

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the Commission in
Regard to Reforming the Energy Vision

Case 14-M-0101

Comments of PSEG Long Island LLC

PSEG Long Island LLC (“PSEG Long Island”) submits these comments on the August 22, 2014 Department of Public Service (DPS) Staff Straw Proposal on Track One Issues (“Straw Proposal”) in the above referenced docket in an effort to help define the programs and policies of REV. PSEG Long Island manages overall operations of the transmission and distribution system, including promoting, administering, planning, developing and implementing energy efficiency, demand response, load management, and renewable energy programs in the service territory of the Long Island Power Authority (“Authority”). PSEG Long Island undertakes this management pursuant to an Operating Services Agreement (“OSA”) between PSEG Long Island and Authority dated December 31, 2013, and files these comments pursuant to that management.

A. PSEG Long Island Embraces the Goals of REV, Is Beginning to Pursue Them Through its Utility 2.0 Filing, and Looks Toward Achieving the Objectives Set Forth in REV [Sections I and II of Proposal]

PSEG Long Island applauds the policy objectives of REV, such as the objective of “creating market-based, sustainable products and services that drive an increasingly efficient, clean, reliable, and customer-oriented industry.” Policy changes pursued in this docket, including incentives and pricing issues deferred to Track II of this proceeding, can and should result in increased customer knowledge and tools, market animation,

system efficiencies, fuel and resource diversity, and system reliability and diversity. PSEG Long Island applauds the Department for taking on the tough and complex issues of the reforms and changes necessary to achieve these objectives.

On July 1, 2014, PSEG Long Island filed its Utility 2.0 plan, which proposes a number of targeted programs to improve energy efficiency, enhance customer knowledge and management of their electric use, and reduce peak load in a manner consistent with the direction and the goals of the REV. PSEG Long Island made this filing pursuant to the requirements of its OSA and will make such filings annually pursuant to that agreement.¹ As outlined in the filing, PSEG Long Island has proposed \$200 million in programs that align with the near term objectives of the Straw Proposal, increasing the Distributed Energy Resource (“DER”) asset base and building customer and market confidence in the expanded role of DERs. Furthermore, PSEG Long Island has already begun the development of Distribution Service Platform Provider (“DSP”) capabilities in its management of its renewable energy and energy efficiency programs.

The actions of PSEG Long Island in energy efficiency programs and renewable generation are explicitly governed by provisions of the law commonly known as the LIPA Reform Act and codified at Public Authorities Law §1020-f (gg). That Act requires that PSEG Long Island, as the Authority’s service provider, to “undertake actions to design and administer renewable energy and energy efficiency measures in the service area” and other actions detailed in the statute after it has assured that safe and

¹ PSEG Long Island’s Utility 2.0 filing is currently under review in PSC Case 14-01299.

adequate transmission and distribution service is provided for.² PSEG Long Island is guided by full compliance with the requirements of this specific statute and the OSA.

Pursuant to the OSA, on July 1, 2014 it filed a Utility 2.0 Plan and will provide similar annual filings as a central part of its planning process, which policies, programs, and platforms are anticipated to evolve along with REV and consistent with the stated goals and objectives. While PSEG Long Island is not subject to the general jurisdiction of the PSC,³ it intends to work with the Authority, and Department of Public Service to comply with the direction of the final determinations of the Commission, consistent with the statutes and contractual agreements in place.

PSEG Long Island generally supports the transitional process approach recommended by DPS staff but notes that, consistent with the forgoing, its primary

² Pub. Auth. Law §1020-f (gg) provides:

1. The authority in coordination with the service provider, the power authority of the state of New York and the New York state energy research and development authority shall, to the extent the authority's rates are sufficient to provide safe and adequate transmission and distribution service, and the measures herein, undertake actions to design and administer renewable energy and energy efficiency measures in the service area, with the goal of continuing and expanding such measures that cost-effectively reduce system-wide peak demand, minimize long-term fuel price risk to rate payers, lower emissions, improve environmental quality, and seek to meet New York state climate change and environmental goals. Such actions shall also include implementation of any renewable energy competitive procurement or feed-in-tariff programs that were approved by the authority as of the effective date of the chapter of the laws of two thousand thirteen which added this subdivision.

2. The service provider shall consider, consistent with maintaining system reliability, renewable generation and energy efficiency program results and options in establishing capital plans.

