



April 18, 2016

Comments on “In the Matter of the Value of Distributed Energy Resources - Notice Soliciting Comments and Proposals on an Interim Successor to Net Energy Metering and of a Preliminary Conference” (Case 15-E-0751)

The New York Solar Energy Industries Association (NYSEIA) respectfully submits the following comments and recommendations on “In the Matter of the Value of Distributed Energy Resources - Notice Soliciting Comments and Proposals on an Interim Successor to Net Energy Metering and of a Preliminary Conference” (Case #15-E-0751). We have structured our comments around supporting the proposal from SEIA and Vote Solar on this matter, highlighting the aspects of that proposal that we believe are key, and also identifying aspects of the current situation and of an interim successor tariff that we believe need additional attention or emphasis. As this is a critical time for the growth and success of solar in New York, NYSEIA appreciates the opportunity to share our views on this important matter, and we look forward to the next steps in this proceeding.

NYSEIA Supports Proposal Submitted by SEIA and Vote Solar

NYSEIA supports SEIA and Vote Solar’s proposal – “Proposal of the Solar Parties for the Development of an Interim Rider to Value and Compensate Distributed Energy Resources” (hereafter the “SEIA/VS Proposal”) - in this proceeding. This SEIA/VS Proposal is a reasonable approach to the start of the transition from simple but effective retail rate net-metering to a rate structure for solar and other distributed generation based the value those technologies bring to the grid and our society. The most important aspects of the SEIA/VS Proposal that NYSEIA strongly supports are that it:

- **Efficiently Leads to Final Successor Tariff:** The work to create the Interim Successor Tariff in the SEIA/VS Proposal clearly is intended to build towards the Final Successor Tariff, which is an efficient and productive use of resources.
- **Proposes a Clear Process for the Creation of the Interim Successor Tariff:** The SEIA/VS Proposal proposes a set of procedural next steps for the process of arriving at an Interim Successor Tariff. As will be expanded on below, NYSEIA strongly supports this approach with Framework and Quantitative Phases but does recommend that specific timelines be proposed for each step, that it be clarified what order the components will be approached and whether some of the components will be estimated in a simple manner to start for the Interim

Successor Tariff while a more robust methodology is created for the Final Successor Tariff, and which components those will be.

- **Uses One Utility Meter for the Implementation of the Interim Successor Tariff:** The Interim Successor Tariff in the SEIA/VS Proposal uses one utility meter, avoiding issues raised by two meter proposals such as utility involvement in on-site generated self-consumption and the valuation of other improvements like efficiency measures that appear the same as self-consumption of on-site generation. This approach also importantly enables current infrastructure to be used during this transition.
- **Proposes a Simple and Fair Compensation Mechanism:** For customers using the Interim Successor Tariff in the SEIA/VS Proposal, they would pay retail rate for their consumption and get the interim successor tariff rate for their sold back production. The later would logically take the form of monetary credits on bills, which can offset the retail rate charges for consumption or any other costs, and these credits can roll forward month to month.
- **Only Affects Some Market Segments to Start:** Under the Interim Successor Tariff in the SEIA/VS Proposal, only certain types of projects are affected immediately. Although the project types proposed to be affected immediately – remote net-metered (RNM) and community distributed generation (CDG) projects – are the largest and most rapidly growing sectors of the market and thus incredibly important - NYSEIA strongly supports this type of gradualism. By allowing some customers during this transition to keep net-metering, this shift becomes less disruptive for some market sectors, and allows time to ensure the new tariff structure is working as intended before it is applied to all market segments.
- **Recognizes the Important Value Components That Should be Incorporated Into the Tariff, The Need for Some to be Fixed, and The Need for the Variable Components to Not Increase Customer Perceptions of Risk:** The Interim Successor Tariff in the SEIA/VS Proposal appears to include a comprehensive list of relevant components and generally lines up with the PSC's January Order Establishing the Benefit Cost Analysis Framework. It also specifies which components would be fixed and which would be variable, which we find an essential aspect of the proposal. Customers on the Interim Successor Tariff would lock in the current fixed component values of the tariff for at least 25 years (and those fixed component values would be updated for new customers every 5 years), and the variable components would vary on a monthly or billing cycle average basis to start. While the variable components could bring complexity and increase customer perceptions of risk, the variable elements as proposed would be expected to follow the trends of the retail rates customers already evaluate, so this could be manageable.
- **Recognizes that the Variable Components of the Interim Successor Tariff Should be a Monthly or Billing Cycle Average to Start, and Not Hourly:** While we are very supportive of the longer term transition to more real-time hourly prices for the variable components in successor tariffs, we feel strongly that such a change would be too large of a jump for the Interim Successor Tariff in this proceeding. Such a dramatic shift would create both infrastructure and

