AGREE New York VOTE SOLAR

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
Three Empire Plaza
Albany, New York 12223-1350

Re: Case 21-E-0629 – In the Matter of the Advancement of Distributed Solar

Dear Secretary Phillips:

Vote Solar and Alliance for a Green Economy (AGREE) appreciate the opportunity to provide comments on NYSERDA's 10 GW Distributed Solar Roadmap (the Roadmap). We also appreciate Governor Hochul and NYSERDA's solid investment in New York's solar future. Vote Solar and AGREE acknowledge the importance of delivering immediate support for the solar industry, as well as the customers who reap benefits of the industry's growth and success. We also recognize the critical need for more renewable energy, and the need for expediency in ensuring that solar has the state support it needs to thrive.

While we support the direction of the Roadmap in large part and applaud efforts taken by NYSERDA staff to respond to diverse input and complex challenges in its development, Vote Solar and AGREE believe that the Roadmap needs to be improved in order to deliver the benefits required by the CLCPA to members of Disadvantaged Communities (DACs). NYSERDA's role in operationalizing actual energy justice, and the agency's power to shift existing disparities in economic opportunity and equity of outcomes is special, and must be reflected in policy-making. The state has an obligation to meet the requirements of CLCPA in a way that is robusts, and accountable, and delivers results for all New Yorkers.

For the reasons below, Vote Solar and AGREE support the approval of the roadmap funding petition by the PSC, providing that necessary improvements are made:

<u>Vote Solar and AGREE Support Key Aspects of the Roadmap</u>

1. **Vote Solar and AGREE support at least the 1,474 million dollar proposed block incentives in support of the 10+ GW solar target.**

NY-SUN block incentives have succeeded in approaching previous statewide capacity goals, and the state is currently on track to meet statutory goals by 2025. Based on this track record, additional support to the development community, with proper review and adjustment, should send the necessary market signal and create the necessary business conditions for projects to continue in pursuit of the 10 GW target by 2030.

Achieving 10 or more gigawatts of distributed solar by 2030 will play an indispensable role in New York's overall deep decarbonization and 100% clean power grid by 2040. We support achievement of this goal. Advanced multi-technology, lowest cost power system modeling performed by Vote Solar, partners Local Solar for all and analytics Firm Vibrant Clean Energy[1] have demonstrated that:

a. The lowest-cost grid in 2030 is powered by overapproximately 12 gigawatts (GW) of distributed solar, which the Roadmap seeks to approach via block incentives.

b. Focusing on distributed solar as well as battery storage in the electricity system will save New York more than $289 billion by 2050 compared to achieving CLCPA decarbonization goals without a focus on distributed energy.

c. The least-cost implementation of the CLCPA calls for roughly 50% of New York's electricity capacity coming from solar, including nearly 21 GW from community and rooftop solar and almost 84 GW from utility-scale solar by 2050. Optimizing this transition for distributed energy resources would also enable the deployment of more than 17 GW of distributed battery storage across the state.

d. The least-cost clean energy transition sites more than 60% of rooftop solar systems and almost 30% of battery storage within NYSERDA's interim-definition Disadvantaged Communities, especially in the New York metropolitan area.

e. Upfront costs of the distributed energy buildout pay off over time in dramatically reduced costs in 2030-2050 due to the more flexible available baseline of grid service resources.

The particular benefits of distributed solar are well known, and have the potential to drive socially just (i.e. CLCPA compliant) outcomes:

i. Distributed solar system owners and offtakers reap direct benefits from the system via energy bill savings, and have an opportunity to build financial stability through reduced bills and revenues from the generated electricity, as well as contribute to overall grid resilience in times of high energy demand.
ii. Distributed solar creates electricity where it is consumed, reducing and obviating the need to build costly transmission or use local fossil generation from sources like peaker plants. Local solar also allows for replacement of fossil heating and transportation in areas overburdened with fossil fuel pollution.
iii. Creates local jobs, particularly through DAC-member owned businesses, cooperatives, or other socially equitable business models.

