

VDER VALUE STACK AND RATE DESIGN WORKING GROUP PROCESS AND 2018 SCHEDULE

Department of Public Service Staff

December 22, 2017 (Updated February 6, 2018)

The VDER Phase Two process will continue to follow an informal, deliberative model. The process will include two parallel working groups, with identified topics and timeframes for decision-making: Value Stack and Rate Design. Issues considered in those groups will be addressed in a parallel and complementary manner. For each working group, a defined, predetermined schedule and procedural process will be established to give all parties sufficient notice and opportunity to participate. Staff will have the ability to adjust these schedules and processes if it becomes clear that a particular component will require significantly more or less time. Each topic within each track will be assigned a planned time duration. This proposed schedule does not preclude parallel efforts from other parties intended to address an issue noted below.

VDER VALUE STACK WORKING GROUP

The intent of the proposed Value Stack working group process is to provide Staff with sufficient information to provide recommendations to the Commission on improving the Value Stack in an efficient manner. The process would be synchronized with the Rate Design process if there are synergies on key issues.

1. DRV/LSRV Track: Improve the Price Signals for Avoided T&D Infrastructure – January - July 2018

This track will include a thorough review of how infrastructure costs can be avoided with distributed energy resources (DERs), over what timeline this should be evaluated, and how this interacts with non-wires alternatives. In addition, the value of DERs in reducing use of the existing distribution and transmission systems, as well as increasing hosting capacity and reducing interconnection costs, will be further examined, including assessment any effect on O&M costs and extended equipment life, which may delay new infrastructure investments in certain circumstances.

This track will also include an assessment of the resiliency benefits provided by some DER combinations, including whether and whether those benefits are or should be captured through the improved DRV and LSRV or should be captured through a separate value stream. This track will assess the potential contribution of DERs to preventing or lessening outages and supporting grid recovery, as well as providing shelter and basic energy services to New Yorkers during system outages.

January 26, 2018 – Meeting – Discuss what process is needed to determine whether: (1) to continue and improve the existing DRV and LSRV mechanism with more granular marginal cost of service studies; (2) modify the VDER Tariff to only include a DRV payment, with payment for greater value areas through specific Utility programs and/or Non-Wires Alternative procurement; or (3) implement some other mechanism(s) to capture these values? Determine what process should be used to resolve these issues: (1) further meetings focused on particular topics; (2) several rounds of papers and discussion culminating in a Staff Whitepaper; or a formal evidentiary process.

February 9, 2018 – Meeting – Parties present proposals / study approaches for improved and more granular Marginal Cost of Service Studies for use in Benefit Cost Analysis, Energy Efficiency and Demand Response Program design.

Discovery Process

- Within 5 business days, requests from parties submitted for data and clarifications from each other.
- Within 10 business days, responses to data requests due from all parties (provided at least 3 business days in advance of next step). During the 10-business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests.

March 6, 2018 – Meeting – Parties present issues and options related to approaches for providing compensation to DERs for avoided T&D infrastructure benefits, including existing DRV and LSRV mechanisms and other options, as well as intersection between Value Stack compensation and Non-Wires Alternative procurements

April 6, 2018 – Meeting or Filing – Presentations and Experts regarding: (1) direction and process for whether to continue DRV/LSRV versus recognizing greater marginal values through utility programs/NWAs discussed on January 24, 2018; (2) party response to MCOS improvement presentations on February 8, 2018.

- Within 5 business days, option for parties to initiate formal ALJ process on the record to address missing information, assertions of confidentiality, and key evidentiary issues. Results from issues of fact decided by ALJs would inform the VDER proceeding.

May – July, 2018 – Depends on process chosen. If Whitepaper route:

May 7, 2018 – Written response to Presentations and Experts.

June 8, 2018 – Staff issues Straw Proposal

June 22, 2018 – Parties' responses to Staff straw as written comments.

July 27, 2018 – Staff files White Paper with Secretary and it is noticed for public comment.

2. Environmental Track: Review of Benefits Provided by Reduction of Environmental Externalities, including Public Health & Safety and Environmental Justice Benefits – July thru December 2018

This track will review the current policy of using the greater of the renewable energy credit (REC) price or the Social Cost of Carbon (SCC) as the compensation calculation mechanism for environmental/externality values and consider alternatives. Critical components of this task will include the evaluation of time-differentiated and location-differentiated carbon pricing, with particular focus on the potential for a policy supportive of a Clean Peak, and the evaluation of the potential for DERs to reduce emission of and harm caused by other pollutants.

