



December 19, 2016

Via Electronic Filing

TO:

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

FROM:

Richard Umoff
Regulatory Counsel and Director, State Affairs
Solar Energy Industries Association
Ph: 202-556-2877
Email: rumoff@seia.org

Sean Garren
Northeast Regional Director
Vote Solar
Ph: 301-541-8675
Email: sean@votesolar.org

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

Dear Secretary Burgess,

Please find reply comments of the Solar Energy Industries Association and Vote Solar (the Solar Parties) in response to party comments regarding the *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*.

Sincerely,

/s/ Richard Umoff
Richard Umoff

Regulatory Counsel and Director, State Affairs
Solar Energy Industries Association
Ph: 202-556-2877
Email: rumoff@seia.org

In the Matter of the Value of Distributed Energy Resources

Reply Comments of the Solar Energy Industries Association and Vote Solar (Solar Parties)

Case 15-E-0751

December 19, 2016

I. INTRODUCTION

The Solar Energy Industries Association and Vote Solar (the “Solar Parties”) submit the following reply comments in response to comments filed in the Value of Distributed Energy Resources proceeding.¹

The Solar Parties represent hundreds of business and individuals active in the New York solar market and supportive of New York’s goal to develop a strong solar industry and a sustainable New York economy, and have been parties to this proceeding since it began. Our members are eagerly awaiting an order in this proceeding so that they can get shovels in the ground and begin increasing their investment and participation in the New York solar market.

In our initial comments, the Solar Parties sought to take Staff’s proposal and highlight critical changes needed for the continued growth of the solar market in New York.² In the comments, the Solar Parties called for a 4% revenue impact upper limit, payment of 100% Market Transition Credit (MTC) to generation from Community Distributed Generation (CDG) projects, a capacity value for intermittent technologies derived in a transparent way from the retail supply rate, a more stable delivery (D) value for Commercial and Industrial/Remote Net Metered (C&I/RNM) projects, a project compensation methodology that is at least a 25 year term, and support of Staff’s recommended grandfathering policy.³ The Solar Parties stand by these recommendations, as it is only with these improvements to Staff’s proposal that New York will achieve a strong and

¹ Case No. 15-E-0751; The comments herein represent the views of the Solar Parties and not any individual member company.

² See *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding* (Case No. 15-E-0751)

³ See *Comments of the Solar Parties in Response to Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751)

sustainable solar market that benefits all ratepayers and advances the goals of Reforming the Energy Vision (REV) and the Clean Energy Standard (CES). The Solar Parties urge the Commission to recognize that the Staff report represents a significant compromise for the solar industry, especially in that it begins a move away from the net metering paradigm, and that it must actually be improved upon if New York is to have a viable solar market in 2017.

In the following comments, the Solar Parties respond to the filings put forth by the Joint Utilities (JU), Borrego Solar, and Cypress Creek Renewables.⁴

II. PROCEDURAL AND POLICY BACKGROUND

In its Track One Order, the Commission recognized the importance of net metering as a mechanism for enabling distributed energy resources (DER) while also expressing an interest in examining long term alternatives to net metering to value and compensate DER in a more efficient manner consistent with REV.⁵ As New York approached its net metering caps in some service territories in 2015, the Commission “floated” the caps to maintain market momentum and ordered Staff to begin development of a methodology to value and compensate DER based on the locational, temporal, and societal value of DER to the system (so-called, “LMP+D”).⁶ In December 2015, Staff issued a request for proposals to compensate DER providers based on the LMP+D framework, with the expectation that an interim approach will be submitted to the Commission by December 31, 2016.⁷

Throughout 2016, a diverse set of stakeholders came together on a bi-weekly basis for intensive meetings to develop an interim methodology for valuing distributed energy resources (DERs) that would begin the process of unbundling values and establishing a tariff based on more precise values, while simultaneously enabling the continued growth of the DER market. During this

⁴ Although the Solar Parties are not responding directly to Multiple Intervenors, PULP, and NUCOR, while we share their concern about short term rate impacts, we believe these concerns are overstated and are nonetheless addressed by Staff’s proposal through an upper limit on revenue impact. Additionally, their concerns fail to sufficiently recognize the many benefits delivered by DERs.

