

Pursuant to the Net Crediting Order, the utility company in whose territory the CDG project operates will calculate a subscriber's CDG subscription fee by debiting a percentage out of the subscriber's CDG bill credit such that the subscriber receives a "net credit" at the CDG Savings Rate designated by the CDG Host (*e.g.*, 10 percent). The utility will remit the CDG subscription fee (*e.g.*, 90 percent of the bill credit) to the CDG Host, less a utility administrative fee initially set at 1 percent of the total bill credit.

Among other things, the CDG Net Crediting Order directed the Joint Utilities to file Net Crediting Manuals that provide guidance to CDG Hosts participating in the net crediting program and described rules applying to net crediting and the administration of the program.⁴ At a July 23, 2020 stakeholder conference, the Joint Utilities presented their respective draft Net Crediting Manuals and provided an illustrative example of how billing would be implemented under the net crediting model approved in the CDG Net Crediting Order. Importantly, in the newly established net crediting program, a subscriber's net credit for a given month would be calculated by applying its CDG Savings Rate to the **lesser** of the subscriber's monthly electric charges or the total available credits. Calculating the net credit and the corresponding compensation to CDG Hosts based on the lesser of the subscriber's monthly electric charges or the total available credits is consistent with existing rules for Value Stack and net metering compensation and ensures that the choice of whether a project participates in CDG net crediting or traditional (*i.e.*, non-net crediting) CDG is not influenced by the potential for accelerated and/or greater compensation under net crediting.

⁴ CDG Proceeding, Net Crediting Order, p. 28.

At an August 13, 2020 stakeholder conference, BlueWave presented a different approach to net crediting billing that eliminates the “lesser of” component of the existing billing methodology described above.⁵ Instead, under the BlueWave Proposal, the CDG Savings Rate would be applied to the CDG Host’s allocated credit value, regardless of the subscriber’s monthly electric charges. While net credits under the BlueWave Proposal may not exceed the subscriber’s monthly electric charges, under that proposal subscribers (and thus CDG Hosts) may receive higher credits in months where there has been an overallocation of credits as compared to subscribers (and CDG Hosts) participating in a comparable, traditional CDG project. As discussed below, this would create the opportunity for some projects participating in the CDG net crediting program to obtain a financial advantage over projects that do not participate in net crediting, and would upend the primary goals of net crediting, which include easing program administration and addressing perceived credit barriers to CDG participation,⁶ not to institutionalize gaming opportunities for CDG Sponsors.⁷ Further, a traditional CDG project mimics the effect of a customer having an equivalent amount of on-site generation as was allocated by the CDG Host. Therefore, the BlueWave Proposal would also make CDG more advantageous than on-site generation by monetizing more credit than can be used by a similarly sized amount of on-site generation.⁸

⁵ BlueWave also filed its proposed alternative billing methodology with the Secretary’s Office on August 13, 2020. Methodological differences between the two approaches are presented in the Appendix to the BlueWave Proposal filing located at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={175595A5-A7D6-4C5B-B42E-6FBCC758A386}>

⁶ CDG Proceeding, Net Crediting Order, pp. 11-12.

⁷ The potential to extract outsized earnings from the net crediting model under the BlueWave Proposal also creates an unlevel playing field for third-party providers of billing services that compete with the net crediting approach.

⁸ When the Commission initially launched the CDG program, it noted that the purpose of CDG was to “open opportunities for participation in solar and other forms of clean distributed generation to utility customers that would not otherwise be able to access that generation directly.” Case 15-E-0082, *Proceeding on Motion of the*

By letter dated August 31, 2020, the Joint Utilities filed a response to BlueWave’s proposed methodology explaining that, among other things, the BlueWave Proposal “raises policy concerns related to consistency among CDG providers and consistency with existing CDG Orders.”⁹ On December 9, 2020, CCSA filed a formal petition (CCSA Petition) requesting that the Commission approve the net crediting methodology described in the BlueWave Proposal.¹⁰

The Joint Utilities provide these comments in response to the CCSA Petition and the BlueWave Proposal, which the CCSA Petition incorporates by reference. The differences between the billing paradigms presented by the Joint Utilities and BlueWave have important ramifications for CDG in New York. In short, the BlueWave Proposal: (1) is inconsistent with existing CDG rules and could lead to different subscriber and CDG Host compensation between net crediting, traditional CDG, and on-site projects with much lower levels of customer participation in CDG projects than is envisioned for CDG; (2) is not viable for volumetric CDG projects; and (3) will, if adopted, result in significant delays both in the automation of net

Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015) (CDG Order), p. 12.