³ Public Authorities Law §1020-s provides that rates, services and practices of LIPA are not subject to regulation of the Department, with some exceptions related to major generation and transmission facilities. In addition, the Department has the authority to review and makes recommendations with respect to the operations and provision of services of, and rates and budgets established by the authority. *See also Implementation of Chapter 59 of the Laws of 2009 Establishing a Temporary Annual Assessment Pursuant to Public Service Law s18-a(6)*, Case 09-M-0311 (NY PSC June 18, 2014)(Commission explicitly notes that it lacks of jurisdiction over LIPA rates, services, and practices).

method of implementing REV goals will be through its annual Utility 2.0 type filing, but will also be implemented through related follow-up stakeholder proceedings and other actions supporting the development of DSP functions; system planning, integrated resource planning, capital and operations budgeting, transmission and distribution operations, interconnection procedures and requirements, etc. As the Straw Proposal acknowledges, it will require years of iterative planning and design determinations to achieve the long term goals of this proceeding. As the Authority's 2015 budget and 3-year rate case proceed, PSEG Long Island will work to be consistent with the objectives of REV. Close collaboration with the Authority and DPS as well as between stakeholders will be also be required to move forward in a manner that mitigates risks and best expands market and technology choices and opportunities for customers and other market participants.

The remainder of this document provides PSEG Long Island's responses to the specific recommendations contained in the Straw Proposal and provides other suggestions for consideration for the Commission in its deliberations towards a final set of policy and process determinations.

B. The Distribution Entity Should Serve as the DSP [III. A. of Proposal]

PSEG Long Island agrees that the distribution utility is best suited to serve as DSP, although there will be the need to develop new methods for planning the distribution system, and coordinating the activities and processes of all the emerging players that will desire access to the services provided by or required by the DSP. As a policy matter, the utility has familiarity with technical standards and reliability protocols, has an obligation to maintain and, when necessary, restore service, and has institutional

experience in planning, managing, and operating the distribution system. Having the utility as the DSP and establishing the policies and processes to manage the expansion of markets and market players will minimize confusion, provide clarity on roles and responsibilities and avoid redundancy and the associated unnecessary cost burden.

The market power concerns raised in the Straw Proposal can be effectively mitigated with effective policies and processes combined with proper oversight and with the proper incentives for utilities. Utilities have always been, and should continue to be, motivated to maintain high levels of reliability. Customer satisfaction incentives will also motivate utilities to ensure an open and transparent marketplace for DER products and services. Development of performance standards will also help ensure a well-functioning market for all participants. PSEG Long Island is ready to participate in the development of statewide standards in this area, to implement the DSP in a cost effective manner, and to aggressively pursue technological change. PSEG Long Island embraces this role as part of providing service to customers.

Additionally, Public Authorities Law §1020-f (gg) identifies the Long Island Power Authority and its service provider (PSEG Long Island), along with NYSEERDA, as the entities that are to design and administer renewable energy and energy efficiency measures in the Authority's electric service area. Thus, it appears existing law may require that PSEG Long Island and the Authority to operate as the DSP in this area.

C. Privacy, Security Concerns and Cost Recovery for New Data Systems Must be Addressed as Part of Reform [III. B. of Proposal]

The Straw Proposal recommends that customers and energy service providers should have access to system information, to make transparent and readily available the economic value of time- and location-variable usage. PSEG Long Island suggests that

issues surrounding cybersecurity, physical security, and privacy must be addressed prior to providing enhanced data and data availability envisioned in the REV and Straw Proposal. In addition, distribution utilities must be able to recover costs of any new data systems or requirements.

The Straw Proposal further recommends that customer specific data should be available to DER providers via a bi-directional electricity data information exchange on an opt-out basis. Customers should have access to their information and other necessary market data for them to make informed decisions on DER products and services. However, customer privacy should be respected. PSEG Long Island respectfully suggests that customer data should not be made generally available to third parties unless customers clearly consent to (i.e., opt into) such action. In the instance of a customer participating in a program that requires the customer to provide the data necessary for that program, such data should still not be shared with additional parties or for other purposes without the consent of the customer.

