



April 20, 2015

Via Electronic Filing

TO:

Kathleen H. Burgess, Secretary
New York State Public Service Commission
Empire State Plaza Agency Building 3
Albany, NY 12223-1350

FROM:

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RE: Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions For Implementing a Community Net Metering Program (Case 15-E-0082)

Dear Secretary Burgess,

Please find the Solar Energy Industries Association's comments in response to the Joint Utilities Comments on the Community Net Metering straw proposal for the above referenced proceeding.

Sincerely,
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The Solar Energy Industries Association (SEIA)¹ submits the following reply comments in response to the Joint Utilities (JU) comments on the Community Net Metering (CNM) straw proposal put forth by the Department of Public Service on February 10, 2015.²

Established in 1974, SEIA is the national trade association of the United States solar energy industry and is a broad-based voice of the solar industry in New York. Through advocacy and education, SEIA and its 1,000 member companies are building a strong solar industry to power America. There are 70 SEIA member companies in operation in New York working in all market segments – residential, commercial, and utility-scale – many of which engage in Community Solar project development throughout the United States. In addition, SEIA member companies provide solar panels and equipment, financing and other services to a large portion of New York solar projects.

The Commission should implement Community Net Metering as originally envisioned in the straw proposal and reject the Joint Utilities’ (JU) attempts to disrupt and delay the implementation of this important vehicle for enabling access to renewable energy sources by the millions of New Yorkers that don’t have ideal roofs for on-site solar. The JU recommendation to ‘move to an early REV model’ as an alternative to CNM is inappropriate in advance of full consideration of the Track 2 issues and all DER technologies and business models, and is based on unproven assumptions regarding the value of distributed solar generation and net metering.

I. The Commission should continue to follow a systematic, comprehensive and transparent approach to the Reforming the Energy Vision (REV) initiative. The Commission should clearly reject the ad hoc approach to valuing distributed solar generation put forward in the JU comments.

There is a fundamental assumption at the core of the comments of the JU, which is that net metering represents an inappropriate cost shift in favor of NEM participants. This is an assumption that the JU comments presuppose, and upon which they based many of their recommendations for the CNM program, and yet present no evidence to support. In fact, the JU comments go so far as to suggest that the Commission has already ruled that non-participating customers are subsidizing NEM customers.³ However, the issue is not settled, as the Commission is currently undergoing a cost benefit analysis of NEM that has not yet been made public or made available for comment. Further, contrary to the JU’s assertion, numerous studies in other states have shown that NEM is in fact cost neutral or results in under-compensation of distributed solar customers.⁴

For example, distributed solar generation provides many benefits to the electric grid system and

¹ The positions expressed herein are the positions of SEIA and not the positions of any individual member company.

² Notice Instituting Proceeding, Soliciting Comments, and Providing for Stakeholder Meeting Issued February 10, 2015

³ JU Comments pg. 3

⁴ See for example (not an exhaustive list): Nevada Net Energy Metering Impacts Evaluation, prepared for State of Nevada Public Utilities Commission by Energy and Environmental Economics, Inc, July 2014. The Benefits and Costs of Solar Generation for Electric Ratepayers in North Carolina, by Crossborder Energy, October 2013. Net Metering in Mississippi; Costs, Benefits, and Policy Considerations; Prepared for the Public Service Commission of Mississippi by Synapse Energy Economics, Inc., September 2014.

by extension to other customers, including but not limited to: reduction in utility energy and generation capacity requirements, reduction in system losses; avoidance or deferral of distribution and transmission investments; localized grid support including increased reliability benefits; fuel price certainty; and reductions in air emissions and water use.

The JU comments largely consist of an inappropriate attempt to litigate the value of distributed solar generation⁵ and NEM, that if accepted, will result in an ad hoc approach to valuing distributed solar generation and NEM that is contrary to the principle of gradualism upon which REV is based, will fail to capture the full value of distributed solar (which is a primary goal of REV), and that would ultimately deprive all parties of due process. Proper evaluation of the costs and benefits of distributed solar generation and NEM is outside the scope of Staff's straw proposal on CNM. Rather, the valuation of distributed solar generation and NEM are issues that are material to the solar industry in which many solar stakeholders have an economic interest, and therefore Commission engagement on these issues requires the procedural safeguards of a more formalized process than has been provided in the CNM proceeding. Thus, the Commission should reject the JU's attempt to begin developing a record on the value of distributed solar generation and NEM within the CNM docket, as well as the JU's assertion that a cost-shift results from NEM or that certain customer fees should be placed on DER customers, and communicate to all parties that there will be a separate process in which a robust record will be developed to properly evaluate the value of distributed solar generation and NEM.

