

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on December 19, 2024

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
James S. Alesi
John B. Maggiore
Uchenna S. Bright
Denise M. Sheehan
Radina R. Valova

CASE 19-M-0463 - In the Matter of Consolidated Billing for
Distributed Energy Resources.

ORDER APPROVING NET CREDITING FOR VOLUMETRIC COMMUNITY
DISTRIBUTED GENERATION PROJECTS

(Issued and Effective December 20, 2024)

BY THE COMMISSION:

INTRODUCTION

On October 20, 2023, the Joint Utilities filed a petition for approval of a volumetric community distributed generation (CDG) Net Crediting program (Petition).¹ The Joint Utilities also provided draft tariff leaves for review, an updated Net Crediting Agreement, Net Crediting manuals, and sample Volumetric Net Crediting bills. The Net Crediting program, as previously authorized by the Public Service Commission (Commission), eliminated the dual billing scenario

¹ The Joint Utilities are Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E).

for the satellite customers participating in the monetarily compensated CDG projects, and implemented a consolidated billing process which allows the utility to add a monthly subscription charge to the utility bill of CDG satellites, net of credits earned by the satellite, and remit payment received for those charges to the CDG project Sponsor.² In the Net Crediting Order, the Commission required that Net Crediting be implemented for all CDG and Remote Crediting projects. The Petition under consideration here is in response to that Commission Order and addresses a subset of CDG projects, those compensated on a volumetric basis. In this Order, the Commission authorizes Net Crediting for volumetrically compensated CDG projects and modifies the Joint Utilities' proposed implementation timelines.

BACKGROUND

On July 17, 2015, the Commission adopted a CDG program, which included volumetric compensation for CDG projects.³ CDG satellites pay a subscription fee to participate in a CDG project and in return receive credits on their utility bills for a share of the CDG projects generation that the CDG project injects into the electric distribution grid. At the onset of the program, the CDG projects compensated subscribers through a traditional net energy metering (NEM) methodology via the allocation of kilowatt-hour (kWh) credits, generally referred to as volumetric crediting. The volumetric kWh credits are then converted to monetary credits based on the rates and

² Case 19-M-0463 et al., Order Regarding Consolidated Billing for Community Distributed Generation (issued December 12, 2019) (Net Crediting Order).

³ Case 15-E-0082 et al., Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015) (2015 CDG Order).

charges associated with the subscriber's utility bill and appear as a dollar credit.

On March 9, 2017, the Commission adopted the VDER Phase One Order transitioning away from traditional NEM to the newly created Value of Distributed Energy Resource (VDER) Value Stack.⁴ The VDER Phase One Order stated that projects interconnected to utility distribution systems prior to the date of the order would retain NEM compensation.

On December 12, 2019, the Commission adopted the Net Crediting Order, which authorized consolidated billing for CDG projects compensated under VDER Value Stack. Under the Net Crediting model, the CDG Sponsor would enroll a project in Net Crediting and would designate a CDG savings rate for that project, which represents the percentage of the project's monthly value that will be provided to subscribed members, net their subscription charge. Because the CDG Savings Rate will always be greater than zero, the members are guaranteed to save money on their bills each month. Net Crediting is considered a simpler billing methodology to administer for CDG Hosts and satellites.

THE PETITION

The Petition seeks authorization of a Volumetric CDG Net Crediting program. The Petition states there are currently 92 volumetric CDG projects that serve over 26,000 satellites and have a capacity of 146 megawatts. The Joint Utilities argue that Net Crediting would improve the customer experience by eliminating the dual-billed process for Volumetric CDG projects.

⁴ Case 15-E-0751 et al., VDER, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (VDER Phase One Order).

To effectuate this change in the Joint Utilities' tariffs, the Petition notes that each utility used the existing Net Crediting tariff language and removed distinguishing language specific to the VDER Value Stack compensation methodology or references to Value Stack rules within the Net Crediting tariff leaves, as appropriate. The Petition includes draft tariff leaves for the implementation of a CDG Volumetric Net Crediting program for each of the Joint Utilities.

The Joint Utilities also propose new tariff language that will allow volumetric CDG projects to retain their existing CDG Host bank upon conversion to Volumetric Net Crediting where such bank will become the starting balance of the new Volumetric Net Crediting project's Host bank. Further, the Joint Utilities clarify that absent their proposal, the existing CDG Host banks would be forfeited per existing tariff rules regarding movement between the different CDG compensation methodologies.