With regard to designing and establishing a data information exchange for either customer or system data, PSEG Long Island considers the proposed development of this exchange in 2015 to be too aggressive. It is critical that before ratepayer money is spent on the development or launch of either platform, utilities must have clarity on both the Commission's decision on the posting of such information, given the privacy and security concerns raised, and the specifics of the data to be provided. PSEG Long Island would recommend that prior to the development and launch of an exchange, a stakeholder process be initiated to determine the specifics on the data that will be made available. Furthermore, clarity on proposed market functions and capabilities specific to each

product (energy efficiency, demand response, renewables and distributed generation) is necessary to effectively develop the design of the data exchange requirements. Only after this process had concluded and the Commission has approved the type and frequency of data that will be made available should the utilities undertake the development and launch of the data platforms. Once initiated, the utilities should have regular interaction with DPS and the Commission to review and approve all investments and schedules prior to execution in order to ensure all investments and O&M costs for new and secure data systems are prudent and will be concurrently recoverable in rates.

PSEG Long Island notes that at present some transmission level devices need to be firewalled to comply with North American Electric Reliability Corporation (NERC) requirements. Among other things, security measures for enhanced data availability need to assure that the distribution system does not provide a portal to the Transmission system. Providing protections at the distribution level similar to NERC requirements would be very costly, and PSEG Long Island suggests that the appropriate benefit-cost tests be performed before a general requirement to provide such system is instituted.

D. The DSP Should Enable Broad Market Participation; Low Income Participation Need to be Addressed [III. B. of Proposal]

PSEG Long Island agrees with the goal of encouraging participation of low and moderate-income customers in REV type reforms and innovation. We believe that “universal access” to these emerging products and services are essential to the success of this market redesign. The following existing and proposed programs reflect that commitment as PSEG Long Island looks at ways to provide opportunities to all customer segments:

- The Authority has operated its Residential Energy Affordability Project (REAP) for many years. This income eligibility based program provides qualifying customers with a comprehensive home survey and provides both information and equipment to help save energy and money.
- The Utility 2.0 filing proposes a programmable thermostat program in the will be available to all customers with central air conditioning and/or pool pumps.
- The proposed Rockaways EE Expansion program includes offerings to New York City Housing Authority public housing developments and other multi-family residential developments for energy efficiency appliance replacements, as well as appliance and lighting enhancements for commercial and governmental facilities in the Rockaways area. The proposal also includes a “smart plug” pilot to develop a load control technology for customers with plug-in room air conditioning units rather than central systems.

PSEG Long Island anticipates looking at all opportunities to serve all customer segments as it moves forward in this area, including solar PV, and anticipates placing a positive value on low and moderate income segments directly receiving REV type services in analyzing, developing, and implementing programs.

E. Billing Enhancements [Section III. B of proposal]

PSEG Long Island notes that the capability of providing ESCO billing (often referred to as a single bill option) in the Long Island service territory does not currently exist. Significant resources would have to be expended over the next several years to bring this capability to the Long Island service area. Either as part of this potential enhancement to PSEG Long Island’s billing capabilities or on a stand-alone basis, PSEG

Long Island anticipates that it can provide 1,000 character bill messages, but that there would be additional programming costs as well as a larger bill and potentially increased postage costs.

PSEG Long Island anticipates looking to the innovation and DPS actions in this area as it makes decisions regarding billing in Long Island.

F. Distribution Entities Should Not be Restricted from Investing in DER, and PSEG Long Island Supports Limited DPS Oversight of DER Providers [III. D. of Proposal]

With regard to utility engagement and ownership of DER, PSEG Long Island suggest that the distribution utility or its operator should have the opportunity to offer enhanced services through energy efficiency and demand response programs and concurs with the Straw Proposal recommendations in regards to these types of DERs. Utilities have significant experience implementing successful programs and can facilitate the critical path objective of increasing the DER asset base. For example, since 2009 the Authority has implemented energy efficiency, renewable, and direct load control programs reducing peak load by over 350 MW, and continues to make progress towards higher goals. Utility offerings can be designed and deployed specifically to meet resource needs identified through the planning process, as in the South Fork Improvements proposal in PSEG Long Island Utility 2.0 filing, which includes several DER components to defer the need for transmission enhancement to meet growing load in that region. Utility institutional knowledge, expanded industry knowledge and strong customer relationships facilitate program implementation. Such programs provide direct benefits to participant customers in the form of rebates or other financing and reduced

end use, and provide benefits to all ratepayers by avoiding utility investment in power resources and/or system infrastructure.

PSEG Long Island also suggests that, with appropriate safeguards against the exercise of market power, utilities should be allowed to make direct investments in distributed generation or storage, at least in certain circumstances. A market-based procurement process including transparent evaluation should be used to select proposed solutions.

