Case 15-E-0751 Questions for Comment on Calculating Locational System Relief Value (LSRV) and Demand Reduction Value (DRV) to Inform Pricing

October 25, 2024

The Commission has tasked Department of Public Service Staff (DPS Staff) with evaluating how to best use the updated Marginal Cost of Service (MCOS) estimates, that will be filed in accordance with the order issued on August 15, 2024, to develop LSRV and DRV.

The scope of this phase of the proceeding should be to develop the most accurate estimation of LSRV and DRV values.

Below are questions that DPS Staff would like parties to comment on. Some of the questions relate to the presentations and discussions by parties during the technical conference held on October 1, 2024.

1. What are the appropriate design criteria for LSRV and DRV values (e.g., stable, long run, etc.)?
2. Should LSRV and/or DRV values be algebraically derivable from the MCOS studies that will be filed in June 2025? Otherwise, should LSRV and/or DRV be guided by those MCOS studies?
3. It has been mentioned that the traditional MCOS study does not average in any areas with no projects (i.e., areas with zero costs); please reconcile this statement with the indication in Con Edison's 2012 MCOS study which assigns zero weight to such areas. [1] Should the 2012 report be read to indicate that the avoidable costs of zero in areas with excess capacity will not be averaged into the results of the study, or that the avoidable costs of zero in areas with excess capacity will be included in the resulting weighted average result?
4. If a traditional solution is only deferred for a few years, and not deferred for a 10-year planning period or more, should a different price signal be provided?
5. How should the level of the price signal and the years of deferral be optimized?
6. How should the possibility of load transfers, as opposed to a deferral of a specific larger capital project, factor into the level of LSRV compensation?
7. How do deferral values and/or avoided costs differ in cases where project costs are not as lumpy as others?
8. At the technical conference on October 1, 2024, the Joint Utilities (JU) stated that once a Non-Wires Alternative (NWA) portfolio is established or construction starts on a new utility capital project, deferral is no longer an option. Please comment.
9. Are there situations in which the cost of the traditional utility capital upgrade, or the cost of the NWA, decreases as Distributed Energy Resources (DERs) are deployed?
10. Given that NWAs are provided a long run price signal consistent with their longer-term contractual arrangements, and also given that NWA projects have performance clauses in their contracts, should NWA projects be given a higher compensation level than LSRV compensated projects that do not have similar time and performance commitments?
11. Please discuss how NWA and LSRV projects are incorporated into the utilities' capital plans.

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[1] For example, the NERA Final Report for Con Edison's August 23, 2012 marginal cost of electric distribution study states "In computing a System-Weighted Secondary Cable and Transformer Marginal Cost, the costs corresponding to secondary cable and transformers in non-network areas and in spot or isolated networks are assigned a zero weight, as none of these costs are avoidable. The resulting weighted value represents the cost that could be avoided by an energy efficiency program applicable to any customer in the system. "

12. If the Weighted Average Cost of Capital (WACC) decreases relative to the forecast of inflation, the deferral value of a capital investment project will go down, all else equal. This is a Staff concern given supply chain shortage related impacts on input prices. Does using the most recent authorized WACC, as established in rate proceedings for discounting, reasonably reflect the uncertainty associated with fluctuations in inflation forecasts?
13. Should differences in how the DER market can react to price signals as opposed to the circumstances of a particular load pocket be taken into account when setting LSRV and DRV values? Discuss the trade-off between precision in determining deferral value and providing a price signal that the DER market can respond to.
14. Discuss the importance of achieving consistency in how each utility uses their load forecasts for capital planning versus consistency in the methodologies used by each utility in developing their load forecasts.
15. As the Dynamic Load Management program is an alternative to NWA and LSRV, should its 3- to 5-year time-frame also be included in this conversation?