⁵ See *Order Adopting Regulatory Policy Framework and Implementation Plan*, February 26, 2015, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision (Case 14-M-0101) at 25, 128

⁶ See *Order Establishing a Community Distributed Generation Program and Making Other Findings* July 17, 2015 Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program (Case 15-E-0082) at 24, 32

⁷ See *Notice Soliciting Comments and Proposal on an Interim Successor to Net Energy Metering and of a Preliminary Conference* issued December 23, 2015 In the Matter of the Value of Distributed Energy Resources (Case 15-E-0751) at 1-2

process, stakeholders identified a number of key principles that are enumerated in the Staff report.⁸

Early on in the process, the parties recognized that while significant progress could be made in establishing an interim Value of Distributed Resources (VDER) tariff linked more closely to temporal, locational, and societal values, it would be very challenging, if not impossible, to develop a full value stack that accurately represents the value of DER in the time allotted. Therefore, in the spirit of advancing the objectives of the proceeding, while also recognizing the practical constraints of such a significant undertaking, the parties agreed to develop foundational policies that could be built upon going forward.

Most relevant, the parties agreed to develop a value stack comprised of proxy values to compensate DER providers under Phase One of the tariff in a manner that moves closer to recognizing locational, temporal, and societal value, a transition credit to help account for values that are difficult to quantify and to enable the market to move away from net metering in a reasonable fashion, a strong grandfathering policy to instill confidence in the market and respect past investments, and a mechanism to bound any potential revenue impact (while acknowledging that many of the benefits that would accrue to *all* ratepayers from higher penetration of DERs had yet to be fully recognized).⁹

Throughout this process, the Department of Public Service (DPS) Staff was exceptionally transparent and inclusive, working tirelessly to address the multitude of challenging issues that arose throughout the proceeding, while keeping the parties on track to make forward progress. Additionally, all parties showed grace in compromise, recognizing the limits of what could be done in such a short period of time on such complex issues, but also recognizing that reform was underway as difficult as it may be.

The Solar Parties wish to retain this spirit of collaboration and hope to continue advancing our immediate interests while recognizing the various viewpoints represented in the stakeholder group. That being said, the Solar Parties are disappointed with the tenor of some comments in the docket given the massive undertaking of this proceeding and the significant progress Staff

⁸ See *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*, October 27, 2016 (Case 15-E-0751) at 16

⁹ See *Staff Straw – Draft August 23, 2016* (Case 15-E-0751)

and all stakeholders have made towards compromise – most notably the comments by JU. However, the Solar Parties are confident that the momentum can be maintained and the Commission can arrive at a strong result which enables market growth, continues the work of unbundling values, and increases access to the distributed energy market for all ratepayers equitably and efficiently.

III. DISCUSSION

A. **The Solar Parties' Response to the Filing of the Joint Utilities**

After months of collaborative meetings between JU and stakeholders, JU put forth a filing that rests on inaccurate and incomplete information, and disruptive policy proposals that are counter to the goals of the proceeding. The filing, which evokes Arizona and Nevada - states in which regulators have abruptly modified net metering policies to the detriment of customers - in the context of New York's much more thoughtful approach to net metering reform, threatens to stall the collaborative process that Staff and the stakeholders worked so hard to cultivate over the last several months. Nowhere is this more apparent than the JU claim that the revenue impact from Staff's tranche design would be almost 25% in NYSEG's service territory, completely ignoring Staff's proposed adaptive trigger mechanism for restraining revenue impacts to 2%.¹⁰ While we find the approach taken by JU to be very disappointing in light of an otherwise constructive process, we hope that going forward the parties can resume a productive relationship.

Rather than list out the litany of inaccuracies and inconsistencies in the JU filing, which we are confident Staff and the Commission will recognize, the Solar Parties use these comments to identify some of the most far-fetched claims made by JU to make it clear that the JU filing cannot be reasonably relied upon to make policy determinations, and should be given very little weight as a result.