data availability issues, exacerbate existing utility billing issues, create additional complexity in communicating the valuation proposition to customers, and contribute to Customer hesitation and uncertainty. Together these outcomes could have a substantive negative impact on the solar market even if the other aspects of the Interim Successor Tariff work as envisioned.

- **Provides Grandfathering for All Current Projects:** As is essential for continued market confidence, stability, and growth, all current projects would be grandfathered into the current net-metering policy when the transition to the Interim Successor Tariff is made. Thus the new tariff would only apply to projects going forward, and current projects and customer expectations would not be disrupted. Current projects would be defined as projects that are interconnected, have executed an interconnection contract, or have paid for their CESIR up to six months after the Commission issues its order. It is also important that CDG grandfathering be done per project, not by the customers in those projects. We strongly support the proposal that all current projects be grandfathered into retail rate net-metering at their current service classifications for the useful life of the project.

NYSEIA Recommends Additional Details Needed Regarding the SEIA/VS Proposal

While NYSEIA strongly supports the SEIA/VS Proposal, there are some aspects of the proposal that we feel need further attention and detailing. These aspects are detailed below:

- **The Order in Which the Interim Successor Tariff Components Will be Approached and Which Will Be Done in a Full vs. Simplified Manner to Start Should be Determined:** NYSEIA recommends that it be clarified in what order the components comprising the Interim Successor Tariff will be approached, and given the number of components proposed, that it be identified which will have a full valuation process vs those that may be estimated in a simple manner to start. Given the importance of this proposed transition and the importance of the next few years to the growth and sustainability of the solar market in New York, we feel it is very important for this proposal to be truly an interim step but yet be accurate, carefully executed, and data-driven, and identifying this scope would go a long way towards that end.
- **Some Components Should be Set State-Wide and Others Should be Utility Specific:** As the order and manner of approach for components of the Interim Successor tariff are decided, it should also be clarified which fixed components are going to be set on a state-wide basis vs utility specific. We would recommend that several of the fixed components such as carbon emissions, criteria air pollutants, water, and land, for example, be set at the state level based on our state mix of electricity. This would reduce the calculation burden on utilities and provide greater simplicity and stability to the market.
- **Timelines Should Be Adopted For Each Procedural Step:** As mentioned above, NYSEIA strongly supports the general procedural next steps in the SEIA/VS Proposal with Framework and Quantitative Phases but recommends

that specific timelines be proposed for each step. We recommend having a timeline for the Interim Successor Tariff component development and implementation that both meets the Public Service Commission's (PSC) needs but also avoids a pace that could result in bad methodology or data being adopted, avoids setting negative precedent for future processes, and ensures that financiers have enough time to become comfortable with its elements and thus not threaten the ability of solar developers to finance projects.

- **Transitioning Some Market Segments But Not All Immediately is Stabilizing to the Market, but the Rationale for Which Segments are Transitioned Should be More Complete:** On the topic of which project types are transitioned to the proposed Interim Successor Tariff, we feel that the rationale for why it would apply to RNM and CDG customers but not to on-site customers doesn't completely reflect the reality of how these systems utilize the distribution grid (the arguments put forward are that they are net-exporters, have more sophistication to discern value, and we want to encourage deployment in high value locations). We would suggest a more nuanced way to get at this would be for the Interim Successor Tariff to apply to RNM customers or CDG projects only if they and all of the other existing DG on the circuit (i.e. the total aggregate DG) are more than some fraction of the minimum load on a circuit to which they are interconnected, as this means they will make more than minimal use of the distribution grid. This fraction could be set at a level between 15% of the peak load (the absolute most conservative estimate of minimum load) and up to 100% of the daytime minimum load itself. These values are determined and used as part of the new Standard Interconnection Requirements (SIR) process and systems below these thresholds do not require a full study and are typically assumed to have nominal impact on the distribution grid. With such an approach RNM or CDG projects located in high load areas who are not expected to export power beyond the circuit to which they are interconnected will be treated more similarly to on-site systems.

