

# Community Distributed Generation (“CDG”) Net Crediting Program Implementation Plan

## **Introduction**

New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (together, "the Companies" and individually, the “Company”) hereby submit the following implementation plan (“Plan”) in compliance with the *Order Regarding Consolidated Billing for Community Distributed Generation*, issued by New York State Public Service Commission (“NYPSC” or the “Commission”) on December 12, 2019, in the above-captioned proceeding (the “Order”).

Specifically, pursuant to Ordering Clause 1 of the Order, the Commission directed utilities, including NYSEG and RG&E, to submit an Implementation Plan that include anticipated timelines for implementation of Community Distributed Generation (“CDG”) Net Crediting. In the same Ordering Clause 1, the Commission further directed utilities to include estimates of costs that are incremental to current rate recoveries as well as an accounting plan for deferral of incremental revenue requirements. The Order also noted that, if a utility’s Implementation Plan provides for implementation of net crediting later than January 1, 2021, the utility must specifically explain why implementation by January 1, 2021 is not feasible.

## **Background**

On June 18, 2019, the Commission issued a notice soliciting feedback on nine specific questions regarding consolidated billing for CDG (“Notice”).<sup>1</sup> On September 3, 2019, the Joint Utilities<sup>2</sup> submitted their response to the Notice.

In the above-referenced Order, the Commission adopted the CDG Net Crediting Model.<sup>3</sup> The Order also directed future actions, including tariff, utility reports and other filings and various collaborations to be taken by the Joint Utilities, Staff, and other stakeholders. The Net Crediting Model refines the process for a CDG Host and the customer (“satellite”). The Net Crediting Model splits CDG bill credits between the CDG Host and satellite customers, with a portion of the Host’s credit (“subscription fees”) retained by the utility to recover administration and system costs. The CDG Host will continue to enroll customers and notify the Companies and notify the Companies and designate the CDG Savings Rate for the project, which represents the satellites portion of the CDG credit. However, rather than allocate the full proportional credit

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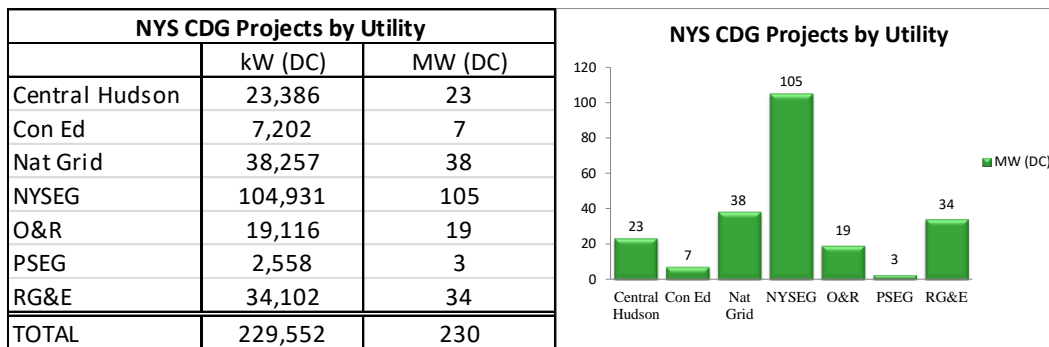
<sup>1</sup> Case 19-M-0463, In the Matter of Consolidated Billing for Distributed Energy Resources, *Notice Seeking Comments Regarding Consolidated Billing for Community Distributed Generation* (issued June 18, 2019) (“Notice”).

<sup>2</sup> The Joint Utilities are: New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., and Orange and Rockland Utilities, Inc.