1. **The JU Filing Ignores the Work of the Collaborative That They Embraced, and Threatens to Derail the Progress Made in this Proceeding**

At the start of the VDER proceeding, all parties were asked by the Administrative Law Judge whether they would prefer a collaborative stakeholder driven process or a more structured

¹⁰ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding* (Case 15-E-0751) at 11

Commission driven process for this proceeding.¹¹ As part of the Solar Progress Partnership, JU requested a collaborative process in which parties worked in an informal setting with Staff to develop a record through discussion of the issues, with the ultimate goal of helping to shape policies that would advance the goals of the proceeding.¹² After party input, the Commission and DPS Staff chose to adopt the collaborative approach. Now, after months of collaborative meetings between parties in which all stakeholders had an opportunity to work directly with one another and DPS Staff, as requested by JU, they have put forth a filing that largely ignores the progress made in the collaborative and has the potential to derail this process if taken seriously. This directly undermines the process embraced by JU over the last several months, and ignores the massive investment in time and resources by all parties and Staff to develop sound policy solutions for complex issues in a collaborative manner.

Further, in its CDG Order, the Commission made clear its intention to promote development of a robust CDG market in New York in order to extend the benefits DERs to all ratepayers, in line with the Governor's solar goal and the State's broader CES and REV objectives.¹³ It was widely acknowledged in the collaborative process that Orange and Rockland (O&R) would be one of the first utility service territories where the CDG market could begin to take hold, due to favorable project economics and the opportunity to offset costs in this service area. The JU adjustments to Staff's proposal would result in 0 MW of CDG capacity in O&R service territory receiving MTC compensation.¹⁴ This result would not only kill the CDG market before it could get off the ground, depriving New York ratepayers of the benefits of distributed solar, but also result in millions of dollars in lost investment by project developers. More broadly, the JU proposal would stand in the way of the State's objectives by stalling growth of the solar market.

¹¹ See May 25, 2017 Procedural Ruling (Case 15-E-0751)

¹² See *Response of the Solar Progress Partnership Regarding Procedural Questions*, May 17, 2016 (Case 15-E-0751), stating in part "It is also important to include many perspectives when determining the appropriate balance for the allocation of the revenue requirement impacts of NEM projects and providing certainty and simplicity on the likely level of compensation for the participants of future Community Distributed Generation and Remote Net Metered projects. Finally, while supporting this process, the Partnership recognizes that not all issues can be resolved therein and that the Commission's direction regarding important elements of this proceeding's transitional goals will be needed."

¹³ See *Order Establishing a Community Distributed Generation Program and Making Other Findings*, July 17, 2015 (Case 15-E-0082); See *Order Adopting Regulatory Policy Framework and Implementation Plan*, February 26, 2015 (Case 14-M-0101) See *Order Adopting a Ratemaking and Utility Revenue Model Policy Framework*, May 19, 2016 (Case 14-M-0101); See *Order Adopting a Clean Energy Standard*, August 1, 2016 (Case 15-E-0302); NY-Sun

¹⁴ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 18

2. JU Put Forth Disruptive Policy Recommendations That Are in Direct Conflict with the Objectives of the Proceeding and the State's Policy Goals

The JU proposals in their December 5 comments should be given little weight, as they rely heavily on data that was not discussed in the collaborative and policies that are in direct conflict with the objectives agreed upon in the collaborative discussions. Below is a list of some of the more misguided JU proposals.

a. The JU Proposal for the Capacity Value Would Not Be Consistent with the Principle of Gradualism and Would Inaccurately Reflect the Contribution of Solar, and this Undervaluation Would Impair Project Viability and Financing

In its report, Staff considered and explicitly rejected the approach proposed by JU for determining the value of ICAP because it would result in substantial volatility in ICAP compensation, which would have resulted in an extremely variable valuation without accurately reflecting the true contribution of solar systems at times of high load throughout the year.¹⁵

For example, in NREL's previous work on valuation methodologies for solar PV, NREL points out that this simple coincidence method is unlikely to capture the true capacity value of solar and that more detailed analyses involving consideration of the system near times of peak loss of service probability are required to accurately capture this value.¹⁶ Further, with respect to the variability of this methodology, the unpredictability of this value was discussed in an illustrative example in the comments from Cypress Creek Renewables, which showed that that the capacity compensation could have varied between 2007 and 2015 by as much as 37 fold between the highest year (2007) and the lowest year (2011).¹⁷ While the JU recommendation for a five year average would substantively lower this variability, it would remain at unacceptably high levels. This type of variability and unpredictability would result in the capacity value being unable to be relied upon as a definitive part of the value stack, and would reduce the overall value of the stack

