



To: Kathleen H. Burgess, Secretary
New York State Public Service Commission
Empire State Plaza Agency Building 3
Albany, NY 12223-1350 December 5, 2016

From: Valessa Souter-Kline
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RE: In the Matter of the Value of Distributed Energy Resources (Case 15-E-0751)

Dear Secretary Burgess,

New York's transition away from net energy metering (NEM) for distributed generation will significantly impact solar energy development and compensation in the state. As representatives of the New York solar industry, we offer the following comments and recommendations in response to the New York Department of Public Service (DPS) Staff report issued October 27, 2016 as part of the Value of Distributed Energy Resources (VDER) proceeding (case number 15-E-0751). DPS, in keeping with the Governor's goals under REV, has helped to foster the successful growth of renewable energy development to date, sending strong market signals for investment in solar and other renewable energy. As the VDER proceeding moves forward, we wish to emphasize the importance of gradualism and stability as the state shifts away from NEM, to maintain a strong and growing solar market.

The undersigned industry members broadly support the comments submitted by the Solar Energy Industries Association and Vote Solar ("Solar Parties") addressing many of the policy questions and technical considerations raised in the Staff report. We seek to highlight key aspects of the Solar Parties' comments and further emphasize the importance of ensuring that the transition to, and implementation of, a value of solar compensation methodology is careful and deliberate, never losing site of the overarching goals: 50 percent electricity from renewable energy sources by 2030, 5 gigawatts of solar deployed by 2023 and the opportunity for all New Yorkers to participate in and benefit from the transition to a clean energy economy. The following items are critical for the support of solar and other distributed energy resources going forward:

The program size should be increased to a 4 percent net utility revenue impact. We support the Solar Parties' recommendation of a 4 percent net revenue impact for DER deployment. We are concerned that the constrained 2 percent limit proposed will trigger an arbitrary and abrupt deceleration in



development, particularly in certain utility service territories, that would be contrary to statewide economic development goals, the desire to attract cleantech investment, and geographic diversity of solar installations. This is especially true under Staff's forecast and allocation to the on-site mass market segment, which may breach the control mechanism within months after a Commission Order in some utility territories. With the strong and growing solar market that exists today, maintaining clear market signals in favor of continued development, rather than creating a sharp decrease in value, will enable solar developers in the state to continue to grow their businesses and create sustainable local jobs. We wish to emphasize that real benefits stem from increasing clean, renewable energy distribution in the state for all customers, participating and non-participating alike. Increasing the upper bound of the program to 4 percent will increase those benefits to all New Yorkers, as well as allow more residents to directly participate in and benefit from the program through Community Distributed Generation (CDG). An increase in the program size will allow New York to maintain a vibrant distributed solar industry while steadily progressing toward a VDER compensation methodology.

The Market Transition Credit (MTC) should apply in full to 100% of CDG project output, with a more gradual 5 percent step down in tranches 2 and 3. The staff proposal puts forth options for distributing the MTC. Consistent with the Solar Parties recommendation, we support applying the MTC to entire CDG projects, rather than a percentage allocation based on subscriber service class. First, uniformly applying the MTC will ensure that all projects receive full value, regardless of subscriber makeup. Applying the MTC only to an assumed percentage of residential subscribers, for example, fails to account for the unknown values included within the MTC value. Second, while a 100% MTC payment for CDG projects would reduce the size of the available tranche by increasing compensation, that effect is mitigated by proportionally spreading the cost recovery impact of the charge across assumed participating rate classes. Third, ensuring that the MTC results in NEM compensation for the initial tranche, rather than an immediate step down, is indispensable for the health of New York's emerging CDG market and offers CDG residential subscribers a chance to receive clean electricity at a rate roughly comparable to on-site residential customers in a fair and equitable manner. Finally, The MTC step down by tranche should occur in 5% increments. The proposed 10% decreases from retail rate net metering for the MTC payment by tranche results in a steep decrease in value rather than a gradual shift away from NEM.

Commercial and industrial systems should be compensated for all grid values. As proposed, Commercial, industrial and remote net metered customers will not receive full and fair compensation under the new tariff. In the proposal, Staff acknowledges that there are values that cannot yet be quantified, including the full delivery value, within the MTC value for CDG projects. Therefore, without the MTC, commercial and industrial, and remote net metered projects, will not be fully compensated for production. With that in mind, we support the Solar Parties' recommendation to assign a proxy Demand Reduction Value to commercial, industrial and remote net metered projects to approximate the delivery value not otherwise accounted for.



Extracting a capacity value from the utility supply charge is the best available option. Balancing granular data and accuracy with actionable values is crucial, particularly considering the rapid timeframe of the first phase of the VDER interim tariff. The proposed peak hour options included in the Staff proposal are not actionable. Capacity compensation based on a set of peak hours would not capture the full value of distributed energy resources to the grid. Further, peak hour calculations fluctuate widely and the resulting variability essentially creates an unknown value within the tariff that cannot be relied upon in project financing calculations or customer savings calculations. For these and other reasons outlined in the Solar Parties' comments, we support compensation based on the capacity portion of the utility supply charge. We further emphasize the importance of ensuring transparency in the form of access to the data necessary to calculate capacity value, so that the information may be recreated for financial and customer modeling purposes.

All projects should be eligible to retain a fixed term compensation methodology for at least 25 years. The staff proposal put forth a 20 year VDER Phase One compensation period. However, we encourage staff to lengthen the duration of the applicable compensation methodology to 25 years for all NEM-eligible, in-service and in development, projects. While such a provision would still fall short of accommodating financing tied to the life of system projections, adding five years to the grandfathering term would significantly improve the ability of developers to finance projects while also increasing the value to customers. This adjustment would add real value, while preserving the elements of an overall cap on revenue impacts, and controlled tranche sizes. The cascading benefits of a 25-year term is outlined well by the Solar Parties, who point out that increased solar development will lead to reduced soft-costs and, therefore, increased participation.

VDER implementation should be gradual and transparent. Beyond our concerns with the proposed VDER tariff, we wish to emphasize the importance of enabling a smooth transition to Phase One. A consistent metric for locking in tranche reservations is needed along with an easily accessed and regularly updated web interface tracking progress within the tranches. Clarity regarding how aspects of the MTC and value stack will be specifically calculated, is also necessary. And to date, little to no information has been provided on how Phase One will be billed and tracked. A gradual and transparent implementation of the VDER is vital to the success of the program. Without clear communication, implementation risks being chaotic at best and wholly inaccurate at worst.

The undersigned companies, as members of New York's solar industry, respectfully request that the Department of Public Service incorporate the recommendations herein into the forthcoming Value of Distributed Energy Resources Order. We emphatically support the decision to introduce the Phase One tariff incrementally, maintaining Net Energy Metering compensation for residential onsite customers in the interim phase. Looking ahead, we urge increased gradualism and stability As New York looks to further refine the methodology for fully and fairly assessing solar energy. Respecting the existing compensation paradigm at the time of investment, alongside clear and predictable signals as new and increasingly granular methods are brought online, are the cornerstones of good policy. We commend the work that has gone into the dynamic stakeholder process to date, and look forward to building an ever more complete approach to valuing the benefits of clean solar energy for all New York residents.



Respectfully submitted,

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