PSEG Long Island has no objection to limited Commission oversight of DER providers, but suggests that the primary protections for consumers and distribution entities should continue come from commercial law, such as the N.Y. General Business Law, rather than new broad regulation by DPS. The NY Public Service Commission has decided to let commercial law regulate consumer purchases of wireless communications, rather than regulate it, even though the PSC has the authority to regulate if it finds the public interest requires it. N.Y. Public Service Law, § 5. A similar approach may be appropriate here. Portions of Commission's Uniform Business Practices⁴ may be adaptable for this purpose as well.

**G. The LIPA Distribution System Already Has Significant Technology that should Assist in Implementing REV Type Reforms
[Section IV. A. of Proposal]**

⁴ The Commissions Uniform Business Practices govern practices of ESCOs and related practices of energy distribution utilities. They were originally adopted in NY PSC Case 98-M-1343, and were amended last on February 26, 2014, are available at:

[http://www3.dps.ny.gov/W/PSCWeb.nsf/96f0fec0b45a3c6485257688006a701a/8dd2b96e91d7447e85257687006f3922/\\$FILE/UBP%20Manual%20Feb%202014%20final.pdf](http://www3.dps.ny.gov/W/PSCWeb.nsf/96f0fec0b45a3c6485257688006a701a/8dd2b96e91d7447e85257687006f3922/$FILE/UBP%20Manual%20Feb%202014%20final.pdf) .

The Authority has been a leader in developing and deploying advanced technologies in support of T&D system planning and operations. The system has real time monitoring for all its substations, transmission network and the vast majority of the distribution network. Moreover, PSEG Long Island has proposed investments in advanced metering infrastructure (AMI) which should greatly assist in implementing REV-type reforms. PSEG Long Island will look to the decisions in this docket for guidance in future investments of this type. PSEG Long Island looks forward to retaining this leadership position in system automation in support of system efficiency and reliability, and, in the future, for REV type reforms and initiatives.

H. Benefits Will Likely Arise from Transparent, Fair Cost Benefit Analysis Framework [Section IV. B. of Proposal]

Development of a transparent, fair methodology for the cost benefit analysis will help to build confidence in the market and help communicate the correct price signals to market participants. PSEG Long Island generally concurs with the goals and principles of the framework and offers the following comments. PSEG Long Island also supports the use of qualitative analysis when necessary and when quantitative analysis seems uncertain.

In its Utility 2.0 Plan, PSEG Long Island presents the Total Resource Cost test (TRC) and Program Administrator Cost (PAC) test in analysis of energy efficiency programs. These tests are similar to the Societal Cost Test (SCT) and Utility Cost Test (UCT), respectively, which Staff recommends in the Straw Proposal. As the measure of whether or not to proceed with an energy efficiency program, PSEG Long Island uses the PAC test in its filing. This test considers only the costs borne by the program administrator, in this case PSEG Long Island, including capital costs, administrative

costs, and customer incentives. A PAC test ratio that meets or exceeds 1.0 supports implementation. The PAC test has the following benefits:

- The PAC test can limit rate impacts because it provides an incentive to achieve the same results with lower costs. With the PAC test, the rebate is set at a level that is cost-effective for the utility and the customer can decide whether or not to pay the incremental cost. The TRC considers customer incentives a pass-through cost with no effect on the benefits-to-cost ratio.
- All costs in the PAC test flow through electric rates. The test is analogous to supply-side resource acquisition where all costs flow through rates to customers.
- The PAC test implicitly accounts for externalities because customers' willingness to pay is proportional to their perceived overall benefit, including environmental benefit, customer comfort, and customer convenience. While the TRC can be modified to the SCT and include externalities, it can be difficult to quantify those benefits.

With regard to the Table 4 list of benefits and costs, PSEG Long Island suggests adding another column that distinctly reflects electricity supply costs separately from utility (electric distribution) costs, as the ability of the electric utilities to impacts those costs are different. It should also be noted that avoided GHG and criteria air pollutants do have a market price and are included in the price of energy in New York, and should be reflected in the table, assigned as a supply benefit, not just a social benefit.