¹⁵ See *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*, October 27, 2016 (Case 15-E-0751) at 33; See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding* (Case 15-E-0751) at 13; 19

¹⁶ Paul Denholm, Robert Margolis, Bryan Palmintier, Clayton Barrows, Eduardo Ibanez, Lori Bird, and Jarett Zuboy, "Methods for Analyzing the Benefits and Costs of Distributed Photovoltaic Generation to the U.S. Electric Utility System", NREL/TP-6A20-62447, September 2014, pages 29-33

¹⁷ Cypress Creek Renewables, "Comments on "Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding" (Case 15-E-0751), 12/5/16, Pg 11

significantly enough that projects would not be economically viable or financeable in many regions.

The Solar Parties therefore concur with Staff's concerns and continue to support Staff's proposed approach to use a capacity value for intermittent technologies derived in a transparent way from the retail supply rate. Such an approach is fundamental to enable solar projects to be developed and secure financing. Staff has appropriately recognized that the novelty of the value stack approach itself will be a significant hurdle for project developers, investors and lenders to learn and adapt to, and that ensuring some stability in the major components of the stack is critical to maintaining the viability and financeability of new projects.

b. The JU Proposal for a Performance Based MTC Ignores the Purpose of the MTC and the Principle of Gradualism Upon Which It is Based

The JU proposal for a performance-based MTC directly contradicts the purpose of the MTC and the principles upon which it is based.¹⁸ The MTC is intended to stabilize the value stack, provide a gradual transition from retail rate net metering to a new tariff based on unbundled values, and represent the substantial unquantified values known to be provided by DER to all ratepayers.¹⁹ The JU proposal would undermine these purposes and should be rejected.

c. The JU Proposal to Limit the MTC to 10 Years Ignores the Iterative Approach Adopted in the Collaborative Process in Recognition that Some Values Have Yet to be Determined

JU propose to limit eligibility for the MTC to 10 years, with a proxy distribution benefit set for 5 years.²⁰ This proposal is unsupported by any facts to show that this approach would be in line with the MTC's purpose of acting as a proxy for unquantified value, and as an essential part of a gradual transition that continues to support the solar market. Rather, to support projects currently in development and to keep the prospect of solar development alive, the MTC should apply at a fixed level for 25 years at a minimum, or for the life of the project. The financing

¹⁸ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 28

¹⁹ See *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*, October 27, 2016 (Case 15-E-0751) at 39

²⁰ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 28

community will be unwilling to finance projects with lifetimes of 30 plus years that can only assure revenue at MTC levels for 10 years, and thus the JU proposal is untenable.²¹

d. The JU Proposal to Limit Distributed Solar in Tranche 0 and Under the Phase One Tariff to 5% of Peak Load Has No Basis in Fact

The JU proposal to limit distributed solar in Tranche 0 and under the Phase One Tariff to 5% peak load would be even more restrictive than the new tranche sizes arrived at in JU's flawed revenue impacts analysis (discussed below in Section 3) and has no technical or cost basis.²² Further, the notion of a hard limit on the quantity of DER in the market is directly at odds with New York's CES goals, and should be rejected outright.²³ The correct way to address reliability is for projects to continue to go through the NY SIR process.

3. The JU Filing Relies on a Flawed Analysis of Revenue Impacts

The JU filing relies on an analysis of revenue impacts that is marred by flawed assumptions and miscalculations. Three of the more striking examples are discussed below.

a. The JU Filing Understates 2015 Residential Revenues

Staff's analysis measures revenue impact relative to total residential revenues, as reported by the Energy Information Administration (EIA). JU claim that the EIA data represents more than just revenues from the SC1 service class and therefore that the revenue impact as a percent of revenues is significantly greater than estimated by Staff.²⁴ Instead, JU propose to estimate SC1 revenues as the product of: (1) SC1 sales; and (2) the sum of the SC1 volumetric rates for energy, capacity, and delivery.