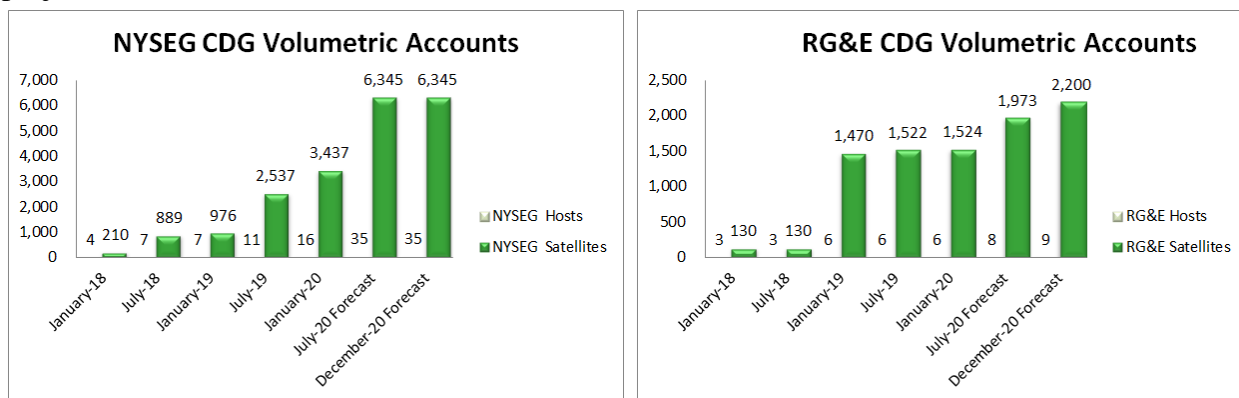
<sup>3</sup> Order, Ordering Clause 1, pp. 27-28.

amount to a CDG satellite’s bill, the utility would allocate a “net” credit amount to the satellite (customer). The net credit amount would never be less than zero (*i.e.*, no “negative credits”) and, therefore, the CDG satellite’s utility bill would never be more under the Net Crediting Model than the bill would have been if the satellite was not participating in CDG. The CDG Host will receive payment directly from the utility, which would be based on the Value Stack compensation.

To place the Companies’ implementation plan in perspective, it is helpful to understand the Companies’ current CDG interconnection obligations. NYSEG and RGE currently have a large share of New York State’s interconnected CDG load and anticipate that the number of CDG projects in their respective service territory to increase based on the existing queue of projects and applications. The following NYSERDA data demonstrates that, as of December 31, 2019, NYSEG has the largest current interconnected CDG volume of all NY Utilities<sup>4</sup>.

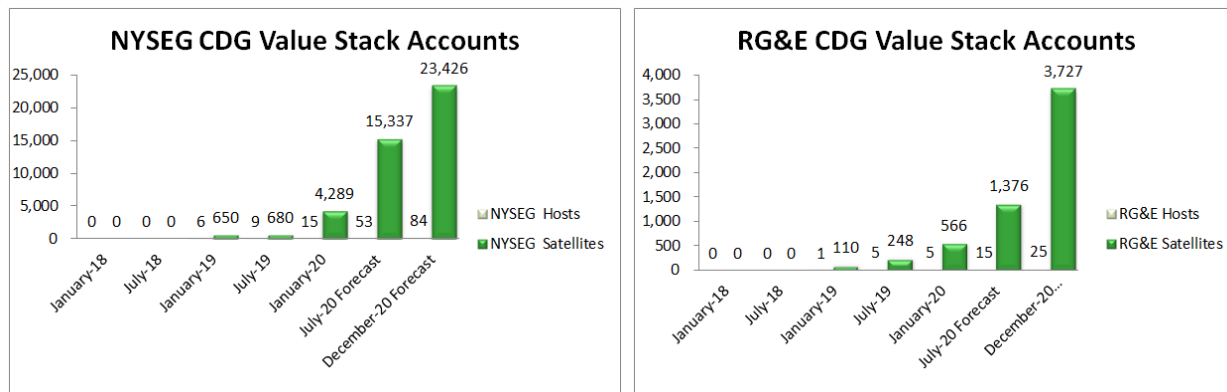


The following graphs show historical and projected billing forecasts for Volumetric CDG projects.



<sup>4</sup> <https://data.ny.gov/Energy-Environment/Solar-Electric-Programs-Reported-by-NYSERDA-Beginn/3x8r-34rs>

The following graphs show historical and projected billing forecasts for Value Stack CDG projects.