[1] https://vibrantcleanenergy.com/wp-content/uploads/2021/10/VCE-VS-NY_Final.pdf

2. **Vote Solar and AGREE support targeting at least 40% of new solar capacity to serve low income and affordable housing residents within DAC territory as a necessary component of serving DACs.**

Vote Solar and AGREE support efforts to ensure that program investments result in projects that have a relationship with DAC members, LMI customers and affordable housing residents. In designing the roadmap, NYSERDA sought to account for incentive dollars that would ultimately be directed towards projects which serve LMI, DAC members, or residents of affordable housing - tracking dollars from the SEEF and other adders to count towards meeting the 40% DAC investment goal. While we support and applaud applying the metric of DAC members served by project capacity, these metrics alone are insufficient. (see Heading 5, infra)

3. **Vote Solar and AGREE support the Roadmap's robust investment in projects serving Con Edison service territory, and supports additional funding and attention to this region.**

Approximately 85 percent of the New York City (NYC) grid is powered by fossil fuels, whereas the upstate grid is approximately 8 percent fossil.[2][3] The siting of fossil fuel generation in NYC leads to disparate health outcomes for downstate residents ranging from increased respiratory infections, asthma, heart disease, and lung cancer.

In addition, Con Edison customers pay the highest electric rates in the state, which is one of the drivers of significant energy cost burdens for NYC residents. Low-income households in Con Edison's service territory are extremely energy cost burdened. One quarter of New York City households have a high energy burden.[4] Moreover, these burdens are more significant for communities of color; 32 percent of Black households and 33 percent of Hispanic households have a high energy burden in NYC.[5] The median energy burden among white households is 46 percent lower than Hispanic households.[6] Among low-income households, 25 percent have an energy burden in excess of 17 percent.[7]

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[2] New York City's Mayor's Office of Climate and Environmental Justice, New York's Energy System Today, https://www1.nyc.gov/site/sustainability/our-programs/energy.page

[3] https://www.nyiso.com/documents/20142/21201742/PT-2021-Tale-of-Two-Grids.png/6fbedc32-4316-f11b-3f76-74742258d456?t=1619805707764

[4] American Council for An Energy Efficient Economy, Energy Burdens in New York City, (September 2020), https://www.aceee.org/sites/default/files/pdfs/aceee-01_energy_burden_-_new_york_city.pdf.

[5] Id.

[6] Id.

[7] Id.

As of January 2022, there are over 400,000 Con Edison ratepayers that are 60 days in arrears, and on average, their debt is $1,990.[8]

Vote Solar and AGREE support alternative incentive allocation within the Con Edison service territory, and we support shifting higher incentives for remote net credited projects towards additional incentives for community solar projects that are better situated to serve affordable housing, LMI offtakers, or DAC community members. Rebalancing existing funding in order to optimize benefit and shift funding away from over-compensated projects is a key component of serving DAC populations with solar. We feel that while rearranging existing incentives to improve benefit allocation to DAC members is important, it is insufficient on its own to comply with CLCPA's mandate to meaningfully serve DACs. (See Heading 8, infra)

4. **Vote Solar and AGREE support a transition to prevailing wage compensation for workers**

Vote Solar and AGREE support NYSERDA's adjustment of the prevailing wage requirement to apply to projects of 1 MW or above. We believe that steering the industry toward offering higher wages will strengthen the industry's overall potential for growth. While market actors adjust their practices to meet this requirement, the $239 million allocation will help insulate businesses from financial deficiencies on a transitional basis.

[8] Department of Public Service, Proceeding on Motion of the Commission to examine the collection practices of the major gas and electric utilities in New York State to identify ways to reduce losses due to uncollectibles while maintaining a high level of customer service.

Vote Solar and AGREE offer the following critiques and proposed changes to the Roadmap:

5. **Roadmap must include additional measures to satisfy the CLCPA mandate for 35% to 40% of program benefits going to DAC members**

Because CLCPA requires a percentage of benefits of state investments go to disadvantaged communities, all benefits of the program spend that can reasonably be captured must be accounted for to determine the full benefit of state investments. While the missing money analysis has been employed to determine overall incentive size (including the size of incentives for developers for making DAC, LMI, affordable housing-serving projects financially viable), the determination of benefits to DAC, LMI, and affordable housing residents as a proportion of the program size uses a different analysis, i.e. a proportion of end user benefits of solar. These two approaches are inconsistent with one another; they assume different baselines of possible investment. We are concerned that this misalignment results in an overstatement of the overall program benefit that is directed to DAC, LMI, and Affordable housing residents and a violation of the CLCPA.

“Missing money” or “money gap” analysis employed in setting incentive levels for projects across regions and project types focuses on ensuring that developers receive a sufficient benefit from projects to build them (an assumed IRR). Under CLCPA, benefits to all program participants must be fully counted and calculated to quantify the benefits of the entire program spend before calculating the subset of benefits targeted to DAC.