There is no merit to the JU proposal. The Staff analysis appropriately measures revenue impact relative to all residential revenues, since it is reasonable to assume that residential customers other than SC1 customers (e.g., NYSEG's Day-Night customers) would subscribe to CDG

²¹ See *Comments of the Solar Parties in Response to Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 12

²² See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 27

²³ See *Order Adopting a Clean Energy Standard*, August 1, 2016 (Case 15-E-0302)

²⁴ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 14

generation. In contrast, the JU proposal would measure the impact relative to SC1 supply revenues as if SC1 customers would be the only residential subscribers to CDG generation.

Moreover, the JU approach underestimates SC1 revenues because it does not count revenues collected through components of the retail rate other than energy, capacity, and delivery, such as revenues collected through customer charges or the Merchant Function charge.²⁵

b. The JU Filing Overstates Estimated Revenue Impact from Mass-Market PV Exports

The revenue and tranche-size impacts from the JU adjustments shown in Tables 1, 2, and 4 are overstated because the JU analysis double-counts the impact of their adjustments on mass-market PV exports.²⁶ Specifically, the JU adjustment to mass-market exports assumes that 200% of mass-market PV generation is exported, rather than the 100% they assert should be counted or the 50% as assumed in the Staff analysis.²⁷

Further, the Solar Parties wish to reiterate our support for the Staff position that it is only appropriate to count an estimate of mass-market exports towards any revenue impact analysis. As with energy efficiency or conservation, customers should have the right to reduce their electric demand behind their meter and the electric utilities need only supply their demand through the meter. Therefore, the Staff's proposal supports the appropriate policy outcome, and the JU proposal does not.

c. The JU Filing Ignores Other Potential Adjustments to the Value of D

As Staff discussed in its report, the Value of DER process has not yet produced a valuation methodology that captures the full distribution value of DER generation.²⁸ While JU proposed one adjustment to Staff's estimate that reduces the value of D, there are a number of other potential adjustments – such as valuing DER generation over more than just the 10 peak hours or reflecting the additional value on locally constrained networks – that would increase the value of

²⁵ Id.

²⁶ Id. at 15-17

²⁷ Id.

²⁸ See *Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*, October 27, 2016 (Case 15-E-0751) at 38

D.²⁹ It would not be appropriate to adopt the JU proposed adjustment without also considering these other adjustments.

4. The JU Filing Puts Forth Unfounded Claims Regarding CDG Profit Margins

The JU analysis of CDG profit margins is based on unfounded assumptions and flawed modeling and should be dismissed.³⁰ Further, the utilities' focus on the solar industry's profits is inappropriate and irrelevant, as CDG companies are not regulated by the Commission in this manner and the profits that the industry may or may not receive are affected by numerous considerations that are outside the scope of this proceeding.³¹ However, because JU base their filing in large part on assertions regarding CDG developer profits, the Solar Parties will respond accordingly.

The Solar Parties support the analysis by the Coalition for Community Solar Access (CCSA) of the numerous problems with the JU model. Some of the most critical flaws in the JU modeling are the use of an unrealistic 2% discount rate, overstatement of interconnection costs that JU should know are inaccurate by a factor of 10, overstatement of the MW Block incentive by a factor of 2, the omission of the federal investment tax credit, and the failure to reflect the fact that developers must price subscriptions at a discount to the bill credit value to attract and retain customers. When more realistic values are substituted in the model, the JU model actually predicts a gross profit margin for CDG projects that ranges between negative and slightly positive, which is in line with input provided by solar industry participants throughout the collaborative process. It should be noted that the JU filing cherry-picked the best case example in the state, as the JU analysis is for CDG projects in O&R territory, which has some of the highest residential retail rates and more available land than other high-cost areas like New York City. This example, even after the JU claims are corrected, is not representative of the remainder of the state, where development is even more challenging and gross profit margins much slimmer.

²⁹ Even if the 10 peak hours was changed, our original comments on the variability and unpredictable nature of this value going forward are still of greatest importance to us. Without resolving these larger concerns, the value of D as proposed would be of little value in terms of financing projects.; See JU Work Papers for adjustment to D

³⁰ See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 23

³¹ For example, profits are driven and affected by the level of competition in the market, financial and organizational structures underlying the market, the risk tolerances of investors and financiers, fluctuations in the costs of global commodities, and a range of other factors that are beyond the scope of this proceeding.

