

# Staff Standby/Buyback Whitepaper

## Draft Outline

2/7/2018

- Standby Rates
  1. Adopt National Grid proposal for an Allocated Embedded Cost of Service (AECOS) study as reasonable.<sup>1</sup> All utilities should further functionalize Embedded Cost of Service (ECOS) study inputs as Shared or Local, include such study with its traditional ECOS study results for future rate cases, and design Standby Rates and applicable Buyback rates based on those results. Each ECOS study input would be allocated to Customer-related costs or otherwise to some percentage blend from 100% shared / 0% local to 0% shared / 100% local, and other combinations in between.
  2. Require utilities to develop more granular As-Used Demand charges, which have increased time and locational-variant components depending on the cost drivers of the distribution system. Discuss whether the rate design used to develop the Con Edison Standby Pilot Rates are a reasonable model to design more granular As-Used Demand rates statewide.<sup>2</sup> Utilities may propose rate design methodologies other than the Con Edison model to develop more granular As-Used Demand Charges.
  3. All customers should be able to opt-into applicable Standby Rates, regardless of the presence or absence of DER installed at customers' sites. Standby Service customers should be included in the Revenue Decoupling Mechanism of the parent/otherwise-applicable service classification.
  4. With increasing availability of AMI, utilities should redesign mass market (i.e., Residential and Small Non-Demand Commercial) standby service rates to reflect ability to use Demand as a billing determinant. Demand-based Delivery charges could include, and are not limited to, Contract Demand charges and As-Used Demand charges. In addition, utilities should develop time-varying Commodity Rates for Mass Market standby service customers. The Commodity Rates could include, and are not limited to, hourly pricing based on the LBMP, demand

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<sup>1</sup> Case 16-M-0430, Rate Design Reforms Supporting REV, National Grid – Stand By Tariff Cost Allocation (submitted October 7, 2016).

<sup>2</sup> Case 16-E-0060, 2016 Con Edison Electric Rates, Standby Rate Pilot (submitted August 31, 2017).

charges based on individual customers' ICAP tags, or time-varying per-kWh commodity charges similar to existing VTOU rates. Customers that opt-in to the Mass Market Standby rates should be required to have a meter capable of registering Demand, whether supplied to them as part of a systemwide AMI rollout, or through other opt-in programs like Central Hudson's Insights+ program.

- Buyback Rates

1. For technologies that do not qualify for VDER, continue current buyback compensation, however, require Con Edison to purchase ICAP from customers through its SC 11. Con Edison is currently only utility in NYS that exclusively purchases energy at the NYISO's Location-Based Marginal Price through its buyback service.
2. The "Grid Access" Contract Demand Delivery Charge in place at Con Edison for Buyback service should be instituted statewide, described in Con Edison's standby/buyback review filing.<sup>3</sup> Under the Con Edison Buyback service, SC 11, customers pay a Customer Charge and a Contract Demand Charge, depending on the specifics of the customer's interconnection, designed in the same way as that Con Edison's Standby Rates. If a customer only takes service under SC 11, the customer pays the applicable SC 11 Customer Charge. If the customer can export more MWs under Buyback service than it draws under Standby service, any incremental export MW greater than the standby MWs would be subject to the applicable Buyback Contract Demand Charge. For example, a 10 MW Contract Demand Standby customer with a 12 MW CHP, would pay the applicable standby service Customer Charge, 10 MWs of standby service Contract Demand Charge, and 2 MWs of buyback service Contract Demand Charge. Another example, a 12 MW buyback-only customer would pay the applicable buyback service Customer Charge, and 12 MWs of buyback service Contract Demand. A customer whose export contract demand is less than or equal to the customer's standby contract demand would not pay the Customer Charge or Contract Demand charge under buyback rates. The Buyback Rates Contract Demand Delivery Charge should be developed based on the same Allocated ECOS Study used to develop Standby Rates.
3. Accept Con Edison's proposed modification to its Buyback contract demand rate to eliminate a portion of the Primary voltage Substation costs from affected customers' Contract Demand Charge.<sup>4</sup>

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<sup>3</sup> Case 16-M-0430, supra, Standby Rate Matrix Study and Recommendations (submitted October 7, 2016) at pp 24-25.

<sup>4</sup> Ibid.