NEW YORK STATE
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

Advancement of Distributed Solar — Case 21-E-0629

CCAANY COMMENTS ON NEW YORK'S 10 GW DISTRIBUTED SOLAR ROADMAP

INTRODUCTION

On December 17, 2021, the Department of Public Service ("DPS") and New York State Energy Research and Development Authority ("NYSERDA") presented New York's 10 GW Distributed Solar Roadmap: Policy Options for Continued Growth in Distributed Solar[1] ("Roadmap") in which they propose a pathway to 10 GW of solar by 2030. The Community Choice Aggregation Administrators of New York ("CCAANY"), a collaboration between Joule Assets, Inc. ("Joule"), Municipal Electric & Gas Alliance ("MEGA"), and Sustainable Westchester submits comments on elements of the Roadmap. Specifically, CCAANY proposes that projects participating in opt-out community distributed generation ("CDG") should be eligible for the full community adder and the Inclusive Community Solar Adder ("ICSA").

CCAANY is a group of organizations that are actively engaged in the implementation and development of CDG projects through Community Choice Aggregation ("CCA"). Authorized statewide in 2016, CCA is a procurement model that replaces default energy options with energy options selected by participating municipalities. CCA programs use an opt-out model to successfully deliver the benefits of clean energy options to partner municipalities and their constituents, including low-to moderate-income ("LMI") households and disadvantaged communities ("DAC"). CCA programs educate, encourage and empower municipalities to take actions that advance the Climate Leadership and Community Protection Act ("Climate Act").

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[1] Case 21-E-0629, In the Matter of the Advancement of Distributed Solar, *New York's 10 GW Distributed Solar Roadmap: Policy Options for Continued Growth in Distributed Solar* (issued December 17, 2021) (Roadmap).

CCAANY includes two non-profit organizations and a private firm each of which have supported the successful development of CCA for over eight years. In advance of the Public Service Commission approval of the first opt-out CDG program, CCAs have been incorporating opt-in CDG offerings working with over a dozen CDG developers to collectively enroll over 5,200 customers across five utilities in community solar. When CDG capacity is limited CCAs are focused on serving LMI customers first. The Roadmap cites that "half of the SEEF capacity be targeted specifically to providing LMI residential customers with direct, guaranteed electric bill cost savings"[2] and "that community solar…offers the greatest opportunity to benefit LMI households and DACs."[3] CCAs opt-out model combined with investment in the community will be significant in ensuring LMI households receive the benefits of community solar. CCAANY's experience with opt-in and opt-out CDG and relationships with customer acquisition firms, CDG developers and financiers, make CCAANY uniquely positioned in the market to understand and address the incentives needed to ensure continued success of the development of distributed solar, particularly in service of LMI households.

OPT-OUT CDG PROJECTS SHOULD RECEIVE THE FULL COMMUNITY ADDER

The Roadmap specifically asks for stakeholder feedback on opt-out community solar projects' eligibility for the new community adder. CCAANY proposes that projects participating in opt-out CDG should be eligible for the full community adder. To come to this conclusion CCAANY compared the one existing and several proposed opt-out models to both opt-in CDG and remote crediting.

There are several reasons why there should be one community adder for all community solar projects regardless of whether the project is opt-in or opt-out. A single incentive structure for all community solar projects lowers the risk for participation in opt-out CDG. A single incentive for all community solar projects will also incentivize new opt-out CDG market participants. Finally, opt-in CDG customer acquisition costs vary widely, including opt-in CDG projects serving corporations which are closer to the customer acquisition model for remote crediting. There is no proposal to offer different incentives for different types of opt-in projects.

It is presumptuous to make assumptions about costs of a nascent market. New York is the first state to implement opt-out CDG, and in New York only two small villages in one utility territory have used opt-out CDG to offer solar credits to a few thousand customers, including low-income households. The opt-

[2] Roadmap at page 40
[3] Roadmap at page 26

out CDG market is so new that the regulatory requirements are not expected until summer of 2022. New markets come with risk – risk that project financiers must understand and accept. The Public Service Commission's ("PSC's") actions in November of 2021[4] proved the regulatory risk of participation in this new market when all opt-out CDG approvals were paused for at least eight months. A single incentive structure for all community solar will allow developers and their finance partners to participate in opt-out CDG at a time when regulatory risk of participation is higher than the established opt-in market. A single incentive structure will increase the chance that if additional regulatory or market changes require a pivot from opt-out, the financing will not be impacted by a change in incentive.