Effectively, NYSERDA’s analysis of meeting CLPCA assumes that no benefits are being captured by the business community who are actually claiming incentives, building the systems, paying employees (both in-state and out of state) and turning a profit. Jobs created and salaried, and importantly ROI and profits on money invested by the state must be counted to accurately create a “percentage pie” to measure the entire benefit of the spend. Because this activity is not part of the analysis, we are concerned that this large proportion of the overall benefits has been erased. Without it, the analysis is incomplete, and the percentage of capacity and DAC households receiving bill credits as the lone metrics an unaccountable standard both for this petition, as well as harmful precedent for other investments within CLCPA’s purview.

It is worth noting that DAC member-owned solar businesses represent a growing but still vanishingly small percentage of solar businesses that operate in NY state and are registered with NYSERDA to claim incentives. Because of this, DAC residents are largely not primary claimants of NYSERDA incentives, but benefit only as potential offtakers or workers.

By rough calculation, of the Roadmap’s estimated 127,000 additional solar customers/offtakers; 40% (the high bound of meeting the DAC mandate) is 50,800 offtakers. The roadmap assumes up to 10% bill discounts. For a statewide average electric bill of around 100 dollars a month[9] (EIA 2020), from 2023 to 2030, this results in a savings of roughly $42,672,000 from electric bills across the state. This figure represents approximately 3% of the total roadmap investment. According to the upper estimate of 10% bill savings promised in the Roadmap, all 127,000 new customers would accrue a total of $106,680,000 in bill savings from 2023-2030. The rest of the money presumably flows to both covering business expenses, and per NYSERDA's rationale, bridges the money gap, i.e. ensuring IRR for project developers to proceed.

A 7% return on investment cited by NYSERDA in the Roadmap made possible by $1,474,000,000 alone (not accounting for the 4.4 billion in proposed additional unlocked investment) is $103,180,000. The stated role of public funding in this case - to attract additional private investment which would otherwise be unavailable - means the actual return resulting from state investment is far in excess of this figure, potentially in the range of six billion dollars. Because the program is not designed for DAC members to use incentives to create returns, but merely to serve as customers/offtakers, their stake is at best 40% of roughly half of the total benefits of the investment, and arguably far less. In short, DACs are not receiving a benefit of public investment in accordance with the CLCPA mandate, and are receiving only "a percentage within a percentage" of public investment.

To be clear, using a "missing money" or "money gap" analysis to understand needed incentive levels is not wholly inappropriate; and creating business incentives is a smart and important tool to move the state forward in its decarbonization efforts. It is not an approach that can deliver for DAC members in a way that approaches 35-40% of benefits of public investment on its own.

Furthermore, Vote Solar and AGREE believe that bill discounts should guarantee savings of more than the offered 10% in order to represent sufficient value to individual low income DAC customers, especially those who are already mired in utility debt as a result of the pandemic. For opt-in participation, a generation of unfair dealing from ESCO providers necessitates the opportunity for deeper savings to be an attractive consideration to folks who remain reluctant to engage. The bill savings for offtakers in DACs should be set to an amount that would allow these households to improve their actual wellbeing on a monthly basis, such as consistently being able to afford more and higher quality food , afford a medical visit, or use an air conditioner to avoid heat stress.

6. NYSERDA should allocate additional funding to support community-owned projects to meet the CLCPA goals of 35 to 40% of investment benefitting DACs

In order to ensure that the overall benefits of solar energy investments reach the entirety of the state, including DACs, NYSERDA should create a separate grant fund of $100 million for community organizations that are structurally accountable to the communities that they serve - to purchase and control the proceeds of solar generation. An ownership grant program could cure the deficit in benefit for DAC members that can't be relieved through supply-side

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[9] U.S. Energy Information Administration Monthly electric bill data table https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

incentives. Such a grant fund would increase the rate of solar adoption toward state goals, as well as meaningfully increase the percentage of benefits flowing to DAC members.

In tandem with a grant program, NYSERDA should consider developing incentives for projects that meet community ownership criteria. Control over the proceeds of projects should be essential to the future of incentives and should not be determined independently by NYSERDA outside of this Roadmap. This matter in particular requires rigorous stakeholder engagement, and a program developed without public comment and/or separate from discussions about the future of solar incentives runs counter to the spirit of the CLCPA.

a. The PSC should exempt projects serving LMI customers and affordable housing projects from the newly-enacted Customer Benefit Contribution charge, which adds costs to new residential solar projects.

b. The NY Green Bank should offer concessionary loans for projects that are developed by MWBEs or that serve low income DAC residents and projects.