Additionally, the Straw Proposal indicates that the prices of SO₂ and NO_x have been near zero dollars per ton, However, recent pricing data indicate that through 2014, CAIR prices are in the range of \$40-\$65/ton for annual NO_x allowances, \$20-\$35/ton for seasonal NO_x allowances, and \$60-\$85/ton for SO₂ allowances. These prices do impact

the dispatch economics of fossil fueled generation facilities and should be included in the assessment. PSEG Long Island would also recommend against replacing the market price benefit such as GHG or pollutant emission avoidance with a non-market price as discussed in Table 5, particularly in instances when that input will help inform the market value of a zero-emitting DER. Such a non-market pricing distortion may serve a very valid social need, but it is also a hidden subsidy that society will have to pay, and is counter to the goal of transparency in pricing.

I. PSEG Long Island Would Consider Participation in and Using a New Statewide Energy Efficiency Data Management System [V.A. of Proposal]

Staff recommends that a new energy efficiency data management system that is flexible enough to meet individual utility and the collective data needs of DPS and the State must be acquired, and that a joint utility-NYSERDA effort in consultation with Staff, be formed to research “off-the-shelf” systems that may be available, identify the pros and cons of each, develop specifications for an adaptable system, and have NYSEDA issue a Request for Proposals (RFP) by the third quarter 2015 to procure this system. PSEG Long Island looks favorably to improvements and standardization in this area and will consider participating in and using any such new data management system that may result from this effort.

PSEG Long Island would also suggest that the data management system be co-owned by all utilities, including the Authority, as an asset that is recovered in rates, and that the DPS manage the exchange, either directly or via contract with a qualified vendor, with those operational costs shared equitably among the utilities, and recoverable in rates.

J. Distribution Utility Procurement of Main Tier Type Renewables [V. A. of Proposal]

The Straw Proposal states that utilities should take responsibility for procurement of Main Tier renewables. The integration of renewables on Long Island has been done by the Authority and is currently being done by PSEG Long Island. Several programs are already underway to encourage greater amounts of “main tier” renewable generation on Long Island:

- 50 MW of Utility scale solar PV installed between 2011 and 2013
- 50 MW Clean Solar Initiative I (feed-in tariff) – projects in construction
- 100 MW Clean Solar Initiative II (feed-in tariff) – projects being reviewed for interconnection
- 20 MW Non-Solar feed-in tariff – bids being reviewed
- 280 MW Renewable RFP Issued by the Authority in 2013 – bids being reviewed

PSEG Long Island is well suited to continue soliciting main tier renewable resources for installation on the Long Island electric grid and supports this recommendation.

The straw proposal also seeks comments on the methodology of renewable procurement and the goal setting for the procurements. PSEG Long Island strongly recommends that each utility take responsibility for the procurements. Each utility will have its own unique resource potential based on a number of physical, customer, and system characteristics. Each utility can tailor their procurement strategies to take best advantage of those parameters. It is also recommended that in the short term, targets be established which are aligned with the economic potential of the service area in order to

ensure procurements are cost effective. In the longer term, if procurements are not consistent with RPS goals and any greenhouse gas reduction goals for the state overall, policy makers and stakeholders may need to revisit those goals and the costs to achieve them to make informed policy decisions related to those goals.

Finally, the straw proposal recommends that the REC-only procurement approach be transitioned to bundled contracts for RECs, energy and capacity. PSEG Long Island supports this recommendation as the Authority has historically operated and PSEG Long Island currently operates renewable programs in that manner.

K. Integration of Energy Efficiency into Operations [V. A. of proposal]

The Straw Proposal recommends that utilities should integrate energy efficiency funding into their regular operations. PSEG Long Island supports this recommendation and will work with the Authority to do so should this recommendation be approved by the Commission.

L. PSEG Long Island Supports Reforms in the Interconnection Process [V.C. of Proposal]

The Straw Proposal recommends future technological advances be considered to avoid interconnection process delays and ensure coordinated and smooth integration of such resources onto the system, while recognizing challenges of non-traditional technologies in this process. The overriding goal is to ensure that these technologies are not unduly hindered by cumbersome interconnection rules. PSEG Long Island agrees with these objectives, looks forward to the development of improvements in this area, and anticipates using such improvements in the Long Island system.

