Coalition Proposal for Grandfathering/Continuation, Interim Methodology, and Additional Rate Options and Pilots

Joint Presentation to the New York Department of Public Service and Collaborative Conference in Case 15-E-0751

July 19, 2016

Continuation (a.k.a. Grandfathering)

Rationale

- Protects investments made under current program
- Requires developers to make substantial material investments, according to a strict timeline
- Correlates with the queue management proposal being developed by NYSERDA in concert with utilities and DG stakeholders

Timing

- Continuation order will enable implementation of queue management process by providing certainty on bill crediting structure for projects under development today

Continuation (a.k.a. Grandfathering)

Proposal Summary

For projects that require a CESIR:

- Developers must have submitted interconnection applications by a date set in Commission order on successor tariff;
- Projects must make material investments and meet other milestones established in the queue management process and SIR;
- Projects must be placed in service within 24 months following receipt of CESIR results (extensions for projects awaiting PTO or resolution of a legal challenge)

Projects meeting these requirements may retain current bill crediting structure for 30 years from operational date irrespective of change of ownership/offtaker

Projects may switch to interim tariff at any time, but cannot switch back once this election is made

For all other projects:

- Principle of Continuation should apply to all project types/market segments as tariff reforms are implemented

Continuation (a.k.a. Grandfathering)

Connection with Queue Management Proposal

This proposal assumes the following basic structure for the queue management process to enable Continuation:

- Developers must make binding decisions to either fund CESIR studies or remove their projects from the queue; this decision process has a "waterfall" structure, with sequential decisions by each project in line on a given circuit
- Each project will be informed of its position in the queue and of decisions made by projects ahead of it in line
- Extensions should be given for projects facing local moratoria or zoning issues
- Critical to resolve cost sharing rules before developers are required to make 25% payment following conclusion of CESIR; this is necessary to make 24-month deadline feasible

Conclusions From July 6th Collaborative on Interim Methodology

- Tradeoffs exist between:
  - Short-term feasibility and simplicity; and
  - Accuracy, precision, complexity, and additional metering and billing costs
- Certain benefit categories (e.g., market price suppression) should not be part of tariff
  - We believe that principle of full and fair value for DG is a good one
  - Omitted benefits accrue as financial benefits to ratepayers or societal benefits
- Optional rates, pilots, and demand response tariffs can be created to improve incentives for storage, dispatchable DG, and other technologies
  - Should examine interactions and integration with Track 2 order

Baseline Features of Joint Proposal for Interim Methodology

- New system of monetary net metering credit values applied to net excess generation
  - Generation consumed on-site is valued at retail rate
- Mandatory for new projects with significant net exports (CDG/RNM)
  - Opt-in allowed for other categories of projects
  - Consistent with proposal for grandfathering/continuation
  - Exception for projects opting for a different rate option or pilot
- Core proposal works best for non-dispatchable renewable technologies
  - Starting simple ensures short-term feasibility
  - Further adjustments can properly expand it to other technologies
- Fixed components of credit value should apply for 30 years of project life
- Not applicable to mass market

Creating Credit Value Stack for Core Proposal: Applicable to Distributed Generation Projects

- Retail Electricity Supply Credit
  - Use relevant portion of retail rate
    - Flat per-kWh residential rate for CDG
    - C&I rate for RNM
  - Variable just like the relevant retail rate
- Delivery Value Credit
  - Determine flat per-kWh value by technology
  - Fixed based on estimate of utility-specific average value for service territory
- Public Value Credit
  - Determine by technology
  - Fixed based on estimate of other benefits, including:
    - Incremental energy and capacity value due to coincidence with peak
    - Environmental and public health values – e.g., social cost of carbon, reduction of SOx/NOx
- Market Transition Credit Mechanism – if necessary
  - If above credit value is below current retail rate and more is necessary to continue market
  - Fixed but declining schedule for new projects
  - Bounded greater than or equal to zero

Creating Value Stack for Core Proposal: Applicable to Specific Projects

- Additional Locational Value Credit
  - Fixed per kwh value based on estimate of incremental avoided capacity and delivery value for high-value areas
- Additional Peak-Demand Reduction Credit
  - Fixed per kwh value based on estimate of incremental avoided capacity and delivery value for project type
- Other Ancillary Services Credit
  - Additional credit values could be created for demonstrable distribution system ancillary services provided by certain distributed energy resource technologies