The Commission has indicated that CDG should not have a financial advantage over onsite distributed generation. It has stated, for instance, that “monetization advantages remote net metering customers over on-site net metering customers, encouraging customers to arbitrage by pursuing projects at remote instead of on-site locations. To remedy this uneconomic preference, utilities were directed to modify their rate designs to provide for volumetric crediting instead of monetary crediting at remote net metered sites where non-demand rates are in effect.” Case 14-E-0151, *Petition of Hudson Valley Clean Energy, Inc. for an Increase to the Net Metering Minimum Limitation at Central Hudson Gas & Electric Corporation*, Order Staying Prior Order in Part (Issued February 27, 2015), p. 2.

⁹ CDG Proceeding, Joint Utilities’ Responses to August 13, 2020 Presentation of Coalition for Community Solar Access (August 31, 2020).

¹⁰ On February 3, 2021, the CCSA Petition was noticed on the State Register. New York State Register (February 3, 2021), I.D. Nos. PSC- 05-21-00004-P, pp. 11-12. Pursuant to these New York State Register entries, public comments are due April 5, 2021.

crediting billing and the resolution of other administrative aspects of the program,¹¹ and would increase implementation costs.

III. Rules Among CDG Programs Should be Consistent to Prevent Unintended Consequences

The Joint Utilities' respective Net Crediting Manuals reflect a billing and net crediting methodology that is designed to produce comparable outcomes for CDG Hosts and subscribers regardless of whether the associated project is enrolled in the net crediting program or is a traditional CDG project, or if subscribers exported an equivalent amount of generation on-site. Thus, the net amount of credit each subscriber receives, and the compensation paid to the CDG Host, would be unaffected by participation in net crediting. This approach is consistent with existing CDG rules and the Commission's CDG Net Crediting Order. As the Joint Utilities noted on September 3, 2019 in comments responding to the Commission's June 18, 2019 Notice Seeking Comments Regarding Consolidated Billing for Community Distributed Generation, the "Net Crediting Model should limit net credits applied to a customer's monthly bill to those derived from the maximum gross credit they would otherwise have received. Because a net credit is based on the credit amount applied to a customer's bill, payments to CDG Hosts should be linked to this net amount that actually offsets charges on a CDG Subscriber's utility

¹¹ A revision to permit the BlueWave approach would require updates to the Net Crediting Agreement, each utility's net crediting manual, and tariff revisions. In addition, it is likely that there would be challenging transition issues for projects already enrolled in net crediting under the existing billing model or that choose to move to an alternative model.

bill.”¹² Recognizing the merits of this approach, the Commission adopted the Joint Utilities’ proposed net crediting approach in the Net Crediting Order.¹³

The Net Crediting Order has no provision for different compensation for CDG Hosts and subscribers under traditional and net billing. Rather, the Commission’s expectation for consolidated billing (*i.e.*, net crediting) was that it would “reduce the need for two bills and, therefore, the soft costs associated with CDG and thereby allow greater customer participation in the program. Furthermore, consolidated billing will benefit customers, who often find it confusing and cumbersome to pay two bills for electricity and have reservations about submitting banking or other payment information to a third-party.”¹⁴

Today there also are companies that provide billing services that allow subscribers to pay their utility bill and the CDG Host’s bill in one consolidated payment. The Commission’s Net Crediting Order did not intend to create compensation disparities between CDG Hosts that operate under net crediting and those that operate under traditional CDG and choose to handle their own billing (including through the engagement of a third-party billing services provider for consolidated billing). Nevertheless, because the BlueWave Proposal differs from traditional CDG rules, a CDG Host operating under the BlueWave model for net crediting could receive greater or accelerated monthly compensation as compared to CDG Hosts operating under traditional CDG and using a third-party billing services provider to consolidate their subscribers’ monthly bills.

¹² CDG Proceeding, Joint Utilities’ Response Regarding Consolidated Billing for Community Distributed Generation (filed Sept. 3, 2019), pp. 10-11.

¹³ CDG Proceeding, Net Crediting Order, p. 12.

¹⁴ CDG Proceeding, Net Crediting Order, p. 11.

In contrast, when the amount of total available credits to a subscriber exceeds its monthly electric charges, the BlueWave Proposal will produce larger credits to subscribers and greater compensation to CDG Hosts than the crediting approach applicable to traditional CDG projects and the Joint Utilities' net crediting methodology (which is built on the traditional method).¹⁵ This unintended consequence of the BlueWave Proposal is illustrated in Table 1, below.

Table 1 shows that under traditional CDG and the current rules for net crediting, the credit applied to a subscriber's bill is the same. That is, the current net crediting process applies the net credit to a subscriber's bill and pays the CDG Host the amount (less the utility administration fee) it would have billed the subscriber under traditional CDG crediting. In contrast, the BlueWave Proposal allocates the total credit value between the CDG Host and the subscriber prior to determining whether the allocated amount exceeds the current utility bill. In so doing, the CDG Host and the subscriber can realize a greater gain than they would under traditional CDG crediting.

