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VIA ELECTRONIC MAIL
Hon. Kathleen H. Burgess
Secretary
New York State Public Service Comission
Three Empire State Plaza
Albany, New York 12223-1350

Re: **Matter 17-01276 (In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack), Matter 17-01277 (In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design).**

Dear Secretary Burgess:

We are filing this letter in response to the Letter Regarding Working Group Deadlines that was filed in the dockets on April 6, 2018. Specifically, we are responding to the April 6, 2018 presentation of the Clean Energy Parties (CEPs).

The Value of Distributed Energy Resources (VDER) proceeding has generally focused on ensuring that distributed energy resources (DER) are compensated to the full extent of the value they provide, including environmental values. In the course of their presentation, the CEPs make certain recommendations that we find compelling, notably that certain values provided by DER are not yet included in the value stack and could be added. Nonetheless, we are concerned that certain portions of their recommendations would diverge from the principle of value-based compensation, and could therefore be inconsistent with procuring clean energy for New Yorkers at lowest cost. Moreover, we want to caution that favorable treatment intended for renewable energy resources must not be promulgated in a manner that allows emitting DER to receive the same favorable treatment as non-emitting DER.

First, the reasoning that DER developers should be shielded from regulatory and market risk for the sake of financeability on the grounds that utilities enjoy such protection is misplaced. Financeability is distinct from value, and VDER strives to be value-based. Further, in New York, generation resources are generally constructed by non-utility parties, who in fact face

considerable regulatory and market risk. For this reason, we question the application of the second core principle in the presentation, "VDER Must Provide a Level Playing Field with Utility Investment." If this is appropriate at all, it would seem to be appropriate only with respect to the distribution system value that distributed energy resources provide. The Clean Energy Parties recognize this when they recommend specifically that the demand reduction value (DRV) value be vintaged for 25 years. But utilities have obligations that justify their favorable regulatory treatment – notably the obligation to serve – whereas even with respect to the DRV value, we know of no analogous obligation in the DER landscape. To address this mismatch in risk and obligation, under a VDER tariff that fixes values for long terms for the sake of providing parity with the economics faced by utilities, DER providers would need to have an obligation to build and maintain specified DER assets for their full financed life and be subject to the same regulatory oversight as regulated utilities.

Second, although DER have some unique attributes that can help contribute to reducing distribution system costs, the state's environmental goals could in principle be achieved through a combination of DER and large-scale renewable resources. Large-scale renewables may be the more cost-effective pathway to carbon abatement, and to the extent that the approach to DER valuation recommended in the April 6 presentation results in payments that are higher than necessary, such an approach could cause renewable capacity to be adopted at a higher cost than is required given market conditions.

Finally, we appreciate that some favorable treatment for distributed solar might be appropriate, for any of a number of reasons – perhaps to get a fledgling clean-energy industry to grow rapidly, or to ensure that distributed renewables remain a significant portion of the growing renewable energy fleet, or to adjust for the fact that solar's contribution to reducing criteria pollutants is not currently internalized or valued in the value stack and there is a risk that it never will be. However, if such favorable treatment were to be developed through the VDER proceeding, it would have to be deployed with great care, because this proceeding is developing a compensation package that would not apply solely to non-emitting resources. Any favorable treatment that is deemed appropriate to grow the base of non-emitting, renewable generation should not also be made available to developers of emitting DER, even if those provide significant value to the distribution system. The expedited treatment proposal that has previously been discussed and is still pending illustrates this risk with respect to certain limited categories of emitters, and the Phase 2 approach adopted in the future might be applicable to an even broader range of emitting DER. Given the dispatchability of some emitting DER, there is risk that they would be entitled to especially high distribution value compensation, which makes the risk associated with locking in their compensation early on especially troubling.

Respectfully submitted,

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