Therefore, the JU discussion of CDG profits should be dismissed as erroneous and outside the scope of this proceeding.

5. The JU Filing Paints an Incomplete Picture of the Impact of Policies to Date in New York

a. The Interconnection Queue Data Has Been Widely Acknowledged to be Exaggerated and Unreliable Throughout the Collaborative Process

Raw data from the interconnection queue for CDG projects has been widely acknowledge to be inaccurate and unreliable information that cannot be reasonably relied upon to make policy determinations in this proceeding. This issue has been discussed and briefed at length in this proceeding. We refer the Commission to the CCSA reply comments, the filings of CCSA throughout this proceeding, as well as collaborative transcripts in which this issue was discussed.

a. JU Fail to Recognize the Multitude of Benefits Delivered by New York's Solar Policies

The JU discussion of New York solar policies focuses mostly on cost and gives short shrift to the benefits created by these policies.³² This discussion overlooks one of the central objectives of this proceeding, and REV more broadly – to enable DER deployment and thus bring the benefits of DER to New York State.³³

The JU ignore the grid benefits of DER, including net metered systems, to all ratepayers, even though REV is based on encouraging DERs to capture and amplify these benefits.³⁴ Further, the JU fail to acknowledge the success of programs such as NY-Sun, which have helped to drive down costs and create tangible benefits across the State. For example, the 2016 Clean Jobs New York report estimates that the solar industry in New York employs close to 10,600 workers.³⁵ Due to smart solar policy, New York has now deployed 802 MW of solar and ranks seventh

³² See *Comments of the Joint Utilities on the Staff Report and recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 2-3

³³ See *Order Establishing a Community Distributed Generation Program and Making Other Findings*, July 17, 2015 (Case 15-E-0082); See *Order Adopting Regulatory Policy Framework and Implementation Plan*, February 26, 2015 (Case 14-M-0101) See *Order Adopting a Ratemaking and Utility Revenue Model Policy Framework*, May 19, 2016 (Case 14-M-0101); See *Order Adopting a Clean Energy Standard*, August 1, 2016 (Case 15-E-0302)

³⁴ See <http://www.seia.org/policy/distributed-solar/solar-cost-benefit-studies>

³⁵ Environmental Entrepreneurs (E2), New York State Sustainable Business Council, Alliance for Clean Energy New York, and New Yorkers for Clean Power, *Clean Jobs New York*, May 2016. See: http://www.e2.org/wp-content/uploads/2016/05/FINAL_CleanJobsNY.pdf. at 12

nationally in terms of installed capacity.³⁶ The associated economic benefits, jobs and tax revenue that have resulted from New York's policies adopted thus far are significant and will only increase if stable policy is implemented to help facilitate efficient and robust DER market growth (which is the vision of the State). Finally, the JU ignore the environmental benefits of solar development, which will ultimately help the State achieve its clean energy and greenhouse gas reduction goals, which benefit all ratepayers.³⁷

Finally, solar costs are falling and will continue to fall with implementation of a stable policy environment. Additional cost reductions can be achieved as the CDG market sector reaches economies of scale, so long as the industry is bolstered by a predictable, long-term regulatory environment that enables steady investment and gives the industry the ability to ramp up. We know this to be the case because we have seen it time and again in other market segments, and CDG markets are just beginning to ramp up in a manner similar to more mature markets.³⁸ This can be achieved by implementing a stable Phase One Tariff, and through complementary efforts to reduce soft costs by removing regulatory and market barriers in parallel with the work in this proceeding.³⁹

Taken as a whole, the JU filing disregards a thoughtful and well developed proposal by Staff that captures the perspectives of various stakeholders including the JU, and that if improved, can provide a strong framework by which the Commission may advance the policy objectives of New York State. Therefore, the JU filing should be given very little weight, and the improvements recommended by the Solar Parties in our initial filing should be adopted.