The Straw Proposal also suggests that the threshold for the NY SIR for distributed generation projects be raised from 2 MW to 5 MW. PSEG Long Island feels this is a major jump in the fast track process and will require a thorough evaluation to ensure the proper protections are considered for both the DG developer and the distribution system with respects to personnel and equipment. In support of this evaluation, PSEG Long Island is in the process of reviewing our current DG screening criteria to evaluate items that DG developers consider impediments to the DG interconnection process. Additionally, in support of the DG criteria evaluation we are seeking the assistance of a consultant that can provide guidance from both the utility and project developer perspective. The goal in reviewing the current DG screening criteria would be to enable us to fast track more and maybe at a greater Megawatt level DG projects.

M. Microgrids should be Addressed on a Technology Neutral Basis and Supported by Customers They Serve[V.C. of Proposal]

The Straw Proposal suggests DSPs should develop a transparent process to inform developers where microgrids (and distributed energy resources generally) would provide the most value to the grid and are most easily able to interconnect and that DSPs should incorporate microgrids into system planning when it is advantageous and cost effective.

Microgrids may be appropriate in situations where the economic and resiliency attributes can benefit a community or a group of customers. However, the DSP must show a level of fairness to all DER providers, and not seek to favor one technology solution (microgrid) over another (CHP, solar), when either may show an equivalent value to the local grid. The investment and O&M costs for such equipment should be borne by the customers served by the microgrid (or similar innovation), and not

socialized to other customers. PSEG Long Island is concerned about a focus on microgrids resulting in a system where customers, by design, receive different levels of reliability, with customers not served by the microgrid receiving a lower level of reliability while, at the same time, being forced to provide backup service to the microgrid. In instances where microgrid distribution equipment (e.g., wires, transformers) are placed on public street or cross public rights of way, PSEG Long Island recommends that the utility continue to own and operate such facilities, rather than microgrid developers as suggested, in order to ensure public safety and the safety of its employees.

PSEG Long Island also suggests an additional topic of discussion should be public and employee safety related to microgrid development and operation. With the potential for microgrid equipment such as wires, transformers, and other potentially hazardous equipment to cross public streets and rights of way, it would be prudent for all parties to gain a better understanding of these issues and perhaps develop uniform approaches to them.

N. PSEG Long Island Supports Demand Response Programs [V. E. of Proposal]

The Straw Proposal recommends that utilities immediately file demand response and storage tariffs. The proposal notes the importance of Demand Response, and storage to the distribution system. It proposes the immediate development of programs that allow demand response providers, interfacing with the distribution utilities, to respond to bulk power system needs currently addressed by the NYISO's Special Case Resource (SCR) and Emergency Demand Response Programs. As part of the support it cites the recent decision in the DC Circuit Court of Appeals decision that found that FERC does not have

jurisdiction over Demand Response (“DR”), based on a finding that DR is exclusively a retail (i.e. state commission jurisdictional) product.

PSEG Long Island concurs that demand response (“DR”) is a significant opportunity as a DER that provides value to customers as well as the utility. The PSEG Long Island Utility 2.0 Long Range Plan proposes several DR programs:

- A 100 MW modernization and expansion of the existing direct load control program that uses programmable thermostats and controllable pool pumps to curtail load when the system is most stressed. .
- Targeted DR offerings that will help defer both capacity and transmission investments in its South Fork Improvements initiative.
- An innovative pilot program to control room air conditioning units contained within its Rockaways Energy Efficiency Expansion program.

All of these programs are opportunities to offer DR to the residential market and help build customer confidence in this type of DER service. They are just the first step towards expanding the cost effective DR opportunities in the Authority’s service territory.

Additionally, PSEG Long Island customers enrolled in NYISO DR programs, usually through market participant aggregators, are governed by NYISO program rules over control of load and compensation of participants. PSEG Long Island is not aware of which customers participate in the program, resulting in an information gap in system planning.

PSEG Long Island recommends a more deliberate approach to the creation of DR tariffs, in particular those that may be needed to replace the SCR and EDR programs.

Even with the denial of the Order 745 rehearing, there remains several legal, and very uncertain, steps that would need to occur before the NYISO would discontinue its capacity DR programs, all of which would take an extensive period to work through the courts, the FERC, and the NYISO. The NYISO capacity DR programs are not at risk for 2015. This time would be better used for thoughtful discussion on the manner in which these programs could be replaced should the courts determine that the Order 745 decision extends to capacity DR programs. Submittal of a tariff should be the last step in this process.

PSEG Long Island has proposed aggressive action to develop DR in its Utility 2.0 filing and would be willing to discuss the benefits and challenges of transitioning these programs into tariffs once approved, and how to close the data gap on customers participating in the NYISO DR programs.