February 9, 2018 – Meeting – Environmental Justice presentation and preliminary scoping for environmental track

July 9, 2018 – Meeting – Finalize scoping of topic area and discuss need for specific data, studies, consultants

August 16, 2018 – Meeting – Parties present proposals / study approaches for improvement to Environmental Value

Discovery Process

- Within 5 business days, requests from parties submitted for data and clarifications from each other
- Within 10 business days, responses to data requests due from all parties (provided at least 3 business days in advance of next step). During the 10-business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests

September 4, 2018 – Meeting – Presentations and Experts

- Within 5 business days, option for parties to initiate formal ALJ process on the record to address missing information, assertions of confidentiality, and key evidentiary issues. Results from issues of fact decided by ALJs would inform the VDER proceeding.

October 2, 2018 – Written response to Presentations and Experts Due if no ALJ Process

November 2, 2018 – Staff issues Straw Proposal

November 16, 2018 – Parties’ responses to Staff straw as written comments.

December 14, 2018 – Staff files White Paper with Secretary and it is noticed for public comment

VDER RATE DESIGN WORKING GROUP

To effectively and efficiently meet the December 2018 deadline for a Staff report on a mass market net energy metering (“NEM”) successor tariff to take effect in 2020, this track will integrate four discrete but inter-related workstreams: (1) Customer bill impact analysis model development; (2) Foundational inputs to Staff rate design recommendations; (3) Rate design proposals from Working Group members; and (4) December 2018 report development.

Regular and focused topical conference calls combined with the established face-to-face meetings will keep the tariff development process moving in a reasonable manner. This will require defining specific questions to be addressed on calls and at meetings in advance and limiting discussions to those topics.

In parallel with the development of the mass market NEM successor tariff, the working group will also take up the topics of: existing standby rate design, buy-back rates, grid access charges, non-bypassable fees, or other methods to mitigate costs posed on non-participants.

1. Customer Bill Impact Analysis Model Development – January thru May

The customer bill impact model should be completed in time to be used by Staff, the Commission, and other parties to evaluate rate design proposals and inform recommendations and final decisions. Stages of development should include:

January 26, 2018 – Meeting – Discuss Staff’s finalized scope of the customer bill impact analysis

February thru April 2018 – Joint Utilities develop modeling components with input from Staff and its consultant

April thru May 2018 – Staff and working group members review the modeling approach and inputs. Joint Utilities and consultants engaged by Staff refine models based on feedback.

2. Foundational Inputs to Mass Market NEM Successor Rate Design – January thru March 2018

New rate design options must consider component elements (*e.g.*, fixed charges, time-varying rates) as part of a coherent package rather than as stand-alone issues. The Working Group will explore the issues most relevant to developing a mass market NEM successor rate

design to facilitate information sharing and foster a common understanding of facts, interests, and positions. Build a common fact base by reviewing rate design elements, including rationales, options, benefits, challenges of:

- i. Time Varying Energy and Capacity Rates
- ii. Demand Charges
- iii. Fixed Charges
- iv. Non-bypassable Charges
- v. Locational Rates
- vi. Standby Rate Design

January 26, 2018 – Meeting – Discuss initial scoping of rate design elements and solicit input on need for specific data, studies, consultants

February 8, 2018 – Meeting - Utilities present high-level overview of how utility costs are functionalized into Generation, Transmission / Distribution / etc. and classified Demand/Customer etc. categories. In addition, considerations around rate design elements and what information is required to apply the cost components to the rate design elements will be discussed.

Discovery Process

- Within 5 business days, requests from parties submitted for data and clarifications from each other
- Within 10 business days, responses to data requests due from all parties (provided at least 3 days business day in advance of next step). During the 10-business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests

March 6, 2018 – Meeting - Presentations and Experts, including best practices from other jurisdictions that have pursued innovative rate design as well as “thought leadership” on DER rate design from academics or other experts outside of the Working Group. Utilities present details on the functionalization and classification of costs in their respective ECOS studies with emphasis on the functionalization to “Customer Service” and the subsequent classification of those costs between “Customer Related” and “Demand Related”.

- Within 5 business days, option for parties to initiate formal ALJ process on the record to address missing information, assertions of confidentiality, and key evidentiary issues. Results from issues of fact decided by ALJs would inform the VDER proceeding.

March 20, 2018 – Written Response to Presentations and Experts Due if no ALJ Process.

April 6, 2018 – Meeting – Discuss any follow-up from the March 6 presentations and March 20 written responses. Utilities present a uniform approach for parties to submit rate design proposals.

3. Mass Market NEM Successor Rate Design Proposals and Bill Impact Analysis – May thru September 2018

Interested Working Group members or, ideally, coalitions present detailed proposals for rate designs that could serve as the basis for a mass-market NEM successor tariff to Staff and the rest of the Working Group. These proposals should build on the foundational inputs above and be easily evaluated in the customer bill impact analysis. Steps in this process include:

May 14, 2018 – Parties submit rate design proposals

May 23, 2018 – Presentations to working group on rate design proposals for questions and feedback

Discovery Process

- Within 5 business days, requests from parties submitted for data and clarifications from each other
- Within 10 business days, responses to data requests due from all parties (provided at least 3 days business day in advance of next step). During the 10-business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests
- Within 5 business days, option for parties to initiate formal ALJ process on the record to address missing information, assertions of confidentiality, and key evidentiary issues. Results from issues of fact decided by ALJs would inform the VDER proceeding.

May thru June – If no ALJ process, rate design proposals converted to proposed rates for each utility and provided to Staff and Working Group

June thru July – Rate design proposals evaluated through the customer bill impact analysis models and provided to Staff and Working Group

September 4, 2018 – Meeting – Presentation of Bill Impact Analysis to working group

Discovery Process

- Within 5 business days, requests from parties submitted for data and clarifications from each other
- Within 10 business days, responses to data requests due from all parties (provided at least 3 days business day in advance of next step). During the

10-business day period, Staff to mediate small-group phone calls to check on progress and discuss data requests

4. Staff Report on Mass Market NEM Transition in January 2020 — due December 2018

The three workstreams described above will allow Staff and stakeholders to define and analyze the driving principles, foundational inputs, and trade-offs associated with changes to rate design. These inputs will be applied to development of proposals for the mass-market NEM successor tariff and Staff report.

November 2, 2018 – Meeting –Staff presents draft report to working group

November 16, 2018 – Written comments due on draft report

December 21, 2018 – Staff submits report to Secretary

5. Existing Standby Rates and Buy-Back Rates – January thru March

January 24, 2018 – Staff to present outline of draft whitepaper on standby rate and buyback rate modifications based on 2017 utility filings and stakeholder comments

By February 8, 2018 – Staff publishes draft outline of recommended modifications to standby and buyback rates

February 28, 2018 – Written comments due on draft recommended modifications

April 2, 2018 – Staff submits whitepaper to Secretary

Date	Group	Type	Description
January 26	Value Stack	Meeting	DRV/LSRV direction, MCOS improvement scoping
January 26	Rate Design	Meeting	Customer Bill Impact finalized scope; Initial scope NEM Successor rate design elements; Staff present Standby/Buyback Rates Whitepaper outline
February 8	Value Stack	Meeting	MCOS Improvement Presentations
February 8	Rate Design	Meeting	NEM Successor proposals and approaches
February 9	Value Stack	Meeting	Environmental Justice Presentations and Initial Environmental Track Scoping
February 28	Rate Design	Filing	Standby/Buyback Whitepaper party comments due
March 6	Rate Design	Meeting	NEM Successor Presentations and Experts and ECOS
March 6	Value Stack	Meeting	Options to providing T&D benefits
March 16	Rate Design	Filing	Staff submits Standby/Buyback Whitepaper to Secretary
March 20	Rate Design	Filing	Written responses to NEM Successor presentations
April 6	Value Stack	Filing	Party comments on 2/6 MCOS presentations
April 6	Value Stack	Meeting	DRV/LSRV direction presentation,
April 6	Rate Design	Meeting	Process to submit Rate Design Proposals
May 7	Value Stack	Filing	Written response to April 6 DRV/LSRV direction presentations
May 14	Rate Design	Filing	NEM Successor rate design proposals due
May 23	Rate Design	Meeting	NEM Successor Proposals Presentation and Feedback
June 8	Value Stack	Filing	Staff Straw Proposal on DRV/LSRV direction and MCOS improvements
June 22	Value Stack	Filing	Party Comments on June 8 Staff Straw Proposal
July 9	Value Stack	Meeting	Environmental Track Scoping

July 27	Value Stack	Filing	Staff Whitepaper on DRV/LSRV direction, MCOS improvements
August 16	Value Stack	Meeting	Environmental Track study approaches
September 4	Values Stack	Meeting	Environmental Track Presentations and Experts
September 4	Rate Design	Meeting	NEM Successor Bill Impact Analysis presentation
October 2	Value Stack	Filing	Written response to September 4 Environmental Track Presentations
November 2	Value Stack	Filing	Staff Straw Proposal on Environmental Track
November 2	Rate Design	Meeting	NEM Successor draft report presentation by Staff
November 16	Value Stack	Filing	Party response to Staff Straw Proposal on Environmental Track
November 16	Rate Design	Filing	NEM Successor draft report party comments due
December 14	Value Stack	Filing	Staff Whitepaper on Environmental Track
December 21	Rate Design	Filing	Staff submit NEM Successor report to Secretary