Specifically, SEIA requests the Commission to engage stakeholders on setting up a process to be followed for developing a record on how to properly value distributed solar generation and NEM in a forum that recognizes and protects the interests of all parties. SEIA welcomes the opportunity to work with the Commission on this effort.

Additionally, the JU comments assert that DER providers 'essentially wheel power through the electric distribution system'. The term 'wheeling,' as used in the context of the open-access bulk power transmission system, comes with very specific definitions and implications that may not be applicable in the distribution system. This is an incorrect characterization based on the facts that we have thus far and this term should not be used.

II. The JU comments contain a number of recommendations that would significantly delay and/or disrupt the implementation of community shared renewables and the associated access to renewables for millions of customers, and the Commission should reject these recommendations.

Community Net Metering, as envisioned by Staff in the straw proposal, is a model that has been proven in other states for increasing customer engagement and enabling communities to collectively benefit from the deployment of distributed solar generation. Moving ahead with this model will provide near-term access to affordable renewable energy for the approximately 75%⁶ of New Yorkers that do not own their residence or have the ideal rooftop for on-site solar. This

⁵ The JU comments refer to the value of distributed energy resources broadly. However, SEIA's reply comments are focused on the proper valuation of distributed solar generation.

⁶ Rooftop Photovoltaic Market Penetration Scenarios, NREL, February 2008.
<http://www.nrel.gov/docs/fy08osti/42306.pdf>

near-term deployment of a significant number of MW-scale solar facilities will provide an important base of DERs as the REV structure is implemented over the next few years.

The JU's proposal for launching CNM either as an 'early REV model' or as a limited interim program should be rejected because such proposals are founded on the unsupported premise there is a cost shift in favor of NEM participants.⁷ Further, these proposals should be rejected because they are impractical to deploying DER. The REV model would be overly complex and time-consuming to develop, and a limited program would create uncertainty and send poor market signals. In addition to potentially de-railing the deployment of a significant number of renewable DERs simply through the uncertainty that such delay would cause, several of the JU recommendations, if adopted, would seriously undermine the ability of community shared renewable developers to finance projects and tailor terms and conditions to individual customers or classes of customers, further limiting the appeal of community shared renewables to customers, stifling the deployment of these resources and denying affordable renewable access to millions of New Yorkers.

1. *The Commission should encourage a robust CNM program and reject the JU's spurious, unsubstantiated and inaccurate claim that limiting CNM is 'critical to the success of REV'.*

One of the most critical success factors for REV is increasing customer engagement and getting significant scale in the deployment of DERs, and CNM will both increase the number of MW-scale solar projects and the number of customers who are engaged in DER. Indeed, allowing for a robust CNM program would allow these projects to flourish, increasing the understanding of how they work in New York, and improving the foundation for the implementation of the full REV paradigm.

2. *The Commission should reject the JU's two proposed 'sunset' provisions.*

The three-year 'sunset' on the availability of CNM for new projects and 7-year limitation on the term of CNM billing put forward by the JU would effectively halt the deployment of community shared renewables by undermining the ability of projects to access financing. Seven years is simply not enough time to amortize and recover the up-front investment in a solar project, and developers and lenders will not risk their capital without assurance of their revenue expectations well beyond seven years.

3. *The Commission should continue to address the costs and charges for utility billing services in a holistic way in Track 2 and should reject the JU's proposal for an ad hoc charge for CNM billing.*

As part of Track 2 of the REV proceeding, SEIA expects the identification and quantification of a wide range of services that the utility grid provides to customers, including DER and CNM customers, and of the services that DER customers provide to the grid. This list will likely include the kind of billing services that utilities typically provide to support CNM projects. SEIA does not disagree with the notion of a reasonable fee charged by the utility for specialized

⁷ JU Comments at 1-3

billing services, but this fee amount should be set in a transparent manner with Commission oversight and stakeholder input, and the proceeding should explicitly provide for the ability to source these services from third-party billing service providers. This approach makes it a natural fit as part of the holistic approach of REV. In addition, to facilitate reduction of ‘soft costs’, billing practices should be consistent across utility territories to the maximum extent possible.

4. *The JU’s arguments that customers of other DER technologies should not be allowed to participate in CNM stifle innovation and arbitrarily limit customer access to DER.*

All customers should have access to CNM, including customers with existing DER. While CNM addresses a major unserved market, ie, the approximately 75%⁸ of New Yorkers that do not own their residence or have ideal rooftops for solar, CNM is also a viable and appropriate mechanism for customers with on-site DER. Subject to reasonable limitations for customers to not have in excess of their annual usage served through the combination of on-site and CNM DERs, customers should have access to multiple DER sources.

