 3
	Voltage	All	All	Pri
1	Coincident Peak (CP) (kW)	3,733,967	1,613,306	61,474
2	Non-Coincident Peak (NCP) (kW)	3,774,725	1,654,195	66,750
3 = 1 ÷ 2	Shared % Allocation per Ratio	98.9%	97.5%	92.1%
Potential Storage Addition				
4	% of NYS Electric Load	39.60%		2.83%
see notes	Est Storage Addition (kW) *	594,000		42,450
5	Added Storage (kW)	148,500	445,500	42,450
6 = 2+5	NCP w/ Storage Added	3,923,225	2,099,695	109,200
7 = 1 ÷ 6	% Shared w/ Storage	95.2%	76.8%	56.3%
Notes:				
Estimated storage addition assumes that 3,000 MW NYS 2030 storage target is built out in utility per pro-rata share of NYS load. Assumes 50% of storage target is built on Large C&I Rates				
Presumes 75% of ConEd capacity is built on SC 9 TOD rate, remainder on SC 9 CNV				

While the storage build out scenario detailed in Table 2 is purely hypothetical, it illustrates the self-adjusting nature of revenue neutral standby rate construction. As a result, the CP/NCP allocator, as proposed by Guidehouse and supported by NY-BEST and AEMA, will not result in significant cost shifts to non-Standby customers.

Conclusion

NY-BEST and AEMA strongly urge the Commission to reject the JU AA proposal. As we discuss above, the JU proposal clearly fails to meet the requirements outlined by the Commission in previous orders. The ACOS methodology developed by DPS staff, in conjunction with Guidehouse, is largely consistent with the Commission’s mandate and state policy objectives. By adopting the DPS Staff/Guidehouse methodology, with the modest modifications NY-BEST has previously recommended in our March 8, 2021 and April 12, 2021 comments in this proceeding, the Commission will advance fair and accurate cost causation principles that will benefit all ratepayers.¹⁷ By eliminating an arbitrarily determined rate and replacing it with a rate tied to fair

¹⁷ In its March 8, 2021 comment letter, NY-BEST suggested some modest changes to the verbiage in the Decision Tree questions, requested guidance regarding mapping the Decision Tree questions to asset categories and voltages, and urged the Commission to require that all utilities provide ACOS studies capable of answering Decision

cost causation principles, the Commission will remove one of the biggest barriers to cost-effective energy storage development in New York and move New York state closer to complying with the CLCPA goals.

NY-BEST and AEMA urge the Commission to expeditiously issue an Order in this proceeding, consistent with this overwhelming evidence, and reject the unsupported JU AA proposal that is in direct conflict with the directives of the Commission.

NY-BEST and AEMA appreciate the opportunity to provide these comments and the Commission's full consideration.

Tree Question 6 so that Buyback rates are differentiated from Standby rates. In its comment letter dated 4/12/2021, NY-BEST urged the Commission to reject JU proposals that would add unnecessary complexity to cost allocation and rate design as they would preclude uniformity and simplicity. NY-BEST reiterated its support in this letter for the Guidehouse Decision Tree methodology with some modest changes.