In January 2020, the Companies combined number of “Value Stack” projects is nearly the same as the number of “Volumetric” project accounts.<sup>5</sup> By year end 2020, the Companies have the potential for 2.5 times more Value Stack Hosts than Volumetric. The Companies project three times the number of Value Stack Satellites, for an estimated total of 109 Value Stack projects with 27,153 Satellite accounts compared to 44 Volumetric Hosts with 8,545 Satellite Accounts.

The Companies automated CDG Volumetric Host billing and satellite crediting in January 2019. Currently, the Companies utilize manual processes for Value Stack billing and crediting and have prioritized moving to an automated process. Given the volume of current and forecasted CDG Value Stack projects, the Companies will appropriately continue to prioritize automation for these transactions in advance of moving to an automated model for Value Stack Net Credit billing.

The Companies hereby submit an Implementation Plan including estimates and timeline for implementing Value Stack CDG Net Crediting, utilizing a primarily manual process, by January 1, 2021. The Companies plan also includes an accounting plan for deferral of incremental revenue requirements. The Companies plan to offer Volumetric CDG Net Crediting after automation is complete.

## **Implementation**

### Eligible CDG Projects

The Order provides that all CDG projects are eligible to participate in the Net Crediting Model.<sup>6</sup> Existing CDG projects may ‘opt in’ to the program at any time. Net Crediting will be available January 1, 2021 for Value Stack CDG projects, and at a later date for Volumetric CDG projects after system changes are implemented. Participating CDG Sponsors must be registered with the Commission in accordance with the Uniform Business Practices for DER Suppliers (“UBP-

<sup>5</sup> Value Stack and Volumetric refer to the compensation methodology for the project.

<sup>6</sup> Order, page 13

DERS”) and conform to the relevant requirements outlined in the Order, and any other relevant Commission directives.

#### CDG Monthly Statement Presentation

Invoices for the satellites will display their full CDG credit plus a debit for the CDG subscription fee. Appendix A to this Plan includes a sample of the credit and debit that will appear in the Miscellaneous Charge section of the customer invoice. The Companies have identified system changes that will be necessary to implement debits for the Subscription fee. The name of the CDG Sponsor or CDG project will not appear on invoices. Project messages will not be allowed on invoices at this time.

#### CDG Host Payment

The Companies will pay the CDG Host the CDG Host’s share of the CDG credits net of a discount rate due to the Companies (“Discount Percentage”). The Discount Percentage will be equal to 1% of the total value of the credits, subtracted from the payment to the CDG Host.<sup>7</sup> The Companies will track costs associated with implementation and operation of the net crediting model and would file any necessary proposal to change the Discount Percentage based on actual costs.<sup>8</sup>

#### Implementation Costs and Timeline

The Companies recommend that development of a more definitive project plan should be completed (or at least more fully developed) in advance of estimating billing system implementation costs or timelines. The Companies have commenced this process and plan to include cost estimates and timelines for automation of Net Crediting for both Volumetric and Value Stack CDG projects in the Billing Upgrade Report utilities are directed to file by July 1, 2020.<sup>9</sup> The Billing Upgrade Report will also update estimates and costs provided below for details and requirements yet to be vetted through the establishment of Net Credit agreements, manuals, EDI report, and tariffs.

The Companies currently estimate that implementing net crediting for Value Stack CDG projects using primarily manual processes will include one-time incremental costs of \$175,300 at NYSEG and \$130,600 at RG&E. The Companies also estimate that there would be annual incremental costs of approximately \$492,000 for NYSEG and \$148,000 for RG&E.

A manual Net Crediting process for Volumetric CDG would involve manual intervention of a customer’s invoice, calculations, and adjustments to the invoice where the full CDG credit is already calculated by the Companies’ customer billing system, introducing invoice delays. The Companies estimate all CDG Volumetric projects in queue, to be operational within the next 6 months. A manual solution would require up to 12 incremental FTE at a cost between \$1 million to \$1.5 million per year to support. The Companies plan to implement Net Crediting for Volumetric CDG projects at the time billing system automation can be implemented.