The Joint Utilities propose that, moving forward, any changes to the broader Net Crediting program would also apply to Volumetric Net Crediting to maintain consistency of the programs on a statewide basis. The Petition also includes a proposal to address the current increase in transfer of CDG project ownership by CDG Hosts. As a result, within the amended draft tariffs accompanying the Petition, the Joint Utilities propose leaves containing a provision excluding CDG Host bank forfeiture for these types of transactions. As proposed, the CDG Host's banked credits will not be forfeited, and the utilities will transfer CDG Host banked credits to the assignee's account. The Joint Utilities also included updates to their respective Net Crediting implementation manuals.

The Petition requests a waiver of PSL §66(12)(b) and 16 NYCRR §720-8.1 requirements concerning newspaper publication of the proposed tariff changes. Central Hudson, Con Edison,

National Grid, and O&R propose offering Volumetric Net Crediting 12 months after the issuance of a Commission order on the Petition. NYSEG and RG&E propose implementation on or after April 1, 2026. The Joint Utilities argue that there are numerous other regulatory proceedings happening in parallel that will require billing system enhancements prior to the utilities' ability to implement Volumetric Net Crediting. Further, the Joint Utilities explain that volumetric CDG is fully automated by all utilities and that manual implementation of a Volumetric Net Crediting program is not feasible without sufficient time to upgrade their billing systems.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on November 29, 2023 [SAPA No. 19-M-0463SP4]. The time for submission of comments pursuant to that notice expired on January 29, 2024. Comments were jointly filed by the New York Solar Energy Industries Association (NYSEIA) and the Coalition for Community Solar Access (CCSA), with reply comments submitted by the Joint Utilities. The comments received are addressed below.

COMMENTS

NYSEIA and CCSA

NYSEIA and CCSA generally support the Joint Utilities proposed method of updating the tariffs. NYSEIA and CCSA also agree with the proposal to allow Volumetric CDG and Remote Net Metering projects to retain their existing CDG Host bank upon conversion to Volumetric Net Crediting. NYSEIA and CCSA add that CDG Hosts should not be disincentivized from converting their projects to Net Crediting because they would lose the

value of banked credits and therefore strongly urge the Commission to prevent CDG Host bank forfeiture under this circumstance.

NYSEIA and CCSA support the Joint Utilities' recommendation that future Net Crediting program changes that apply to Value Stack projects and customers should also apply to volumetric CDG projects. They also support the proposal to prevent the forfeiture of credits in the CDG/Remote Crediting Host Banks in the event that a project is transferred from one owner to another. NYSEIA and CCSA note that the Joint Utilities recognize that transfers or assignments of ownership are increasing in frequency, and this is an important tariff adjustment to support New York's maturing CDG market.

NYSEIA and CCSA support establishing a Volumetric Net Crediting Manual and recommend that the utilities coordinate with one another to standardize the manuals wherever possible. NYSEIA and CCSA argue that standardizing tariffs and manuals will streamline participation for CDG Sponsors, ease reporting for utilities, and support the Department of Public Service's evaluation of utility program performance.

As stated above, NYSEIA and CCSA agree with the Joint Utilities that volumetric CDG projects should have access to Net Crediting, but add that proposed implementation timeline is too long and recommend a six-month implementation timeline instead. Furthermore, NYSEIA and CCSA encourage the Commission to consider directing the utilities to amend their tariffs to eliminate unnecessary banked credits on subscriber accounts. Banked credits on subscriber accounts equate to deferred CDG subscription revenue for CDG Hosts and deferred administrative fee revenue for the utilities. NYSEIA and CCSA state that banked credits can cause customer confusion as it is

counterintuitive for customers when they carryover CDG credits while still owing a balance on their current electric bill.

NYSEIA and CCSA note that typical savings rates for CDG subscriptions make it unlikely for the monetary value of a subscriber's net credits to exceed their utility bill amount. Based on this, NYSEIA and CCSA suggest: (1) removing volumetric caps on allocations to CDG satellites, including Net Member Credit calculations; and (2) adding monetary caps on allocations to CDG satellites such that in the event that the monetary value of CDG credits allocated to CDG satellite exceed their account balance, the surplus shall be added to CDG satellite bank.

