

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

In the Matter of the Value of ) Case 15-E-0751  
Distributed Energy Resources )

In the Matter of the Value of )  
Distributed Energy Resources ) Matter 17-01277  
Working Group Regarding )  
Rate Design )

**COALITION FOR SUSTAINABLE DISTRIBUTED CLEAN ENERGY  
COMMENTS ON RATE DESIGN SUCCESSOR TO NET ENERGY METERING  
FOR MASS MARKET CUSTOMERS**

On December 22, 2017, Department of Public Service Staff (“Staff”) issued its *VDER Value Stack and Rate Design Working Group Process and 2018 Schedule*<sup>1</sup> (“Staff Process Document”), which invites parties to submit proposals for rate designs that could serve as the basis for a mass-market Net Energy Metering (“NEM”) successor tariff. Central Hudson Gas and Electric Corporation, Consolidated Edison Company of New York, Inc., Enernoc, Inc., Environmental Defense Fund, the Institute for Policy Integrity at New York University School of Law,<sup>2</sup> New York Battery & Energy Storage Technology Consortium, New York Geothermal Energy Organization, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and Bob Wyman (collectively, the “Coalition”) offer the following comments to further the record in support of their shared perspectives on this matter.

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<sup>1</sup> Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources* (“VDER Proceeding”), VDER Value Stack and Rate Design Working Group Process and 2018 Schedule (filed December 12, 2017) (“Staff Process Document”). Deadlines were subsequently extended via a letter from Staff in the same proceeding dated April 6, 2018.

<sup>2</sup> No part of this document purports to present New York University School of Law’s views, if any.

## **I. The Coalition Supports the Sustainable Development of Clean Distributed Energy in New York**

Clean Distributed Energy Resources (“DER”), including without limitation non-emitting energy generation sources (*e.g.*, wind and solar), storage, and beneficial electrification (*e.g.*, heat pump technologies and electric vehicles (“EV”)), will play an important role in meeting New York’s ambitious clean energy and greenhouse gas emissions reduction targets. The Coalition supports the continued development of these resources in New York. As further discussed below, today’s rate structures for mass market customers, based primarily on volumetric charges, do not reflect cost causation and do not provide accurate price signals for either consumption of energy or efficient deployment and use of DER. Rate structures that better reflect cost causation and environmental costs or benefits, would improve those price signals. However, the Coalition also recognizes that these reforms may not alone suffice to bring clean DER online quickly enough to achieve the state’s clean energy vision; additional support may be needed to accelerate market adoption. Utility energy efficiency programs, the NY-Sun program offered by the New York State Energy Research and Development Authority (“NYSERDA”), the State’s Clean Energy Standard,<sup>3</sup> and even federal tax credits are examples of the types of approaches that have been used and could be expanded as appropriate to promote continued DER growth in line with the State’s clean energy goals.

## **II. Current Volumetric Rate Structures Create Challenges to Achieving the State’s Clean Energy Vision**

The current, mainly volumetric, pricing of electricity service treats all kWh the same within a utility’s service territory – with only limited variations in supply rates throughout the year. Many costs, however, vary significantly by time and location. In particular, many costs

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<sup>3</sup> Cases 15-E-0302 *et al.*- *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (issued August 1, 2016).

associated with building, maintaining, and operating the electricity grid are incurred based on peak usage – on an individual customer basis, a local system basis, and on a bulk power system basis. This disconnect between rates and costs creates misleading price signals that lead to inefficient customer usage decisions and deployment and use of DER without consideration of its impact on the system. Under this type of pricing, desirable beneficial electrification technologies that significantly increase a customer’s kWh consumption, but which may actually reduce that customer’s peak usage, or usage at system peak, would increase their delivery service bill even though they could be reducing underlying system costs. Conversely, customers adopting certain technologies that reduce overall kWh usage, but do not alter their peak usage, or usage at system peak, would see lower delivery service bills even though their overall impact on the system remains the same. This leads to an inequitable distribution of costs among utility customers.

The current NEM rate design highlights this challenge. The Public Service Commission (the “Commission”) recognized that NEM is not a sustainable method for compensating distributed generation. In the *Order on Net Energy Metering Transition, Phase One of the Value of Distributed Energy Resources, and Related Matters*,<sup>4</sup> the Commission wrote that:

NEM in particular [is an] inaccurate mechanism of the past that operates as a blunt instrument to obscure value and is incapable of taking into account locational, environmental, and temporal values of projects. By failing to accurately reflect the value provided by and to the DER they compensate, these mechanisms will neither encourage the high level of DER development necessary for developing a clean, distributed grid, nor incentivize the location, design, and operation of DER in a way that maximizes overall value to all utility customers.<sup>5</sup>

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<sup>4</sup> VDER Proceeding, 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”).

<sup>5</sup> VDER Proceeding, VDER Phase One Order, p. 3.

The Commission ultimately found that “the continuation of NEM is inconsistent with REV, Commission policy, and the public interest.”<sup>6</sup> The Coalition supports the transition to utility rate structures that more accurately reflect utility costs. This transition will help to resolve the issues inherent in NEM, which largely occur because of existing inefficiencies in rate designs and the pricing of electricity generation.

### **III. Future Rate Designs Should Better Align Rates with the Costs of Maintaining the Electricity Grid and Serving Customers; Demand-based Distribution Rates Achieve This Goal**

In order to resolve the challenges with current volumetric rate designs, future approaches should more closely align rates with the costs of building and maintaining the electricity grid and serving customers. This approach will send more accurate price signals to customers and DER developers to deploy and use DER in a way that maximizes overall value to all utility customers.

The Coalition parties support rate designs that incorporate the following elements:

- Fixed monthly customer charges that recover minimum costs that must be incurred to serve each customer;
- Demand-based delivery rates that recover demand-related local distribution system and downstream transmission costs. These could include a combination of peak and off-peak demand rates or a combination of coincident peak and non-coincident peak demand rates, among other options; and
- Time-based supply rates that reflect wholesale New York Independent System Operator (“NYISO”) market pricing to recover supply and bulk transmission costs.

The Coalition also recognizes the importance of appropriately addressing environmental values.

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<sup>6</sup> *Id.*, p. 23.

#### **IV. Future Rate Designs Must Work for Residential and Small-Commercial Customers**

The Coalition parties advocate for rates that work for residential and small-commercial customers and improve the alignment of rates with utility costs and New York State's clean energy goals. The Coalition parties urge that the rate design approach discussed above be implemented in a manner such that customers both understand and can better manage their energy use and energy costs while integrating new technologies. For example, new home technologies increasingly incorporate appliance control and delay features that are enabling customers to manage their usage in unprecedented ways.<sup>7</sup> The market for these technologies is rapidly maturing and new rate designs have the opportunity to influence both technology functionality and customer decisions by providing appropriate price signals.

#### **V. Conclusion**

The Coalition parties appreciate the opportunity to file these comments and urge Staff and the Commission to approve new rate designs that better align with the way electricity system costs are generated.

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<sup>7</sup> For example, solar arrays, smart thermostats, smart appliances, remote cell-phone-based air conditioning controls, and other advances are giving customers more control over their usage than ever before.

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<sup>8</sup> No part of this document purports to present New York University School of Law's views, if any.

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