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<sup>7</sup> Order, page 18

<sup>8</sup> Order, page 19

<sup>9</sup> Order, Ordering Clause No. 9

In addition to the costs identified above, the Companies also project that there will be additional upfront implementation costs that will be incurred. These are costs that will be incurred with either a manual or automated process and with either a Volumetric or Value Stack CDG project type. These costs have been itemized separately from implementation and administration costs specific to the manual Value Stack solution.

Following is the breakdown of the high level estimates:

<b>Description</b>	<b>NYSEG</b>	<b>RG&amp;E</b>
Upfront Implementation Costs (Automated or Manual)	\$59,900	\$54,750
Net Crediting Value Stack Manual Solution Implementation Costs	\$115,400	\$75,850
Net Crediting Value Stack Manual Annual Administration Costs	\$492,000	\$148,000

The Companies' staffing plan portfolio between internal versus external resources to be used to develop, implement, and support the Net Crediting Model will impact the amount of incremental costs above current revenue requirements. At this time, the Companies have not determined the appropriate mix of incremental resources needed to support implementation. The Companies plan on utilizing all incremental resources for the administrative costs tied to the Net Credit Model.

The implementation estimates assume all the Value Stack Projects forecasted to be in-service year-end 2020 elect the Net Credit bill model. Estimates do not include a forecast for projects interconnecting beyond 2020. The average annual administrative cost per Value Stack project is estimated to be approximately \$6,000.

#### Design for Value Stack Net Crediting Model

As explained above, the Companies will implement the Net Crediting billing model for CDG Value Stack projects by January 1, 2021, by means of primarily manual processes. Net Crediting will be a billing option for all Value Stack CDG projects, both existing and new. Existing CDG Value Stack project customers are currently billed via a manual process. Net Crediting will be implemented by adding additional manual steps to the current bill process and manual processes tied to the 1% utility fee and remittance of Host subscription fees. A new report will be developed to support calculation and Host Subscription fee payments.

Beginning January 1, 2021, a Value Stack CDG Host will advise the Companies, via a to-be-determined method, of its request to utilize the Net Crediting billing model for the Value Stack CDG Host's project and specify the CDG savings rate to be used for all satellites, with a minimum of a 5% savings rate. A minimum lead time will be designated in the Companies' Net Credit Manual. Requests for converting existing projects will be honored and on-boarded on a first come serve basis, recognizing the number of requests received will impact the effective date for converting existing projects to Net Crediting. All project satellites will receive a CDG net credit, unless the Host requests to exclude one anchor customer from Net Crediting.

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The Companies' current manual process to calculate satellite CDG credits will be modified to include the specified project CDG saving rate and related calculations. The customer's net credit will be equal to the CDG savings rate times the customer's CDG full credit. The Companies will continue to manually post 100% of the calculated CDG credit (full CDG credit value) to the satellite account. A debit adjustment for the Host Subscription Fee will be posted to the satellite account. The customer will see separate invoice line items for the full CDG credit on their invoice, plus the debit adjustment for the Host Subscription fee.

A new monthly report will be developed and provided to the Host. The report will capture the CDG postings in the calendar month for each Host; detailed credit and debit amounts itemized by member (Satellites). System upgrades to automate this report are included in estimates. Existing NYSEG or RG&E manual processes will be utilized for associated accounting entries and CDG Host Remittance in the form of a check payment or ACH.

#### Value Stack Manual Solution General Assumptions

Communication and data exchanges will continue via existing methods. Use of electronic data interchange ("EDI") or other data exchange methods are not applicable.

General CDG rules regarding banking of excess credits will still apply. Satellite account's banked amounts are not impacted by the Net Credit bill model. The CDG Net Credit applied to a satellite account will be based on the full CDG credit that would have otherwise applied absent net crediting.

The new monthly report described above will meet the needs of Host reporting requirements eliminating the need to modify existing Host reports.