Adjustments to Core Proposal to Expand Applicability And Path to Long-Term

- Retail Electricity Supply Credit
  - Use time-varying retail rate for relevant categories
- Delivery Value Credit
  - Need to define time-varying credit rate
- Additional complexity but expands applicability
  - Works for other technologies such as storage and dispatchable DG
  - Need to adjust additional peak-demand reduction credit
  - Need to adjust energy and capacity portion of public value credit

Calculation of Credit Values

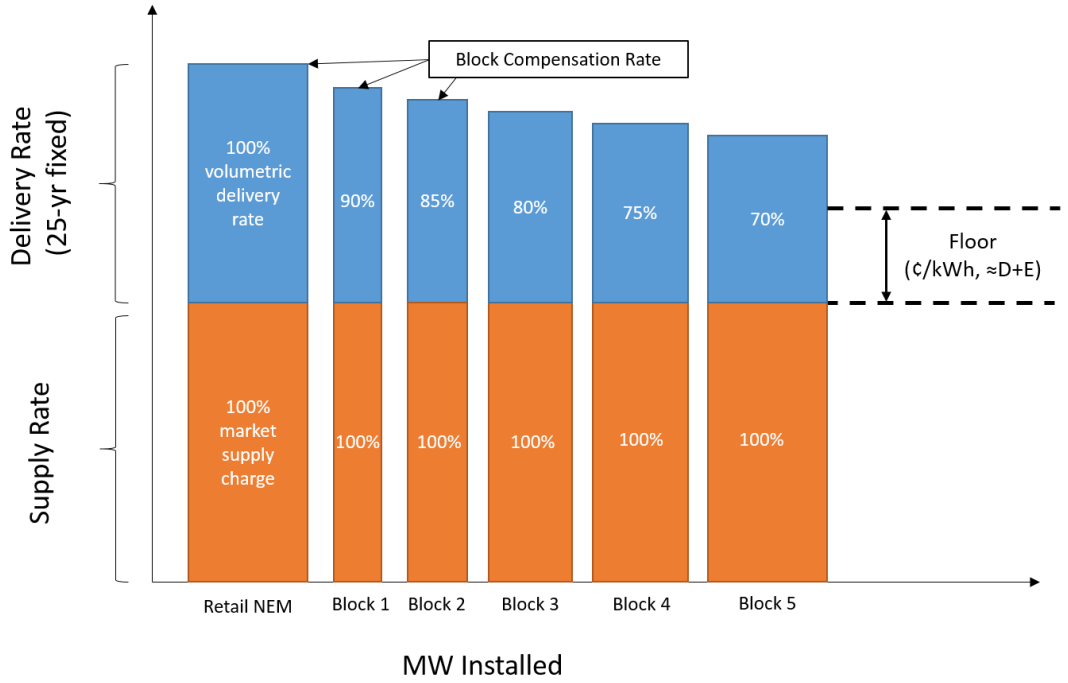
- We support the use of the Benefit-Cost Analysis framework
- We do not support the use of the current calculations recommended by the utilities in the BCA handbooks
- A new methodology based on the BCA framework should be created and applied as part of this process

Additional Rate Issues and Pilots

- How will net metering work under optional rates from Track 2 Order?
  - Opt-in time-of-use rates
  - Utility-specific smart home demonstration rates
- Demand response tariffs
- We support additional pilots to encourage innovation and provide further insight into long-term options, simultaneously implemented with interim methodology:
  - Fully fixed price option for CDG for 25 years – from the Coalition for Community Solar Access
  - Capacity and Storage Arbitrage Credits - SolarCity/EFCA Smart Home Rate

Fixed Price Megawatt Block (Optional Interim Tariff)

- Low-risk, low-variability option to enhance customer choice
- Monetary credit derived from retail rate in place at the host site: this moves toward LMP+D principle of value based on the project's location on the grid
- Declining-block structure; each MW Block = % of retail delivery rate at host meter at the time of installation, plus full commodity supply rate
- Could include "market development adder" to incentivize market segments or locations with little development activity



Contact Info

Mark LeBel, Acadia Center	mlebel@acadiacenter.org
Rick Umoff, SEIA	rumoff@seia.org
Sean Garren, Vote Solar	sean@votesolar.org
Laurel Passera, CCSA	laurelp@communitysolaraccess.org
Miles Farmer, NRDC	mfarmer@nrdc.org
Evan Dube, TASC	evand@sunrun.com

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