Additionally, similar to the Massachusetts CNM model, customers should be able to participate in multiple community solar projects. There may be instances where a utility customer is unable to satisfy its needs through a single CNM project, or chooses to blend its purchase under different terms from two or more different projects and providers. For example, there may be limited capacity available in a community net metering project as the host organizer accepts subscriptions on a first come, first served basis. The customer would either then have to wait until a new community net metering project becomes available or make the trade-off of accepting the small share of the capacity for the existing community net metering project. Likewise, in signing a long-term deal for a CNM project, the customer may choose to hedge by acquiring part of its needs from supplier A with a low starting price and an escalation factor, and part of its needs from supplier B with a somewhat higher starting price, but fixed over the life of the deal. Such customer engagement and creative contracting should be allowed, and encouraged, in light of the upcoming REV paradigm.

5. *The Commission should reject the JU’s ad hoc approach to ratemaking and continue any discussion about fair allocation of electric system costs in Track 2 of REV.*

SEIA is open to a holistic discussion about rate design, as will occur in Track 2 of REV. In addition to evaluating fundamentally different structures by which utilities will recover their costs of providing service, Track 2 may include a discussion of a minimum bill that would apply to all customers, whether they participate in NEM, CNM, RNM or not. However, this discussion should happen in the context of Track 2 and not in an ad hoc manner such as is being proposed by the JU. Additionally, before any determination that a minimum bill is needed, a full and transparent cost benefit analysis of net metering should be done.

6. *The Commission should reject the JU’s proposal to regulate community host organizers in a similar fashion to ESCOs.*

⁸ Rooftop Photovoltaic Market Penetration Scenarios, NREL, February 2008.
<http://www.nrel.gov/docs/fy08osti/42306.pdf>

As discussed in our original comments, the Commission directed Staff to issue a Consumer Protection proposal by July 1, 2015. In its Order, the Commission also notes that it is necessary to avoid overly broad and unworkable extensions of regulatory authority over private transactions.⁹ SEIA supports the Commission's recognition and cautions against piecemeal decision-making on this issue. Instead, the Commission should consider the appropriate extent of regulation of competitive suppliers of CNM and other DER services within the broader context of REV.

Furthermore, the Commission should consider how imposing overly burdensome regulatory oversight might create artificial barriers to participation by being administratively burdensome for host organizers and ultimately increase costs for all participants.

7. *The Commission should reject the JU proposal that community host organizers be required to file an aggregation plan with the Commission.*

Overly burdensome oversight would stifle the market and runs directly counter to the customer engagement and market animation objectives of REV.

8. *The Commission should reject the JU's proposal that each individual CNM project have Low and Moderate Income (LMI) participation.*

As stated in our original comments and the comments of the Shared Renewables Coalition, SEIA strongly supports the use of CNM as a way to engage LMI customers, and we encourage a robust goal of LMI participation, matched with adequate funding to facilitate such participation. However, we strongly oppose the JU's proposal that each community solar project must have a low income component. A per project requirement is not the most efficient or cost effective way to achieve LMI goals. Rather, it would slow and complicate development of community net metering projects, restricting the range of organizations that would be willing and capable to participate in project development.

9. *SEIA opposes the Joint Utilities' proposal that the Commission establish a hard cap on Community Net metering.*

To the contrary, the commission should encourage CNM projects, since they will engage many more customers, animate DER markets, and enhance the scale of DER deployment heading into the full REV implementation.

10. *While we recognize that the CNM model may require some changes in the SIR, such changes should not delay the implementation of CNM and should be worked out in parallel with the implementation of CNM.*

11. *The Commission should not restrict the definition of 'community', as proposed by the*

⁹ Case 14-M-0101 Order Adopting Regulatory Policy Framework and Implementation Plan, pg 105.

JU, but rather maintain the same geographic requirements as the Remote Net Metering tariff – that participants must be in the same utility service territory and NYISO load zone as the community net metering project.

12. Relative to the JU's comment on Statement No. 13, SEIA does not agree with their proposal that undistributed credits be cashed out at the utility's average avoided cost of generation at the end of each billing cycle.

13. The Commission should not restrict the number of residential customers to 100 per CNM project.

As discussed in our direct comments, the Commission should not institute requirements that prescribe a maximum number of participants, as this may lead to a situation in which a project with many small subscribers reaches its number limit before it reaches its project size limit, which in turn would shut out other small subscribers from the project. Such a result would run counter to the intent of the Commission's objectives of increasing access to solar through its program.

14. Relative to the JU's comment on Statement No. 11, SEIA opposes a construct in which host organizers could be required to directly credit or pay member customers.

The utility bill is the appropriate place to reflect the CNM credits. Furthermore, the model proposed by the JU would cause significant securities and tax issues that would forestall project development.

15. SEIA does not agree with the JU proposal to require that customers subscribe to at least 25% of their annual usage.

There is no justification for such limitations and it would arbitrarily limit customer options.

Respectfully submitted on the 20th day of April, 2015.

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