March 11, 2019

**VIA ELECTRONIC FILING**

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

Re:  Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources

Dear Secretary Burgess:

Advanced Energy Economy Institute (AEE Institute), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the Northeast Clean Energy Council (NECEC), and their joint and respective member companies, submit for filing a single set of Reply Comments on the following white papers filed by Staff: *Whitepaper Regarding Capacity Value Compensation*; *Whitepaper on Standby and Buyback Service Rate Design and Residential Voluntary Demand Rates*; and *Whitepaper Regarding Future Value Stack Compensation, Including for Avoided Distribution Costs*.  

Respectfully Submitted,

[Signature]

Ryan Katofsky  
Managing Director
Reply Comments on Staff Rate Design White Papers
(Case 15-E-0751)
Advanced Energy Economy Institute
Alliance for Clean Energy New York
Northeast Clean Energy Council

Preface

In order to reply to parties’ Initial Comments on the three white papers filed in this proceeding by Staff on December 12, 2018 (“Staff White Papers” or “Staff Proposals”), Advanced Energy Economy Institute (AEE Institute) is working with Advanced Energy Economy (AEE) and two of its state/regional partners, the Alliance for Clean Energy New York (ACE NY) and the Northeast Clean Energy Council (NECEC), and their joint and respective member companies to craft the comments below. These organizations and companies are referred to collectively in these comments as the “advanced energy companies,” “we,” or “our.”

Capacity White Paper

Many parties, such as the New York Battery and Energy Storage Technology Consortium (NY BEST), the Clean Energy Parties (CEP), and the Joint Utilities (JU), agreed that the Commission should retain the 2-7 p.m. period for ICAP compensation under Capacity Option 2. We also proposed retaining the 2-7 p.m. time frame in our Initial Comments. Given the diversity of parties agreeing to this change, we recommend that the Commission recognize this as a consensus position among most stakeholders. As these parties pointed out, the recent trend of peak hours moving later in the day is more likely to predict peak

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2 AEE is a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable. ACE NY’s mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NECEC is a regional non-profit organization representing clean energy companies and entrepreneurs throughout New England and the Northeast. Its mission is to accelerate the region’s clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies.
hours in the future. It also helps provide the business case for solar to be paired with storage and provide more capacity later in the day when it is needed most.

We also note that NY BEST had a similar position to ours, recommending that DG + storage installations have the option to use a four-hour window (3-7 p.m.) instead a five-hour window. This both better aligns the measurement window with typical storage system capabilities and targets storage output toward the hours that are likely to be the most beneficial to the system.

The advanced energy companies also agree with the CEP that compensation for avoided ICAP should include all avoidable costs, including the reserve margin and awarded excess capacity. As these costs are likely to be reduced by DER injections during these hours, we recommend that the Commission adopt the CEP’s proposal to “gross up” the ICAP Tag to include the additional capacity that is purchased for the reserve margin and awarded excess capacity.

Avoided Distribution Compensation White Paper

JU-Proposed Factor for De-Rating the DRV

The advanced energy companies oppose the JU proposal to de-rate the DRV by an assumed solar coincidence factor that attempts to cap DRV compensation by the amount of capacity a modeled solar system would provide during the top 10 peak demand hours on a utility distribution system. This is unworkable for several reasons. Modeled output for stand-alone solar facilities is inexact to begin with, and this will only increase as solar is combined with tracking systems and storage systems. Developing a similar factor for solar+storage would be impossible as the characteristics of the combined system vary greatly with the size and type of storage. Further, Capacity Option 2 is available for other non-dispatchable technologies whose DRV compensation should not be de-rated by a factor developed with modeled solar output. Designing such a factor for each eligible non-dispatchable technology would be unworkable.

LSRV

The JU and NY BEST agreed with the need to maintain locational price signals and supported maintaining the LSRV. Others, such as the CEP, stated that the LSRV could be eliminated, but expressed concern that Non-Wires Alternative (NWA) programs were not robust enough to fill the gap in providing locational pricing in the event that the LSRV is eliminated. NY BEST also expressed concern that NWAs were insufficient to provide these locational price signals and provided a number of recommendations to improve the NWA procurements. We share the concerns of NY BEST and the CEP that NWAs, as currently implemented, will not provide a sufficient alternative to the LSRV. We conceptually agree that NWAs
could provide a better alternative to the LSRV but recommend that the Commission revise the NWA programs to conform with NY BEST’s recommendations prior to eliminating the LSRV.\(^3\)

