

January 20, 2015

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 14-E-0488 - In the Matter of the Continuation of Standby Rate Exemptions

Enclosed for filing with the Public Service Commission, please find the comments of selected participants of the Clean Energy Organizations Collaborative in the above-referenced proceeding.

Please contact me if you have any questions.

Respectfully submitted,



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**NEW YORK STATE
PUBLIC SERVICE COMMISSION**

In the Matter of the Continuation of Standby Rate Exemptions Case 14-E-0488

**ASSOCIATION FOR ENERGY AFFORDABILITY, CITIZENS FOR LOCAL POWER,
ENVIRONMENTAL DEFENSE FUND, HUDSON RIVER SLOOP CLEARWATER,
INTERSTATE RENEWABLE ENERGY COUNCIL, NATURAL RESOURCES
DEFENSE COUNCIL, NEW YORK SOLAR ENERGY INDUSTRIES ASSOCIATION,
PACE ENERGY AND CLIMATE CENTER, SABIN CENTER FOR CLIMATE
CHANGE LAW – COLUMBIA UNIVERSITY, SIERRA CLUB, AND VOTE SOLAR**

**IN SUPPORT OF THE CONTINUATION OF STANDY RATE EXEMPTIONS FOR
BENEFICIAL DISTRIBUTED GENERATION**

I. Introduction

The New York State Public Service Commission (“Commission”) solicited comments on extending the existing exemption from standby rates for certain distributed generation (“DG”) and small efficient combined heat and power (“CHP”) beyond the current expiration date of May 31, 2015. Selected participants of the Clean Energy Organizations Collaborative (“CEOC”) respectfully submit comments in support of continuing the exemption from standby rates as part of Case 14-E-0488.

The CEOC is a collaborative group of national and state-based environmental organizations, clean energy organizations, clean energy companies, renewable energy industry trade associations, consumer groups, energy efficiency providers, and academic centers. CEOC seeks to ensure environmental outcomes in REV that are consistent with New York’s overall pollution reduction goals; break down existing barriers to clean, distributed energy services; and provide input to the Commission on market, regulatory and technical issues.

Selected participants of the CEOC hold the view that the Commission must undertake a comprehensive overhaul of standby rates for all DG, employing an analysis that includes the full benefits and costs of distributed energy resources – not just the cost of standby service. REV Track Two will likely address the issue of DG benefits in establishing a new rate, but the need for such analysis must be stressed in this proceeding. In the absence of a complete standby rate overhaul, the Commission should extend the exemption option for designated DG entities to maintain support for state policy goals and prevent market uncertainty.

II. Benefits of Distributed Generation

Distributed generation and small efficient CHP offer many benefits, such as decreased need for large-scale generation, reduced line loss and grid stress, avoided transmission and distribution investment, and consumer price stability. In addition to economic and grid benefits, clean DG and CHP can help improve air quality, can reduce the emissions responsible for climate change, and can contribute to the increased system resiliency needs highlighted by major storm events in recent years.

Within the context of the Reforming the Energy Vision (“REV”) proceeding, other state policy initiatives, and the energy market on the whole, DG and CHP are essential elements of New York’s energy future. By extending the current exemption with respect to standby rates for clean DG and qualifying CHP, the Commission ensures the continuation of these benefits to all New Yorkers while also ensuring policy continuity to avoid market disruption.

III. Distributed Generation Advances Existing State Policy Goals

In the 2009 and 2011 standby rate exemption continuations, the Commission recognized that the exemption would help New York reach the “45 x 15” and “15 by 15” renewable energy and energy efficiency goals. In the extension order, the Commission also noted that re-evaluation of the exemption should take into account the success of those programs.¹ While much progress has been made toward achieving New York’s clean energy goals, New York is likely to fall short of reaching these targets by the end of this calendar year. Imposing a standby rate on small clean DG and CHP beginning in May of this year would further hinder progress toward reaching these objectives.

IV. Standby Rate Exemption Advances REV Goals

Standby rates can seriously impact the economic viability of on-site distributed generation. The exemption from standby rates was intended to help incent the deployment of clean DG and CHP.² Although clean DG offers many benefits, these resources may not be financially viable if standby rates cut into margins.

Jeopardizing clean on-site generation with standby rates is inconsistent with other policy objectives of the state, most notably objectives advanced in the REV proceeding. Underpinning much of REV proceeding is a desire to remove barriers to the deployment of DG and clean energy technologies. Together with other initiatives such as the Renewable Portfolio Standard (RPS), NY Sun, the CEF and revised net metering and interconnection standards, the

¹ New York State Public Service Commission, Case 14-E-0488 – In the Matter of the Continuation of Standby Rate Exemptions.

² Case 02-E-0551 – Rochester Gas & Electric Corporation, Order Establishing Electric Standby Rates; Case 02-E-0779, New York State electric & Gas Corporation, Order Establishing Electric Standby Rates; Case 02-E-0780 & 02-E-0781, Orange & Rockland Utilities, Inc., and Consolidated Edison Company of New York, Inc., Order Establishing Electric Standby Rates; Case 02-E-1108, Central Hudson Gas & Electric Corporation, Order Establishing Electric Standby Rates.

Commission is advancing a vision of a clean, efficient, distributed energy future in New York. Imposing standby rates conflicts with the overall policy trends because it would seriously hamper project development that clearly advance clean distributed energy resources.

V. The Commission Should Approve An Extension

Many stakeholders in the REV proceeding identified standby rates as a significant barrier to the development of DG.³ Further, the Department of Public Service Staff recommended that standby rates should be addressed within the context of REV Track Two. Regardless of the conclusion in REV regarding standby rates, a REV Track Two decision will not occur before the May 31, 2015 expiration of the exemption.

We urge the Commission to rapidly move to new rate designs that adequately capture the benefits – not just the costs - of clean DG and CHP. The need for standby tariffs might be eliminated entirely if the right rate designs can be fashioned that address at a granular level the net benefits of DG. In the interim, the Commission should thoroughly address standby rate policies as part of the REV Track Two Order in a manner that is consistent with the goals of the REV proceeding.

Nevertheless, the gap in coverage caused by the expiration of the exemption and the final REV order for Track Two will have a chilling effect on the market for clean DG and CHP in New York. Such a chilling effect would contradict the goals of REV and other policy initiatives, in addition to damaging the financial standing of the DG industry. The Commission should continue the exemption to avoid market uncertainty and work to develop an improved standby rate policy.

³ Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, “Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues,” August 22, 2014, p. 23 and p. 32.

Specifically, the Commission should continue the standby rate exemption at least through the development and implementation of new tariffs that adequately recognize the benefits of clean DG and CHP. The Commission should recognize within the extension decision the need for REV Track Two to fully examine the benefits of DG when establishing a next generation set of standby tariffs.

VI. Conclusion

Selected participants of the CEOC strongly support the extension for the exemption from stand-by rates for clean energy generation. The growing DG and CHP industries create widespread benefits to customers, the grid, and the environment, as well as helping to advance the policy goals of New York. We urge the Commission act quickly to revisit standby rates in the context of the REV Track Two order, and in the interim, to continue the standby rate exemption up to the time when rates are reflective of the overall beneficial value of DG and clean CHP.

Respectfully Submitted,

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