B. The Solar Parties' Response to the Filing by Borrego Solar

1. The Solar Parties Support Borrego Solar's Recommendation for a Proxy Locational Value

The Solar Parties support Borrego Solar's (Borrego's) recommendation to implement a proxy locational value based on Central Hudson's DSIP study and the framework the Commission

³⁶ Solar Energy Industries Association, *Solar Spotlight: New York Fact Sheet*. September 9, 2016. http://www.seia.org/sites/default/files/NY%20State%20Fact%20Sheet_9.9.2016.pdf

³⁷ See <http://www.seia.org/policy/distributed-solar/solar-cost-benefit-studies>

³⁸ <https://energy.gov/eere/sunshot/sunshot-initiative>

³⁹ These barriers include interconnection costs, permitting costs, property taxes, customer acquisition costs, customer maintenance costs, and financing costs.

already established in the CDG Order.⁴⁰ We agree with Borrego's concerns that leaving determination of the locational value to implementation could result in a sub-optimal outcome due to the complexity and potentially contentious nature of this issue. Therefore, we support the approach put forth by Borrego to establish a proxy value for the interim tariff and to continue working toward a more granular locational value in Phase Two.

2. The Solar Parties Support Borrego's Recommendation to Leave Determination of De-Averaged MCOS Studies to Phase Two Implementation

The Solar Parties support Borrego's comments to leave determination of de-averaged MCOS studies to Phase Two implementation. The Solar Parties support Borrego's proposal to use existing MCOS studies and a proxy LSRV value in Phase One, and allow for an appropriately robust rulemaking process that allows stakeholder engagement to determine the de-averaging approach and valuation.⁴¹

3. The Solar Parties Support Borrego's Recommendation to Use the SC1 Rate for Capacity

The Solar Parties support Borrego's recommendation to use the SC1 rate for capacity.⁴² The Solar Parties share Borrego's concern that any other approach may result in significant market uncertainty that could delay implementation of the Phase One Tariff.

4. The Commission Should Address the Discrepancy Between Old and New-SIR Projects

We share Borrego's concern that without modification, Staff's current proposal would inadvertently create a higher bar for older projects (projects subject to the old SIR) to achieve grandfathering status than it would for more recent new-SIR projects.⁴³ We support the approach put forth by Borrego. Namely, to address the fact that old-SIR projects currently face a higher bar to entry into Tranche Zero, the Commission should specify that old-SIR projects that make their 25% interconnection payment within 30 days of the Commission's adoption of a rule allowing these projects to opt into the new SIR will be guaranteed access to Tranche Zero.

⁴⁰ See *Borrego Solar Comments on the Department of Public Service's Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding*, December 5, 2016 (Case 15-E-0751) at 15-16

⁴¹ Id. at 14

⁴² Id. at 7

⁴³ Id. at 3

C. Interconnection Issues

1. It is Imperative That the Commission Approve Queue Management and Interim Cost Sharing by January So Projects Can Move Forward on the Phase One Tariff

The Solar Parties urge the Commission to approve the widely agreed upon queue management and interim cost sharing proposals alongside the VDER tariff in January.⁴⁴ This is imperative to ensure that projects can move forward on the Phase One Tariff immediately. Additionally, the Solar Parties recommend further consideration of the cost-sharing approach put forth by SolarCity.⁴⁵ While the Solar Parties do not believe there is sufficient time to approve the SolarCity proposal for cost-sharing in the near term, it should be taken up for consideration in 2017.

IV. CONCLUSION

The Solar Parties appreciate the tireless effort of the Commission, Staff, and the stakeholders over the last year in this proceeding. The Solar Parties recognize that the issues addressed in this proceeding are challenging, cutting edge, and often conflicting. The Solar Parties urge the Commission to make the changes raised in our initial comments regarding the Staff proposal, as these changes are necessary to ensure the market moves forward, and to give little weight the comments put forward by JU. The Solar Parties hope the parties can resume a more constructive approach going forward.

/s/ Richard Umoff
Regulatory Counsel and Director, State Affairs
Solar Energy Industries Association
Ph: 202-556-2877
Email: rumoff@seia.org

/s/ Sean Garren
Northeast Regional Director
Vote Solar
Ph: 301-541-8675
Email: sean@votesolar.org

⁴⁴ See multiparty settlement on queue management and cost sharing for interconnection (Case 15-01954).

⁴⁵ See *Comments of SolarCity Corporation on the Petition of the Interconnection Policy Working Group*, December 5, 2016 (Case 15-01954)