**CSRP**

NY BEST expounded on issues we raised in our Initial Comments regarding the use of CSRP compensation in lieu of the current top-10 load hour construct for the DRV. In particular, we are concerned about the CSRP’s inability to distinguish between baseload distributed generation and baseline consumption. Even for resources that are dispatched on peak, the CSRP resets baselines over time and will eventually internalize and assume the benefit of the exports provided by these resources. Additionally, the JU brought up issues with the inability of some technologies to participate in the CSRP. Conceptually, Staff’s idea to use the CSRP to compensate DER could work, however, the idea was proposed without a thorough review of all of the details that must be resolved. We recommend that the Staff thoroughly analyze the differences between the DRV and CSRP programs—such as technology eligibility, compensation parity, and the impact of baselines—and resolve any disparities prior to eliminating the 10-hour measurement period for DRV compensation for dispatchable resources.

**Standby and Buyback Rate White Paper**

**Voluntary Standby Rates for Mass Market Customers**

NY BEST concurs with our position that any customer, including mass-market customers, should be able to opt into standby rates. On the other hand, the CEP, the City of New York, and the Joint Utilities call for more study and pilot programs for mass-market rate designs before they are deployed. Additionally, the CEP rejected any use of mandatory demand charges for mass-market customers and recommended Time Of Use (TOU) rates instead. We concur that demand charges should never be made mandatory for mass-market customers; however, this was not Staff’s proposal. Rather Staff proposed the standby rate on a voluntary basis.

While we do agree that some rate design structures require careful study before they are made available to mass-market customers, we do not believe that such an exercise is necessary for this standby rate. Designing voluntary rates should not be a “one size fits all” exercise. There should be a spectrum of rates that allow customers to take on the risk, complexity, and potential benefit that they feel comfortable

\(^3\) See NYBEST comments in docket for NYS DPS Case 18-E-0130, September 10, 2018
with. New York currently has flat rates for mass-market customers that represent the simplest form of rate design that is standard across the country, and we continue to support this as the default option for mass-market customers. What Staff have proposed represents the other end of the spectrum—a complex rate with multiple elements that highly corresponds with cost causation. It was meant to provide maximum efficiency rather than a carefully tailored rate to fit the needs of most mass-market customers. This will likely not be the most widely subscribed optional rate, but has the potential to result in significant benefits—both to the participating customer and the broader system—from those customers who are able to respond to these highly efficient price signals. On the other hand, TOU rates are appropriate as an intermediate option that attempts to balance customer acceptability, response, and simplicity rather than provide the most efficient price signal possible. These TOU rates should therefore undergo substantial study and trial via pilot programs before they are widely deployed to ensure that they fulfill their goal of attracting significant customer participation.

**Allocated Embedded Cost of Service Study**

The JU objected to Staff’s recommended parameters for the Allocated Cost of Service studies on the basis that they were too rigid. We disagree and believe that the criteria could be improved further by the adoption of the test that we proposed in our Initial Comments. As evidenced by Con Edison’s inclusion of substation costs in contract demand charges, local costs for New York utilities include many costs that should be classified as shared. This inflates local costs, which penalizes beneficial power injections from storage and other resources. While these resources can reduce shared costs by providing capacity, if these shared costs are included in local costs, the injection will result in a higher contract demand charge rather than be valued as a benefit.

We also note that should the Commission make mass-market customers eligible for standby rates, it should require a separate allocation of costs for these mass-market customers. As the CEP notes, “individual customer demand from [mass market] customers rarely drive system costs, even on the distribution system.” We concur with this assessment, but we continue to support the proposal to make standby rates available to mass-market customers on an optional basis. Contract and as-used demand charges for opt-in mass-market standby rates should be based on a local vs. shared cost allocation specific to mass-market customers. It is likely that local costs will be a very small portion of the total costs, resulting in relatively smaller contract demand charges for mass-market customers.

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Finally, the advanced energy companies strongly concur with both the CEP and NY BEST that local costs used for setting contract demand charges should only include those that are incremental to any costs that are recovered from interconnection fees.

**Conclusion**

We commend Staff for being responsive to stakeholder concerns and for proposing modifications to the existing Value of DER tariff to mitigate some of the disruptions that are occurring in the market. We appreciate the Commission’s consideration of our Reply Comments and request that it adopt the recommendations contained herein.