Lastly, NYSEIA and CCSA recommend enabling Net Crediting for Remote Net Metering and Remote Crediting projects at the same time the utilities update their software for Volumetric Net Crediting.

Joint Utilities' Reply Comments

The Joint Utilities filed reply comments in response to NYSEIA and CCSA's comments. The Joint Utilities note that the Petition indicates that Central Hudson, Con Edison, National Grid, and O&R propose a 12-month implementation timeline while NYSEG and RGE propose a minimum of 15-month implementation timeline for Volumetric Net Crediting. The Joint Utilities' implementation timelines are based on the substantial billing system changes and testing required for Volumetric Net Crediting. The Joint Utilities reiterate that that there are multiple regulatory proceedings underway that will require billing enhancements. Further, the Joint Utilities argue that Volumetric CDG is fully automated by all utilities, and manual implementation of Volumetric Net Crediting program would be problematic as it would introduce billing delays to customers currently experiencing timely billing and increase the potential for billing errors for both CDG Hosts and their subscribers.

The Joint Utilities add that CCSA and NYSEIA's position is unworkable and does not consider the complexity of the work and the enhancements underway or forthcoming. The Joint Utilities disagree with CCSA and NYSEIA's assertion that some of the utilities are still in the process of automating the CDG Value Stack billing and they did not include consideration of programming for Volumetric Net Crediting in the current upgrades. The Joint Utilities state that timely and accurate billing should be a priority over implementation deadlines. Due to the significant financial penalties that the Department of Public Service recommended for billing errors, the Joint Utilities argue that it is imperative that the utilities have sufficient time to design, test, and implement system improvements for Volumetric Net Crediting.

The Joint Utilities disagree with CCSA and NYSEIA's suggested tariff modifications to replace existing volumetric caps on CDG subscriptions with monetary caps. The Joint Utilities note that the 2015 CDG Order required that a CDG member must take a certain percentage of the generation's output to prevent overallocation to subscribers. The Joint Utilities assert that CCSA and NYSEIA's proposal is inconsistent with existing CDG rules and could lead to different compensation levels amongst Net-Crediting, non-Net Crediting, and on-site projects. Moreover, the Joint Utilities assert that the overallocation proposal by CCSA and NYSEIA cannot be sustained over the course of a year without reaching the annual allocation limit. The Joint Utilities explain that the current Net Crediting methodology prevents the CDG Hosts from extracting a financial gain by over allocating credits to a subscriber. The Joint Utilities argue that the minimum and maximum volumetric cap are crucial to overall control of CDG program to limit overallocation and restrict possible financial advantage to CDG

Hosts. Changing to a monetary cap method would cause disparity between volumetric compensation and monetary compensation. Moreover, the Joint Utilities state the monetary value of a credit can only be determined at the time of credit is used to offset consumption so it would be impractical to establish a monetary cap for subscribers given this variability of rates. The Joint Utilities note that the Commission rejected a similar proposal by Blue Wave in 2020 because it could result in subscribers being assigned credits based on generation amounts that are consistently much high than the subscribers' consumptions. The Joint Utilities opine that the Commission should reject the proposed change by CCSA and NYSEIA as it could result in an unfair advantage for the projects enrolled in Net Crediting over traditional CDG projects.

The Joint Utilities oppose Net Crediting for Remote Net Metering and Remote Crediting as recommended by CCSA and NYSEIA and argue that Remote Net Metering program is closed and no longer enrolling customers. Moreover, Remote Net Metering customers can switch to CDG Net Crediting based on utility tariffs and Remote Net Metering customers realize 100 percent of the financial benefits of Remote Net Metering projects since the project must be under the same customer's name. The Joint Utilities note that there are plenty of offsite crediting programs established in the utilities' tariffs and there is no need for an additional mechanism to place credits on customers' bills. Finally, the Joint Utilities state the utilities are committed to effective billing and crediting of existing offsite crediting mechanisms.