During the February 16th Opt-out Community Distributed Generation Webinar[5] DPS clearly stated that they wanted competition in the opt-out CDG market. If opt-out CDG has lower incentives than opt-in it will not incentivize entrance by new market participants. There are significant initial costs for opt-out programs even though they don't include some traditional "customer acquisition costs." Upfront implementation and administrative costs, include the need to have processes established, systems set up, and customer support trained months before the CDG project generates any income. This includes supporting the municipality in passing a CCA law, drafting and submitting an implementation plan to DPS, contracting with and coordinating with multiple CDG developers, providing 60-days of public education which includes public events, workshops, mailings, flyers, press and social media, setting up and maintaining a call center (sometimes receiving hundreds of calls in a given week), sending opt-out letters and answering questions. In order to properly implement opt-out CDG programs, all of these activities must be done well. Subsequently opt-out CDG comes at a cost and has a learning curve, neither of which can be ignored. As such, if DPS and NYSERDA desire to create competition through encouraging new market participants, opt-out CDG should have access to the full community adder.

Given that significant "community" solar capacity is being used to serve corporate franchises and not residential customers, there is no reason to differentiate between opt-out and opt-in incentives. The customer acquisition costs required to serve corporate franchises or high-end housing associations are much more similar to remote crediting than opt-in CDG. If opt-in CDG incentives are not going to consider the level of effort of customer acquisition or the characteristics of the credit recipient, there is no reason to make a distinction between opt-out and opt-in incentives, especially given that opt-out is prioritizing low-income residents at 10% discount on credits. While the opt-out customer acquisition

[4] Case 14-M-0224, In the Proceeding on Motion of the Commission to Enable Community Choice Aggregation Program, *Order Identifying Further Procedural Steps Regarding the Development of Opt-out Community Distributed Generations* (issued and effective November 22, 2021).
[5] Opt-out Community Distributed Generation Webinar 2, https://www.youtube.com/watch?v=MLIHlwRN9MI (February 16, 2022).

process has some economies of scale over opt-in customer acquisition, especially for low-income customers, lower incentives for opt-out CDG will flip many of these projects into either opt-in CDG for small commercial accounts or remote crediting projects, entirely bypassing residential customers and the opportunity to serve low-income residents.

The Roadmap suggests that opt-out CDG project costs "may be roughly in line with remote crediting projects.''[6] Opt-out CDG has significantly more regulatory requirements and thus more expenses than remote crediting. While the full extent of these requirements are not yet known, it is expected that opt-out CDG will have the additional expenses of required education, reporting and management of an opt-out period (with mailing and customer service expenses). Remote crediting does not have any of these requirements so it cannot possibly be the same cost as opt-out CDG. When the opt-out CDG market was paused in 2021, all of the capacity contracted or planned for opt-out CDG pivoted to remote crediting. It is fully expected that without the full community adder, project developers that would use opt-out CDG to serve low-income participants will continue to pivot these projects to remote crediting. If the state wants 70% CDG and 30% remote crediting, the incentive structure for opt-out CDG should include the full community adder. CCAANY has already seen 150 MWs pivot from CDG to remote crediting including projects with 2022 commercial operation dates and projects in developers' 2023 and 2024 pipelines.

The nascent opt-out CDG market will be best positioned to serve low-income customers, project developers and the state, if opt-out CDG receives the full community adder.

OPT-OUT CDG PROJECTS SHOULD BE ELIGIBLE FOR THE INCLUSIVE COMMUNITY SOLAR ADDER

Opt-out CDG projects should have access to the Inclusive Community Solar Adder given that opt-out CDG has developed methodologies in service of entire low- to moderate-income ("LMI") and Environmental Justice Area ("EJA") populations. Opt-out CDG programs have the opportunity to target not just customers enrolled in utility assistance programs, Assistance Program Participants ("APP"), but additional low- to moderate-income customers. Opt-out CDG programs that target the entire LMI customer base in a community for enrollment will typically identify twice as many households as those in assistance programs alone. For example, Sustainable Westchester has identified 24,000 APP households in 29 municipalities and over 50,000 APP-LMI-EJA total households in these same communities. Opt-out CDG programs can and will reach the larger LMI population and there is work to be done to identify

[6] Roadmap at page 70

these customers – even in an opt-out model. Access to the ICSA will support that work and the benefits of community solar reaching the bills of a larger group of low-income residents.

CONCLUSION

CCAANY proposes that projects participating in opt-out community distributed generation should be eligible for the full community adder and the Inclusive Community Solar Adder. Opt-out CDG is a nascent market well positioned to ensure that LMI customers receive direct, guaranteed electric bill savings. Given the regulatory risks associated with a new market and the desire to increase market competition a single incentive for all community solar makes sense. In addition, opt-in community solar has significant capacity that serves corporate franchises and thus has customer acquisition closer to remote crediting. There is no proposal to consider reducing the community adder for these types of opt-in projects, and as such, there is no need to differentiate between opt-in and opt-out incentives. In addition, opt-out CDG has significantly more regulatory requirements than remote crediting. Finally, given the additional value that opt-out CDG can offer entire low- to moderate-income populations, not just customers participating in utility assistance programs, opt-out CDG should be eligible for the ICSA. The opt-out CDG market will be best positioned to serve low-income customers, project developers and the state, if opt-out CDG receives the full community adder and access to the inclusive community solar adder.