5. The PSC Should Clarify and Improve Incentives Serving LMI residents, Affordable Housing, and residents of DACs

Vote Solar and AGREE support 40% of all new MWs to the Solar Energy Equity Fund ("SEEF") serving LMI residents, affordable housing, and DAC residents. The Roadmap does not, however, provide enough specifics on how these incentives will be used. Specific recommendations include:

a. Setting aside 40% of each base incentive block for SEEF projects.
b. Clarifying that a majority of SEEF funding can be used to provide guaranteed bill savings to LMI customers.

c. Expand the eligibility of the Multifamily Affordable Housing Incentive for more than just the first 200 kW of a project.

6. NYSERDA should fund the participation of M/WBEs and workers of color.

Vote Solar and AGREE recommend that NYSERDA sets aside additional funding for technical support and incubation of new M/WBE solar companies so that they can build and own projects in their own localities, with a focus on democratically accountable, cooperative businesses.

We also suggest two additional incentive adders:

- Minority-Business Enterprise Adder (MBEA) - The MBEA would result in an additional $0.10 adder to projects that allocate at least 40% of the profits to MBEs and/or that hire approved MBEs for at least 40% of the project work.

- Women-Business Enterprise Adder (WBEA) - The WBEA would result in an additional $.05 adder to projects that allocate at least 40% of the profits to WBEs and/or that hire an approved WBEA for at least 40% of the project work.

7. **NYSERDA should prioritize and track the participation of M/WBEs and workers of color.**

NYSERDA should develop staffing and/or installation capacity thresholds that would trigger a region-specific diversity requirement. NYSERDA should cap incentives to developers that do not meet a region-dependent diversity threshold.

NYSERDA should also report on diversity metrics in a clear, timely, and easily accessible way. Beginning on the date that the roadmap was filed, December 17, 2021, NYSERDA should require that all solar companies receiving NYSERDA funding report on their workforce diversity once they hit the threshold of 15 projects or 5MW, whichever comes first. This reporting should include all full-time and part-time employees, as well as non-employees (i.e. independent contractors).

8. **NYSERDA Should increase MWs allocated to Con Edison territory to at least 568 MW**

Increasing the block incentives in Con Edison's service territory to 568 MW will ensure that Con Edison receives 14.2 percent of all new solar capacity proposed by the Roadmap – a percentage that is equal to Con Edison's current share of statewide distributed solar capacity. As aforementioned, the cost and pollution burdens are highest in Con Edison's territory, and it is crucial that parity is maintained in downstate solar capacity.

9. **The PSC Should Quickly Initiate the Next Phase of Determining Solar Compensation**

Funding cliffs have slowed and destabilized the activities of the solar industry in New York in the recent past. This reduces the rate at which projects come online, and chills interest in the New York market among potential development practitioners. Slowdowns in turn disproportionately impact businesses with less access to capital, pay higher wages, or serve customer bases with higher barriers to entry. The short-term viability of block incentives requires that stakeholders return to the table on a continuing basis to revisit and advocate for continued support. Vote Solar and AGREE recommend that a review commence earlier than NYSERDA's proposed triggers of half allocation of half of the incented capacity or the end of 2025. Due to the volatile economic, geopolitical, and climate situation, which can have unforeseen impacts on prices and supply chains as NYSERDA has noted, We recommend a review as early as Q4 2023.

In addition to performing a mid-program review, NYSERDA should reconvene the VDER working group to develop and finalize the next-generation durable distributed generation compensation structure. As the proposed funding allocation winds down, the state should have a successor framework waiting in the wings to ensure that the state is on a glide path to the ultimate build goals to 2050, and does not encounter gaps in compensating projects.

Subsequent policymaking should incorporate an E- value that encapsulates environment and community benefits of in agency decision-making pursuant to CLCPA:

- Development of an E- Value should reflect environmental and community benefits of distributed solar and take into account the Social Cost of Carbon as determined by the DEC. An E-Value must be preserved in the VDER valuation regime in order to represent the value of distributed solar as accurately as possible.

- Vote Solar and AGREE are concerned that the treatment of the E-Value as an elective incentive or value enhancement is problematic. We are concerned that NYSERDA's plan to reconsider integrating an E - value with mid-program review poses the full E-value as an incentive, and not a policy truth or baseline assumption of state policymaking as called for in CLCPA. As such it should not be omitted from consideration as an aspect of clean energy valuation.

Conclusion

For the foregoing reasons, Vote Solar and AGREE recommend that the Commission approve the funding for the Roadmap petition and require NYSERDA to implement the changes recommended above. NYSERDA is the flagship entity tasked with moving New York State to a safe and socially just climate future - as such their responsibility to ensure social equity as well as expediency in the execution of CLCPA. Vote Solar and AGREE look forward to working with the PSC and with NYSERDA to ensure that we deliver on the co-equal imperatives of speed, scale and justice reaching in our climate targets.

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