LEGAL AUTHORITY

The Commission's authority derives from the New York State Public Service Law (PSL), through which numerous

legislative powers are delegated to the Commission. Pursuant to PSL §5(1), the "jurisdiction, supervision, powers and duties" of the Commission extend to the "manufacture, conveying, transportation, sale or distribution of ... electricity." PSL §5(2) requires the Commission to "encourage all persons and corporations subject to its jurisdiction to formulate and carryout long-range programs, individually or cooperatively, for the performance of their public service responsibilities with economy, efficiency, and care for the public safety, the preservation of environmental values and the conservation of natural resources." PSL §66(2) provides that the Commission shall "examine or investigate the methods employed by [] persons, corporations and municipalities in manufacturing, distributing and supplying ... electricity ... and have power to order such reasonable improvements as well as promote the public interest, preserve the public health and protect those using such gas or electricity ..."

PSL §4(1) also expressly provides the Commission with "all powers necessary or proper to enable [the Commission] to carry out the purposes of [the PSL]" including, without limitation, a guarantee to the public of safe and adequate service at just and reasonable rates,⁵ environmental stewardship, and the conservation of resources.⁶ Further, PSL §65 provides the Commission with authority to ensure that "every electric corporation and every municipality shall furnish and provide

⁵ See, International R. Co. v Public Service Com., 264 AD 506, 510 (1942).

⁶ PSL §5(2); see also, Consolidated Edison Co. v Public Service Commission, 47 N.Y.2d 94 (1979) (overturned on other grounds) (describing the broad delegation of authority to the Commission and the Legislature's unqualified recognition of the importance of environmental stewardship and resource conservation in amending the PSL to include §5).

such service, instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable." The Commission also has authority to prescribe the "safe, efficient and adequate property, equipment and appliances thereafter to be used, maintained and operated for the security and accommodation of the public" whenever the Commission determines that the utility's existing equipment is "unsafe, inefficient or inadequate."⁷ In addition to the PSL, the New York State Energy Law §6-104(5)(b) requires that "[a]ny energy-related action or decision of a state agency, board, commission or authority shall be reasonably consistent with the forecasts and the policies and long-range energy planning objectives and strategies contained in the plan, including its most recent update." Accordingly, the Commission has authority to direct the treatment of Distributed Energy Resources (DERs) by electric corporations, as directed in this Order, to ensure the provision of safe and adequate service at just and reasonable rates consistent with the public interest.

DISCUSSION AND CONCLUSION

Implementation of Net Crediting for all CDG projects was ordered by the Commission in its Net Crediting Order. The first projects for which Net Crediting was implemented were those participating in the VDER Value Stack compensation method under the VDER tariff, designed to move away from traditional NEM to a more granular compensation mechanism. At the time of the Net Crediting Order, the VDER Value Stack was still being developed and the Commission was providing direction regarding VDER compensation methods, tariffs, and other associated matters. As a result, efforts to undertake Net Crediting for

⁷ PSL §66(5).

DER projects compensated through Net Metering or Remote Crediting were not emphasized. However, given that there are 92 CDG projects encompassing 26,000 satellite accounts that utilize volumetric crediting, they should be addressed at this time, and should be provided the simplicity that a Volumetric Net Crediting program would provide. Therefore, Volumetric Net Crediting for CDG projects compensated on a volumetric basis shall begin within a reasonable time frame, as discussed below.

Regarding implementation timing, at the time the Petition was filed in October 2023, the Joint Utilities explain that other regulatory proceedings were occurring including Electric Vehicle Phase-in-Rates, Standby and Buyback Rates, and the addition of a Customer Benefit Contribution charge for mass market customers. They also explain that Net Crediting would have to be programmed into the respective utility billing systems. Based on these factors, Central Hudson, Con Edison, National Grid, and O&R propose offering Volumetric Net Crediting programs 12 months from the date any Commission order is issued. NYSEG and RG&E explain that the construct of Volumetric CDG, which went live (ahead of Net Crediting) in 2019, requires substantial changes and testing to implement a Volumetric Net Crediting program; NYSEG and RG&E therefore request 15 months to fully implement a Volumetric Net Crediting program.

Since the submittal of the Petition, Central Hudson, Con Edison, National Grid, and O&R have completed substantial work regarding the proceedings listed above, while NYSEG and RG&E are still working through issues. However, the Commission finds that the Joint Utilities should have the necessary time and resources to implement Volumetric Net Crediting within 12 months of the effective date of this Order. All members of the Joint Utilities have already partially or fully implemented the automation of Net Crediting for VDER Value Stack compensated

projects and therefore gained knowledge and experience in their systems' capabilities. For example, through the implementation of net crediting for non-volumetric projects, the Joint Utilities gained experience regarding how to achieve a better satellite customer experience, as well as administrative simplicity for CDG Hosts. This should assist the Joint Utilities in hastening the effort to automate a Volumetric Net Crediting program in a reasonable timeframe.