NYSEIA Emphasizes Certain Aspects the Current Market That Are Essential for This Transition to Be Successful

There are also several key points about the New York solar market that we think are deserving of greater mention and clarification. These points are below:

- **Transition to the Interim Successor Tariff Should be Careful and Deliberate, and Not Rushed Because of Interconnection Queue Concerns:** There has been a lot of discussion about New York's interconnection queue recently with the exciting start and popularity of CDG net-metering and the continued effectiveness of RNM projects. Specifically there have been concerns about the large volume of interconnection applications in certain utility territories and the possible future impact of the net-metering of these projects on customer rates. From the most recent interconnection queue inventory through April 1, 2016, however, it appears that the size of the queue is large but not to the extent that has been mentioned, and more importantly that because of the lack of robust interconnection queue management procedures prior to the implementation of

the newly adopted interconnection rules on April 29, 2016¹, many of the projects in the queue are applications put in for data gathering or speculative purposes, and thus not real projects likely to be built. Thus the number of proposed projects in the interconnection queue should not be a prime driver of the speed at which New York moves from retail-rate net-metering to an interim successor tariff, and a robust interconnection queue management system should be put in place as soon as possible alongside the new Standard Interconnection Requirements (SIR) and NY Interconnection Technical Working Group meetings.

- **Transition to the Interim Successor Tariff Should be Done in a Way That It Does Not Significantly Disrupt the Solar Market, Especially Key Nascent Sectors of the Market Upstate:** While we understand the importance of this transition, it is essential that it happen in a way that it does not disrupt the growth and success of the state solar market, particularly those sectors that are newest, most fragile, and that have the largest potential for growth, such as upstate commercial and industrial (C/I) projects and upstate CDG projects. These projects already face the substantial unique challenge of competing with the lowest electric rates in the state, as well as the state wide challenges of property tax issues, zoning issues, utility billing issues, interconnection issues, customer risk aversion, and the comfort level of financiers with the newer types of projects or customer classes. Thus we would recommend caution during the implementation of this the transition so that it does not have unintended consequences that may disproportionately affect different parts of the State. Any changes that we make must attempt to limit disruption to these important and growing but still fragile and challenging markets. Projects needs to be able to make economic sense for customers, need to have stable and predictable enough value streams to be financed, and we need a regulatory environment where customers are confident in the future of the tariff structures and willing to purchase or enter into long-term agreements.
- **Entering Into the Interim Successor Tariff Development, No Assumption Should be Made About If Tariff Rate Will Be Above or Below Retail Rate:** As the process of valuing the components comprising the Interim Successor Tariff rate are detailed thorough a transparent process, it is important that there be no assumption built into the structure of the tariff that the resulting value will inherently be above or below the retail rate. Thus, any plan that builds a structure for the tariff that assume one or the other before this work is done and the calculations are completed under guidance from the PSC would be inappropriate and would create significant and potentially insurmountable barriers to a careful and data driven approach to determining the value of the Interim Successor Tariff.

¹ To date the lack of interconnection queue management procedures have included the following: 1) No way for developers to get information on circuits before submitting an application into the queue; 2) No effective timelines and process for mandatory removal of projects from the queue; 3) No requirement for site control to submit projects into queue, and 4) No formal process for projects to move around in the queue before project removal. The preapplication report in the new SIR should be a significant step forward in addressing the first issue and has taken a first step on the second issue, but a focus on queue management overhaul is needed in the near-term.

- **The Interim Successor Tariff Structure Should Not Create Undue Administrative or Financial Burden for Developers:** As is implied in the SEIA/VS Proposal, the interim successor tariff structure should maintain the financability and salability of projects to customers without undue financial or administrative burden to developers. Thus any structure that creates such an administrative, financial, or regulatory burden has the significant potential to favor only the very largest developers who would be able to shoulder such a burden and thus the creation of a system that would have the potential for such a distortion of the market should not be considered.

We appreciate the opportunity to submit these comments and look forward to continuing to work with DPS Staff, the Commission, the Utilities, NYSERDA and other stakeholders.

Respectfully submitted,

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