#### Accounting and Cost Recovery Plan

The Commission ordered all utilities to include an accounting plan for deferral of incremental revenue requirements. Specifically, the Commission directed on page 19 that, "Each utility may defer the revenue requirement impacts of prudent, necessary, and incremental costs incurred before billing starts or prudent, necessary, and incremental ongoing costs in excess of recovery through the discount rate and accrue interest at the other customer provided capital rate, unless the utility rate plan currently in effect specifies a different rate. Recoveries through the discount rate should be used to offset such deferrals. Any remaining deferrals, as well as any over-recovery through the discount rate, should be reviewed in each rate case."

The Companies will track costs associated with implementing the Net Crediting bill model, including implementation and administrative costs, and identify costs incremental to base revenue requirements. The Companies will track the incremental and ongoing costs in excess of the 1% Discount Rate<sup>10</sup> established in the Order.

Consistent with the Order, the Companies will defer costs associated with Net Crediting implementation, at the rate specified in NYSEG's and RGE's joint proposal in effect at the time

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<sup>10</sup> Ordering Clause 10 of the Order provides that the costs associated with the implementation and operation of the net crediting model shall be tracked as well as the amount recovered through the discount rate.

of the deferral. NYSEG and RG&E also will use amounts recovered through the net crediting discount rate to offset those deferred costs as authorized by the Order. As stated above, after the implementation of the Net Crediting model, and based on actual costs and recovery, the Companies may file a proposal for a change to the discount rate. The Order also provides that costs associated with the program and the discount rate may also be reviewed in utility rate cases. Any remaining deferrals, as well as any over-recovery through the discount rate, will be reviewed in each subsequent rate case.

The Companies will file an annual report on March 31 of each year for the preceding year, beginning with March 31, 2021.<sup>11</sup> The report will include the cost information as well as additional information on net crediting participation such as the number of CDG Sponsors participating in net crediting, as well as the number and capacity of projects and the number of participating customers.

## **Delayed Implementation of Net Crediting Model**

The Companies' Implementation Plan reflects a manual process for Net Crediting of Value Stack CDG projects and to delay implementation of Net Crediting for Volumetric CDG projects until system changes can be completed. The Companies request to delay implementation of Net Crediting for both Value Stack and Volumetric CDG projects until automated in the Companies' billing system.

As demonstrated through participation in multiple proceedings, the Companies have shown their commitment to working collaboratively with other parties to simplify the administration and reduce risks for both the CDG Sponsors and Joint Utilities. Other regulatory billing changes for NYSEG/RGE during the 2020-2021 timeframe<sup>12</sup> could impact the planned costs and timelines for CDG Automation. A methodical approach for all system implementation billing changes for 2020-2021 is necessary for implementation of multiple billing changes affecting customers, CDG Sponsors and their Satellites.

Because the Companies plan to implement additional billing system changes, the most efficient and cost-effective process would be to implement the automated process discussed herein in conjunction with the other billing system changes. If the Companies were to pursue automating Net Crediting in the Companies' existing and the replacement system, a duplicative development effort would be required.

Deferred implementation of CDG Net Crediting in NYSEG's and RG&E's service, until automation can be implemented will allow the Companies to focus on core Value Stack system upgrades and other key priorities. Employing a manual net crediting solution further complicates the existing manual adjustments for a potential of up to approximately 30,000 Value Stack

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<sup>11</sup> Order, Ordering Clause 10

<sup>12</sup> Examples include implementation of the new billing system CRMB as part of AMI deployment, revisions to Standby Service rates.

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Satellite accounts. Manual solutions involving a large volume of accounts have a high risk for error and are not ideal for the Companies or CDG developers.

## **Conclusion**

The Company will continue to work with the state's other Joint Utilities as well as other stakeholders and Department of Public Service Staff ("Staff") to develop and refine the Net Crediting program, and will submit future compliance filings pursuant to the Order. NYSEG and RG&E continue to support the Commission's efforts to meet New York's ambitious clean energy goals. The Companies are willing to meet with Staff and interested parties to discuss the Plan.