



March 22, 2018

The Honorable Kathleen Burgess
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, New York 12223-1350

Matter 17-01277 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design

RE: Initial Comments of the Solar Energy Industries Association on the March 6 Brattle Group Presentation

Dear Secretary Burgess:

The Solar Energy Industries Association (SEIA) requests the submission of these initial comments in Matter 17-01277. These attached comments represent our preliminary response to the presentation by the Brattle Group at the March 6, 2018 Value of Distributed Energy Resources Working Group Regarding Rate Design. We reserve the right to provide more detailed comments at a later date.

Please contact with me with any questions about these initial comments.

Sincerely yours,

/s/

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cc: Kevin Lucas

Attachment
Comments of the Solar Energy Industries Association
In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design
Matter No. 17-01277
March 22, 2018

The Joint Utilities Proposal to Impose Demand Charges on Residential Customers

The Joint Utilities have proposed that the New York Public Service Commission (PSC) allow them to impose demand charges on mass market (residential and small commercial) customers. These initial comments review and respond to this proposal and conclude that the Demand Charge Proposal will impede New York's efforts to reduce carbon emissions, conserve energy and promote renewable energy resources and are generally contrary to achieving New York's policy goals.

The Joint Utilities Demand Charge Proposal

In a proposal presented on March 6, 2018 to the PSC's Value of Distributed Energy Resources Rate Design Working Group, the Joint Utilities proposed implementing a three-part rate for all mass market customers. A three-part rate would be a significant departure from how customers are currently billed for electricity. Currently customers are billed two charges: a fixed charge (a flat monthly fee) and a volumetric rate (cost per unit of energy). The Joint Utilities proposal would add a third charge to the customer bill, a demand charge. The demand charge would bill customers based on their highest usage in a single, short period of time, usually during the customer's highest 60, 30, or 15-minute period of use each month. This charge would likely be a significant part of the customer's bill each month.

Under this approach the customer pays a charge for its very short-term peak use. For example, if a customer turns on her/his air conditioning for a one-hour period, the electric bill will increase to reflect this short-term use; and the benefits of reduced use of the air conditioner for every other hour of the month will be reduced.

Does the proposal align with New York's Energy Policy Goals?

The Demand Charge Proposal does not align with the stated policy goals of New York, the PSC and the Reforming the Energy Vision (REV) effort – to build a cleaner, fairer, and lower cost energy system for the State of New York. In fact, the Demand Charge proposal will make it difficult for New York to meet its goals. In relation to the REV goal of incentivizing consumers to become more engaged in the energy markets, demand charges do not send the appropriate economic price signals that drive customers to behave in ways that would reduce monthly bills, like a TOU rate is designed to do. It would deter customer investments in renewable energy and energy efficiency, driving increased carbon emissions because of greater reliance on traditional generation. Further, it is unfair to all customers and will impose a significant economic penalty on customers who adopt renewable energy resources at their sites.

Specific Issues with the Demand Charge Proposal

Demand charges for mass market customers will: a) unreasonably penalize customers for demand that occurs for only a narrow time-period; b) are largely untested, c) will increase overall consumption and frustrate energy conservation efforts, d) would be unworkable due to the lack of deployment of advanced metering technology, and e) will reduce customer-sited investments in renewable energy and energy efficiency.

- **Residential customer impacts and responses to demand charges are largely unknown.**

The vast majority of residential customers in the United States have no experience with demand charges. Relying on customers to modify their behavior to avoid adverse bill impacts is a bridge too far. No state in the country imposes mandatory demand charges on residential customers on a state-wide basis. The Joint Utilities presentation recognizes that little evidence exists to understand how residential and small commercial customers will respond to demand charges. In fact, by their very nature, by setting rates so that utility fixed costs are recovered through a peak demand of short duration, demand charges are sure to shift costs and raise bills for many customers.

- **Demand charges will reduce investment in energy efficiency and customer sited renewable technologies.**

By saddling customers with paying for all or most of their utility costs based on a 30, 60, or 15 minute peak measure, the Joint Utilities Demand Charge Proposal would increase the payback periods for customer investments in renewable technologies, reducing the likelihood that customers will make these investments. In the few instances where utilities have implemented three-part rates for distributed generation customers, applications for rooftop solar installations have decreased dramatically (see Arizona's Salt River Power and Nevada's NV Energy). Demand charges also increase payback periods for energy efficiency measures, reducing customer incentives to invest in these technologies. This is in part why demand charges for residential customers have been consistently rejected throughout the country on a state-wide basis.

- **Demand charges are not cost based.**

Significant amounts of distribution system infrastructure are not sized to meet the utility system-wide peak or a customer's individual peak. Importantly, the hundreds of millions of dollars being spent by utilities to make their systems more reliable every hour of the year will be imposed only on a customer's 30, 60, or 15 minute peak. This mismatch leads to a subsidy of customers who use energy around the clock.

Utility distribution infrastructure is sized to meet a diverse set of individual customer loads, which may or may not align with the system peak. Basing payment on customer peak demands does not recognize the diversity of customer use, because customers do not all peak at the same time, and because infrastructure costs are shared more widely. As a result, assessing a demand charges based on a customer's peak demand does not align with the costs driving system peak, and unfairly penalizes customers with costs that they did not cause.

- **New York's current metering infrastructure does not support demand charges.**

Notwithstanding the fact that demand charges are not cost-based, the imposition of demand charges would be unworkable given the limited deployment of advanced metering infrastructure across the state. Without advanced metering, customers would be unable to know when their peak demand was hit during any given month, eliminating even the potential to react to their historic usage. Further, even after AMI is implemented, as discussed previously, customers will not be able to manage their usage to minimize demand charges and adjust their behavior.

The Joint Utilities Demand Charge Proposal, even on an opt in basis, will prevent the policy goals of New York from being realized. In order to realize the REV goals of building a cleaner, more efficient and resilient energy infrastructure, SEIA recommends a) that the Demand Charge Proposal be rejected; and b) that stakeholders work cooperatively to carefully develop rate structures that protect customers from inordinate rate impacts, send cost-based price signals, provide for equitable cost recovery, and continue to promote energy conservation and renewable energy that align with the policy goals of New York.