While NYSEIA and CCSA argue that a Volumetric Net Crediting program should be implemented within six months of this Order, this timeline is unreasonably short given the work that needs to be done prior to implementation. As the Joint Utilities indicate, this change requires billing system changes, and implementing a Volumetric Net Crediting program before automated systems are in place would result in a manual process in the short term that would be more prone to billing errors. This could result in billing issues for the approximately 26,000 satellite accounts impacted by this change, which could be avoided with a longer implementation timeline. Therefore, the Commission declines to adopt the implementation schedule proposed by NYSEIA and CCSA. Instead, all members of the Joint Utilities are directed to fully automate and implement a Volumetric Net Crediting program within 12 months of the effective date of this Order. This time frame takes into consideration the Joint Utilities' ongoing participation in the development of CDG Billing and Crediting Performance Metrics and Negative Revenue Adjustments.

The Commission next turns to the two additional recommendations made by NYSEIA and CCSA in their comments. NYSEIA and CCSA propose to reduce the banking of credits on subscriber accounts by replacing the existing volumetric caps on CDG subscription with monetary caps. The Joint Utilities point

out that, as the Commission directed in its 2015 CDG Order, CDG members are required to take a percentage of the output of the generation facility, with a minimum of 1,000 kWhs per year and a maximum of the customer's annual historical average usage. This was established to prevent over-allocations to subscribers. Implementing a monetary cap as proposed by NYSEIA and CCSA would create a situation where the caps on satellite allocations would not be tied to the customer's annual usage and may increase the likelihood of under- or-over-allocations. If the existing process is not followed, customers could be over-allocated for extended periods of time, resulting in those customers accumulating large banks that they would ultimately be unable to fully utilize. This would disadvantage those customers who are still paying their CDG subscription charges, but not receiving the full value of the credits on which those subscription charges were calculated. Moreover, by eliminating the volumetric caps could lead to different compensation levels between Net Crediting CDG, non-Net Crediting CDG, and on-site projects. The Commission therefore rejects this proposed change as it could result in an unfair advantage for the projects enrolled in Net Crediting over traditional CDG projects.

Regarding the expansion of Net Crediting to Remote Net Metering and Remote Crediting projects, the Commission finds that it would not be a reasonable use of utility resources to implement Net Crediting for legacy these programs. Remote Net Metering is a closed program and would not need an additional crediting mechanism such as Net Crediting because Remote Net Metering requires the host and satellite accounts to be under the same customer name, and that customer already realizes the financial and administrative benefits associated with Net Crediting. Additionally, Remote Net Metering and Remote Crediting projects are allowed a one-time option to switch to

CDG Net Crediting, allowing such project to take advantage of the Net Crediting compensation methodology. With the various offsite crediting programs available, the Commission finds that there is no need to expand Net crediting to Remote Net Metering and Remote Crediting projects. This proposal is thus rejected.

The Joint Utilities filed draft revisions to their Net Crediting Manuals to reflect Volumetric Net Crediting. By this Order, the Commission directs the Joint Utilities to file final Net Crediting Manuals with the changes described above. The Joint Utilities are further directed to make tariff filings to effectuate a Volumetric Net Crediting program. The tariff filings should be made on not less than 30 days' notice to become effective on January 1, 2026. Because the action taken in this Order has been the subject of extensive public review and comment, newspaper publication of the tariff amendments is unnecessary and is therefore waived.

The Commission orders:

1. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation shall implement a Volumetric Net Crediting program for volumetric community distributed generation projects and fully automate billing within 12 months of the effective date of this Order, as discussed in the body of this Order.

2. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation shall, by January 1,

2026, file updated Net Crediting Manuals to reflect Volumetric Net Crediting, as discussed in the body of this Order.

3. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation shall file tariff amendments implementing a Volumetric Net Crediting program on not less than 30 days' notice to become effective on January 1, 2026.

4. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1, concerning newspaper publication with respect to the tariff amendments directed in Ordering Clause No. 3, are waived, as discussed in the body of the Order.

5. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

6. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary