

Meeting Agenda (September 8, 2017)

- a. Welcome/Introductions
- b. Process/Procedural Matters
 - i. Recap from rate design working group
- c. Fast track
 - i. Principles recommendation clean energy parties (SEIA, Coalition for Community Solar Access, Pace, NRDC, Acadia)
 - 1. Additions to the list
 - ii. JU matrix of value stack elements versus technologies
- d. Report out on DRV/LSRV analysis
 - i. E3 presentation at 9/20
 - ii. Other party presentations?
- e. Future Presentation on monetizing externalities
- f. Next Steps/Next Meeting
- g. Adjourn

Meeting Summary

Process/Procedural Matters

Video conferencing: The medium for this meeting and meetings for the foreseeable future will be video conferencing via the NYSERDA facilities. Participants should still introduce themselves before speaking (name and organization) for the benefit of those listening in on the phone and for those taking minutes.

Long-term roadmap: The roadmap describing all of the issues, both immediate and long-term, is a high priority for Staff and it is in the works.

Mid-term schedule: In the Notice provided prior to this meeting, Staff laid out tentative meeting dates through December. Parties were asked to give feedback on this meeting schedule and mention any potential conflicts. There were possible issues with the October 12th and November 30th meeting dates. Based on this feedback, Staff will distribute a new schedule with revisions, if there are any. The next meeting will definitely be on September 20th, since E3 is scheduled to present on that date.

September 19th plenary session: The rate design working group voted that September 19th is too soon for a plenary session, and the value stack working group concurred, so there will not be a plenary session on September 19th.

Issue Process: Working groups will try to get a complete picture of the important issues, including rationales, principles, and disagreements. For self-contained, fully hashed out issues, Staff will put out whitepapers, which will be SAPA'd. Parties will always have the opportunity to respond to the whitepapers in writing before they go to the Commission for a decision. If the group decides a topic is not ready for a whitepaper, perhaps because it is too important or too detailed, then the topic can be taken through an evidentiary proceeding. The group would need to give the judges advanced notice so that they can fit the hearings into their rate case schedules, and would also need to deliver a solid and specific set of issues to the secretary.

Fast Track

Introduction:

Since parties in the last meeting thought the fast track list was premature, Warren thought it would be a good idea to establish rationales and principles for what makes it onto the fast track list. The near-term Fast Track deliverable is a whitepaper addressing the issue of expanding eligibility from the Phase 1 list. Staff aims to put together a straw proposal that lays out the rationales and principles for coming up with the recommended list of expanded resources beyond the NEM eligible technologies that were eligible for the Phase 1 VDER tariff. The document

would also include descriptions of additional processes for further off ramps. This fast track white paper will be SAPA'd and then delivered to the Commission for a decision.

Clean Energy Parties recommendations on principles:

Miles Farmer from NRDC walked through the Clean Energy Parties (CE Parties) proposal on mechanisms for sorting through expanded technologies.

CE Parties principles for fast track items:

- **The issue is straightforward** – not requiring substantial detail, technical analysis, or complex legal questions; not subject to more process
- **The issue is ripe for resolution** – has been teed up by a previous order or previous stakeholder discussions.
- **The issue has significant, widespread support** – wide range of stakeholders endorses the resolution of the issue; does not necessarily require unanimous support.

The fast track list, however, would not be decided now once and for all – there can be issues that are not fast trackable right now that could eventually meet the fast track criteria.

Discussion about what could be added to the list of fast track criteria:

- Bill Acker from NY-BEST proposed a criterion based on whether there is a mechanism for revenue realization for the technology today. (Since some technologies, such as storage, are totally out of luck unless they get fast tracked.)
- Sreekanth Venkataraman from NECPI proposed a criterion based on whether a technology produced sufficient generation within a micro-grid.
 - John Lilian from Digital Energy agreed, but modified the principle to be whether a technology promotes resiliency of the grid.
 - There was some agreement about the notion of resiliency, and/or dispatchability, as a fast track criterion.
- Aaron Breidenbaugh from CPA proposed a criterion based on whether a technology meaningfully impacts the amount (MW) of DER by virtue of being fast tracked – whether the technology promotes a significant and quantifiable improvement to market development.
 - Aaron also saw diversity of technology type and geographical diversity as factors to consider for fast track.
- Dennis Phayre from EnterSolar thought an important fast track consideration is whether a technology, such as storage or smart inverters, adds value to an existing technology that is already eligible.

- Danny Waggoner from Advanced Energy Economy wanted to avoid getting bogged down in several little criteria, and so proposed grouping factors together into a broad consideration along the lines of “compelling public interest.”
- Warren added on to the CE Parties first principle by clarifying that these resources would also be ones that do not require any improvements to the value stack, and that take the value stack as given.

JU mapping of value stack elements to expanded technologies:

Stephen Wemple from ConEdison walked through the Joint Utilities (JU) matrix of value stack elements versus potential new resources to add to the eligibility list.

The JU selected technologies for the matrix based on those that were brought up in the last meeting. These resources include stand-alone batteries and storage, CHP, and Tier 1 renewables that were not NEM eligible.

Key points of the matrix:

- Energy or LMP
 - Adjusted for appropriate losses and other caveats, any resource that can inject into the grid should get this value.
- ICAP
 - Stand-alone batteries, storage devices, and Tier 1 renewables qualify for the Alt 3 ICAP.
 - CHP resources at least 100 kW will receive ICAP credits by selling directly to the NYISO. No need for VDER credit.
- E
 - Tier 1 REC eligible technologies that can generate a REC that can be transferred to the utility for it to use to reduce its own REC purchases, will receive the E value (this excludes CHP and storage).
- LSRV
 - Intermittent Tier 1 renewables are eligible, and receive the same status as existing NEM eligible resources. If the technology is dispatchable, however, it should go through a NWS instead, in order to get the extra benefits.
 - Stand-alone batteries, storage, and CHP are dispatchable, thus they should go through NWS instead.
 - Steve clarified that both LSRV and NWS are tools for deferring distribution investment and can help to reduce load in areas that have potential local needs. It is important to use both tools, but to not double solve the same resource need. In

general the JU believe that NWS offers more distribution benefits than LSRV and can be more effective than the LSRV mechanism. NWS is an opportunity to earn credits through a competitive process, and could potentially segue into a transactional market for DER suppliers, where people could swap out obligations within a given area.

- DRV
 - Intermittent Tier 1 renewables are eligible, and receive the same status as existing NEM eligible resources.
 - Stand-alone batteries, storage, and CHP are eligible for DR and DLM programs, so should not be eligible for DRV.
 - Dispatchable resources should instead utilize existing Demand Response programs that have the same sort of attributes but have a better market oriented product than DRV.
- MTC
 - Tier 1 renewables, batteries, storage, and CHP are not eligible. The MTC was intended exclusively for NEM-eligible technologies and the transition therefrom.

The JU point out that as the value stack evolves, the fast track resources can be modified. For instance, to the extent that we change some of the eligibility criteria for existing Phase 1 resources, a review should be conducted for certain size resources (above 5 MW or 15 MW). We may review elements of the value stack and reconsider whether these resources still need the value stack or if they should begin to interact with the market on their own – larger facilities would generally do NWS. Warren added that fast track may be contingent on willingness to forego an element in the value stack in return for NWS.

Discussion about other classes of DER that should be added:

- Bill Acker thinks fuel cells should be included, or that we should at least look into how to treat fuel cells that are not Tier 1 eligible but that want to be VDER eligible.
- Warren proposed that we relax the rate class and technology-specific MW limits set by NEM (e.g. 10 kW for CHP) and expand eligibility to the ultimate size, either 2 MWs or 5 MWs, if eventually expanded by the PSC. Discussion about E value:
- A participant in Buffalo wondered if we should even have an E value at all if the ISO ends up building carbon pricing into the market.
 - Warren brought up analysis done by Brattle which said that in such a scenario the E value would fall, but would not go all the way to zero. Further, the Commission has said that the E value will be locked in for twenty five years at the latest Tier 1 REC procurement cost. If carbon pricing were to cause Tier 1 RECs to plummet, however, then new resources would get the lower price.

- Elizabeth Stein from the Environmental Defense Fund thinks we need more analytics on which resources get the E value, because at this juncture the JU proposal seems to shortchange clean resources and provide leakages to less clean technologies.

Discussion about NWS:

- Danny Waggoner had some concerns about substituting the NWS mechanism for LSRV. Utilities have much greater control over NWS than other processes. There are also inconsistencies among utilities on how to handle NWS. Furthermore, a conceivable and unfavorable scenario is that no procurement is made for a dispatchable resource through NWS, in which case the dispatchable resource will not receive credits, while an intermittent resource (less valuable resource) will still receive credits through the LSRV.
- Aaron Breidenbaugh also did not think it makes sense that resources that are the least dispatchable and least flexible to system will receive full LSRV and DRV, while the most dispatchable resources could potentially receive nothing. He thought NWS is a good idea, but carries the negative aspects that only the winners profit from it and that NWS is more expensive to participate in.
- Bill Acker agreed and suggested that dispatchable technologies get the extra value of NWS, but also get LSRV/DRV as a base.
- Dennis Phayre pointed out that with regard to our decision on which resources get LSRV versus NWS, we must be cognizant that there are investments that have already been made, and we need to be careful not to undermine projects already in motion.
- Warren thought that, in general, allowing only NWS for some technologies is contrary to the phase 1 VDER tariff. But he acknowledged that to rely more on DRV/LSRV, some improvements should be made to those elements.

Miscellaneous points about value stack issues:

- An unidentified participant was concerned that in future proceedings we might identify new items for the value stack and that a qualifying resource may not receive the benefit simply because it came into existence before that value stack item was identified. In such a case, if a resource is providing an equivalent and qualifying service it should be able to trade up and receive that new benefit. Thus we need thorough, ongoing review of all value stack elements and the potentially eligible resources.
- Aaron Breidenbaugh thought that the current value stack mechanism might be unfair to CHP and similar resources.
 - CHP injects during peak hours so it is ineligible for the SCR credit.
 - Since CHP runs almost all of the time it cannot provide demand response value, so even under a customer baseline approach it does not get any credit.

- Therefore there is a significant problem with treating CHP and similar resources as SCR, CSRP, or DLRP, because the value stack mechanism denies these resources access to the DRV value stream and the ICAP value stream.
- Aaron also wanted to ensure that the JU criteria (dispatchability, size, Tier 1 REC eligibility) were applied consistently, e.g. a 10 MW CHP resource should not be excluded while a 10 MW solar resource is allowed.
- John Lilian proposed that, in order to maximize technology neutrality, we make all of the value stack elements (except for the E value) equally applicable to technologies.
- Erin Hogan from the New York Department of State expressed concerns about the burden on the customers during this process. With all of the changes in resources and eligibilities, customer will have to pick up substantial impacts very quickly. Moreover, in response to an earlier point that it might be difficult to suddenly expect certain size resources to begin to interact with the market on their own, Erin argued that that scenario is more favorable than having the burden fall on the consumers.

Other potential Fast Track items:

Some parties in NYC believe that interzonal crediting within a utility service territory should not be a fast track issue right now. Warren asked that those parties write up their concerns for the DMM matter number, and coordinate a presentation for a later meeting date.

CORE wants to fast track an issue of consolidated billing for ESCO customers. Utility supply customers and utility ESCO customers with consolidated billing have bills that are large enough to swallow up credits, but ESCO customers without consolidated billing may not be able to profit. It is unfair to require people with ESCOs to pay to get coordinated, consolidated ESCO billing in order to swallow up the dollar credits. There must be a way, when the bill is not large enough, to keep using all of the credits and to apply them to the ESCO supply bill.

- Warren, and others, did not think this should be a fast track issue.
- Dennis Phayre thinks this is an important issue that comes up very often in the commercial world. He believes that it is a legacy issue and there should be simple mechanisms to work around it.
- In general, parties agreed that additional research is needed regarding whether these dollar credits to bills are treated as taxable income.

Next Steps

The next meeting will take place on September 20th. E3 will present regarding DRV/LSRV analysis and E3's more granular marginal cost approach in California. The rest of the meeting will be used for further discussion on the Fast Track. If other parties would like to present on the LSRV/DRV issue, or any other topics, they need to coordinate a potential date with Staff.