¹⁵ Further, the BlueWave Proposal would monetize more total credit than could be equivalently sited at a customer's own premise if the customer had on-site generation.

Table 1: Comparison of crediting methodologies (\$60 monthly bill, credit value of \$100 before applying a CDG Savings Rate of 10 percent)

	Traditional CDG	(Current) Net Crediting	BlueWave Proposal
Customer Bill prior to CDG Allocation	\$60	\$60	\$60
CDG Allocation \$ based on Allocation %	\$ (100)	\$ (100)	\$ (100)
Credit Applied to Customer Bill	\$ (60)	\$ (6)	\$ (10)
Amount Paid to Host by Utility	\$-	\$ (54)	\$ (90)
Net Utility Bill After CDG	\$-	\$54	\$50
Banked Credit	\$ (40)	\$ (40)	\$-
Subsequent Bill from CDG Host*	\$54	\$-	\$-
Net Charges to Customer (Utility + Host)	\$54	\$54	\$50
Proceeds to CDG Host	\$54	\$54	\$90

* Under traditional CDG, the CDG Host issues a bill to the subscriber (separate from the utility bill) for a percentage of the credit value that appears on the subscriber’s utility bill. The CDG Host retains 90 percent of the credit value, and the subscriber receives the remaining 10 percent. This example does not reflect the 1 percent utility administrative fee for the sake of simplicity.

The example in Table 1 suggests that the BlueWave Proposal could help customers achieve the maximum credits more quickly. However, it is important to consider that a subscriber “cannot take a percentage that is more than its historic average annual consumption.”¹⁶ The overallocation under the BlueWave Proposal cannot be sustained over the course of a year if the CDG Host is to remain in compliance with the annual allocation limit.

Table 1 illustrates the disparity in the compensation directed to subscribers and the CDG Host under the BlueWave Proposal, as compared to traditional CDG and, therefore, on-site generation. This creates the potential for damaging unintended consequences. For example, if a CDG Host does not adhere to the annual allocation limit, either intentionally or inadvertently, under traditional CDG and the current net crediting process, the CDG Host is not able to extract a financial gain by over-allocating credits to a subscriber: the amount of compensation to both

¹⁶ Case 15-E-0082, *Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program*, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015), p. 12.

the subscriber and the CDG Host is limited by the amount of the utility bill prior to crediting.¹⁷ In the Table 1 example, that amount is \$60. Under the BlueWave Proposal, there is no curb or disincentive to prevent the Host from over-allocating month after month or grossly over-allocating a customer in a single month to maximize the CDG Host's payment from the utility up front.

In addition, the BlueWave Proposal introduces a perverse incentive for CDG Hosts to realize a greater percentage of allocated dollars than is envisioned for CDG programs. Proposed CDG credit banking rules¹⁸ would return banked credits to the CDG Host if a subscriber's utility account is closed or if the CDG Host excludes that customer from a subsequent allocation. Consider a scenario in which a CDG Host grossly over-allocates a subscriber to the point that the resulting net credit (*i.e.*, the CDG Savings Rate times the allocated credit value) exceeds the subscriber's utility bill that month. The CDG Host would be paid its portion of the outsized credit, the subscriber would receive a net zero bill from the utility that month, and the subscriber's excess "net credit" would go into its bank. If the CDG Host were to then exclude that subscriber from a subsequent allocation file, the subscriber's banked credits would return to the CDG Host for reallocation to other subscribers. Those credits, which were already a result of the split between the CDG Host and a subscriber, would be subject to another CDG Subscription Fee (utility payment to the CDG Host) when the credits are redistributed. For example, consider

¹⁷ Under traditional CDG this limit is monitored and managed by CDG Hosts. Practices may differ among CDG Hosts. Over the course of the year, the CDG Host must reduce the allocations in some months to make up for the overallocation demonstrated in Table 1. At the end of the year, if the CDG Host serves the subscriber for the full year and remains in compliance with the annual allocation limit, the BlueWave Proposal will provide the same level of credit as traditional CDG and the current net crediting method. That is, on a nominal basis (ignoring the time value of money) it provides no incremental benefit to the subscriber.