O. Implementation of Components of REV Will Be Procedurally Different on Long Island [Section VI. F. and VII. C.]

Establishing a clear transitional path towards a future of a clean, reliable distribution system that enables customers to procure a suite of energy products and services is critical for the long term success of the REV effort. Expectations of utilities over this time need to be clearly defined in order avoid confusion and help set realistic goals and incentives.

PSEG Long Island agrees with the objectives of this phase: increasing the DER asset base, building market and customer confidence in DERs, removing barriers to DER adoption and developing the capabilities to support the ultimate implementation of REV.

While PSEG Long Island supports the goals of the REV, some procedures and schedule for PSEG Long Island to move forward and implement REV type reforms will

differ from the investor owned utilities. PSEG Long Island suggests integrating its existing Utility 2.0 filing schedule and associated rate case and capital budgeting efforts with the REV process is the most effective and appropriate method to move forward. PSEG Long Island anticipates including the essential elements of the Energy Transition and Implementation Plan (ETIP), proposal for Interim Actions, and Distributed System Implementation Plan (DSIP) in the upcoming 2015 budget, 3-year rate filing in February 2015, future annual Utility 2.0 filings, tariff processes, and other procedures to accomplish similar or identical goals.

P. PSEG Long Island Supports Stakeholder Processes for Mature Markets and Suggests One More on Performance Metrics for DERs

As progress occurs in the near term towards creating this market, it is important to begin taking the long term steps needed to achieve the final goal. Our comments on this section are as follows:

Technical Platform Design Stakeholder Process: It is critical to have certainty on the technical platforms designs and functionalities before any ratepayer monies are committed towards the procurement of systems and other related equipment. Likewise, the standardization of data formats, functions, etc., is equally important to ensure the platform interfaces are consistent throughout the state, which will lower barriers to entry for DER providers, ensure effective data exchange with NYISO, and ensure each utility's system can talk to each other. PSEG Long Island is prepared to participate in this process.

Market Design Stakeholder Process: PSEG Long Island concurs that such a process is needed, but cautions that unlike a technology platform, which requires specificity to be successful in implementation, specificity in market design can have the

unintended consequence of raising barriers to entry, and so would caution that this effort should not seek to create the type of standardization that could stifle innovation, but should rather seek to establish high level parameters under which market players can robustly participate, and customers have the most flexibility in procuring products and services that serve their needs.

Uniform DSP Plan: A uniform DSP Plan should be considered to be an ultimate output of the Technical Platform Design and Market Design Stakeholder Processes, and should not move forward until those efforts have concluded. Anything submitted prior to the completion of these processes would at best be characterized as preliminary/evolving, and it would be expected that DPS would be a participant of the stakeholder process and would have current status of the process as it progresses. PSEG Long Island anticipates participating in such a stakeholder process with the rest of the State's utilities.

Market Oversight and Auditing: PSEG-Long Island will look to the DPS development of market oversight and auditing and will participate in the development and implementation of such measures in Long Island.

Q. Stakeholder Process for DER Metrics:

PSEG Long Island would also recommend that a stakeholder process be initiated to develop standards on performance metrics for various DERs. In order for DERs to effectively be integrated into the planning and operations of the distribution system, clear performance metrics should be established. To the greatest extent possible, these metrics should be common statewide to provide clarity to DER service providers and, to the greatest degree possible, the metrics should be comparable among and between DER technology types.

Market Oversight and Auditing: PSEG-Long Island will look to the DPS development of market oversight and auditing and will participate in the development and implementation of such measures in Long Island.

R. Track Two Incentives are Critical


Although the Straw Proposal notes the need for the incentives and ratemaking to support the policies that result in Track One, PSEG Long Island emphatically supports that concept. A ratemaking system that does not allow the utilities to recover the costs of implementing the reforms of the REV and does not incentivize both the distribution entity and customers to pursue these reforms will end up with disappointing results. To avoid such a result, Track Two must be addressed with the same vigor as Track I.

CONCLUSION

PSEG Long Island appreciates the opportunity to submit these comments and looks forward to working with the DPS Staff and the parties in this matter.

Respectfully Submitted,

PSEG Long Island LLC

By 

Dated: September 22, 2014

Martin C. Rothfelder
Associate General Regulatory Counsel
PSEG Services Corp.
80 Park Plaza, T5G
Newark NJ, 07102
Phone: (973) 430-6479