¹⁸ Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources* (VDER Proceeding), White Paper on Community Distributed Generation Banked Credits (issued December 15, 2020) (CDG Banking White Paper).

a CDG Host allocation that results in a \$2,000 credit to a subscriber with a \$60 utility bill. If the CDG Savings Rate is 10 percent, the CDG Host would receive an \$1,800 payment, \$60 would be applied to the subscriber bill and \$140 would go into the subscriber's bank. If the CDG Host removes the subscriber from the subsequent allocation file, the \$140 is returned to the CDG Host bank. When the Host allocates that \$140 to a different subscriber via the Host Bank allocation file, the Host will be paid \$126 and the new subscriber receive a \$14 net credit. As a result, the CDG Host would be paid \$1,926,¹⁹ or over 96 percent of the original \$2,000 allocation. That is, the value directed to subscribers would be less than half the CDG Savings Rate and the CDG Host would be charging subscribers more than once for the same credit and the generation such a credit represents.

Under the current method, of the \$2,000 only \$60 would be eligible for a split between the CDG Host and the subscriber at the CDG Savings Rate (*e.g.*, 10 percent in the example above). The remaining \$1,940 would remain in the subscriber's bank. If the Host does not include that subscriber on the subsequent allocation file, the \$1,940 is returned to the CDG Host bank for subsequent allocation to subscribers.²⁰ Since the \$1,940 went to the Subscriber's bank prior to application of the CDG Savings Rate, the CDG Host will only receive its share of the credit once it is used to offset a subscriber's utility bill.

IV. The BlueWave Proposal is Incompatible with Volumetric Net Crediting

As a threshold matter, the BlueWave Proposal is not viable for net crediting of volumetric net energy metered CDG projects (volumetric CDG). In contrast to CDG projects

¹⁹ Less the utility administrative fee of \$20 in this example.

²⁰ This example assumes that the proposed CDG credit banking rules would return banked credits to the CDG Host if a CDG Host excludes that subscriber from a subsequent allocation. *See* CDG Banking White Paper, p. 7.

compensated under the Value Stack regime, volumetric CDG Hosts allocate kilowatt-hours (kWh) to their subscribers. The value of such kWh can only be determined when kWh allocated to a subscriber are used to offset the subscriber's kWh consumption. Any kWh which are not used to offset a subscriber's volumetric consumption in a month— including (a) kWh carried-over by a subscriber to the next month and (b) any kWh payable to the CDG Host under net crediting, assuming the BlueWave Proposal— has no assignable dollar value. The monetary value of a kWh credit can only be determined when such kWh credit is used to offset subscriber consumption. The value of the kWh credit varies by month, due to the variable nature of volumetric rate designs which may include seasonal, blocked, and/or tiered per-kWh rates. Assigning a monetary value to any kWh not used to offset subscriber consumption is a significant disruption to the net metering regime and is at odds with the Commission's net energy metering policies.²¹ Thus, the BlueWave Proposal would result in another disparity between the net crediting models employed for Value Stack and volumetric CDG, in addition to disparities between traditional, non-net crediting volumetric CDG and net crediting volumetric CDG.

V. The BlueWave Proposal Will Significantly Delay Automation of Net Crediting Billing and Increase Costs

Changing the methodology at this stage will delay automation of Net Crediting and increase implementation costs by requiring utilities to revise both automated and manual computational solutions. To implement Net Crediting, each of the Joint Utilities is in the process

²¹ The Commission has stated that “[o]ver-subscriptions taken from a facility’s output could result in financial mismatches between a member’s financial commitment to a project and the benefits it realizes, which could disrupt the Community DG program.” Case 15-E-0082, *Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program*, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015), pp. 16-17. *See also, supra*, n. 7.

of changing its billing systems and procedures. These efforts have been undertaken on an already expedited timeline and have involved significant time and resource investments. Efforts to date, and costs incurred, are based on the understanding that Net Crediting implementation should be consistent with existing CDG business rules. The Joint Utilities first referenced the planned billing and crediting methodology in their September 3, 2019 comments.²² Each of the Joint Utilities has been taking steps to implement net crediting on an automated basis since the Commission issued the CDG Net Crediting Order in December 2019. Changing the billing and crediting methodology at this stage in the process, in addition to enabling disparate treatment among CDG Hosts and customers, would frustrate the Commission's intent of expeditious implementation and lead to duplicative spending and a diversion from progress completed to date. Changes to the net crediting methodology at this stage could delay implementation of automation by a year or more for some companies.

VI. Conclusion

Implementation of the BlueWave Proposal would create disparate results for customers and CDG Hosts when compared to traditional CDG crediting, the Commission's directives for the net-crediting program, and as compared to on-site generation. Moreover, it is not clear how the BlueWave Proposal could be implemented for volumetric crediting. Because of the disparate results that would arise from the BlueWave proposal and the practical considerations for implementation, the Commission should reject the BlueWave Proposal.

²² See *supra*, n. 11, pp. 10-11.

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Respectfully submitted,

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