

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of the Value of
Distributed Energy Resources

Case 15-E-0751

PETITION

Introduction

The New York State Energy Research and Development Authority (“NYSERDA”) is filing this Petition with the Public Service Commission (the “Commission”), in accordance with 16 NYCRR §§ 3.5, 17.1, seeking an Order (1) reallocating Community Distributed Generation (CDG) capacity from cancelled projects in the Market Transition Credit tranches to a new, subsequent Community Credit tranche; and (2) authorizing NYSERDA to use uncommitted NY-Sun funds to support a Community Adder incentive in utility territories where Community Credit capacity is exhausted.

Background

On March 9, 2017, the Public Service Commission issued the VDER Transition Order,¹ which directed that the compensation structure for eligible distributed energy resources (DERs) transition from net energy metering (NEM), a blunt compensation mechanism designed to appropriately open up markets and drive initial development at the time, to the VDER Phase One tariff (the “Value Stack”). The VDER Transition Order improved the compensation structure for DERs by clarifying the value DERs provide to the electric system and provided a foundation for continual improvement of the Value Stack.

The VDER Transition Order established Phase One NEM and an adder to the Value Stack for mass market customers, referred to as the Market Transition Credit (MTC). CDG projects compensated

¹ Case 15-E-0751, In the Matter of the Value of Distributed Energy Resources, Order on Net Energy Metering Transition Phase One of the Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (VDER Transition Order).

under the Value Stack tariff were eligible for an MTC. Eligibility for MTC compensation was subject to the availability of capacity allocations (in megawatts) in each utility that were derived from the incremental 2% net revenue impact limitation.

On April 18, 2019, the Commission issued the Order Regarding Value Stack Compensation (the “Value Stack Compensation Order”), which established, inter alia, a Community Credit for new CDG projects, in place of the MTC.² Through the Value Stack Compensation Order, the Commission also authorized NYSERDA to fund a Community Adder incentive from previously collected, uncommitted ratepayer funds, for CDG projects in Central Hudson or Orange and Rockland (O&R) service territories.

As of October 15, 2019, 118 out of 125 megawatts (MW) of capacity has been filled in the NYSEG service territory, 405 out of 525 MW of capacity has been filled in National Grid territory, and 29 out of 80 MW of capacity has been filled in Rochester Gas and Electric territory. With the imminent closure of the Community Credit tranches in one or more upstate utility territories, NYSERDA requests the relief detailed herein to avoid unnecessary market disruption.

Requested Relief

I. Reallocate Cancelled Capacity and Create a New Community Credit Tranche

NYSERDA requests that the Commission reallocate the capacity assigned to CDG projects in MTC tranches 0-4 that have subsequently been cancelled and create a subsequent Community Credit tranche in the NYSEG, National Grid, and RG&E service territories. The Value Stack Compensation Order discussed the treatment of cancelled CDG capacity as follows:

If a project that qualifies for the Community Credit is later cancelled, its capacity shall be returned to the pool of Community Credit availability, as long as the Community Credit has not been fully exhausted. Where projects that were placed in Tranche 0-4 are cancelled,

² Case 15-E-0751, supra, Order Regarding Value Stack Compensation (issued April 18, 2019) (Value Stack Compensation Order).

that capacity will not be re-opened. However, the Commission will continue to monitor such cancellations and may later use excess capacity created.³

The Community Credit, coupled with the improvements to the Value Stack made in the Value Stack Compensation Order, has been successful in spurring CDG development, especially in NYSEG and National Grid service territories. Several hundred megawatts of allocated capacity in these territories were attributed to mature projects that were already in development and waiting to proceed when the proposed changes of the Value Stack Phase Two Whitepapers were adopted by the Commission in the Value Stack Compensation Order.⁴ As a result, the Community Credit tranche quickly filled with capacity.

Continued support for CDG development is necessary with as little market disruption as possible. New York State stands to benefit from current deployment of CDG projects, many of which seek to leverage the federal investment tax credit (ITC) that is stepping down on an annual basis. The more projects that can leverage a high ITC, the fewer ratepayer dollars will be required to achieve the statewide mandate that 6 GW of distributed solar be deployed by 2025.

Since the release of the Value Stack Compensation Order, projects that used MTC tranche capacity have been removed from the CDG pipeline either because the project has, or will be cancelled, or because the project has, or will be converted to remote net metering. The MTC tranche capacity previously used by these projects has been cancelled and the capacity has not been reallocated. NYSERDA requests that the Commission reallocate the capacity that was cancelled from tranches 0-4 and use the capacity to create a subsequent Community Credit tranche in the NYSEG, National Grid, and RG&E service territories. NYSERDA requests that the budget for cancelled capacity from tranches 0-4 be made available to new projects in the subsequent Community Credit tranche.

³ Id. at 26.

⁴ Id. at 15.

NYSERDA recommends any capacity that is canceled prior to the date of this Petition be pulled into the subsequent Community Credit tranche valued at \$.020 / kWh – stepped down from the current value of \$.0225 / kWh – to allow for the inclusion of more projects. Projects that were previously part of an MTC tranche would not be allowed to re-enter the Community Credit tranches.

The Commission analyzed the net revenue impact to ratepayers in the Value Stack Compensation Order and determined that the Community Credit authorized therein is within the 2% ratepayer impact target at each utility. Accordingly, there will be no increase in ratepayer impact with the creation of a new Community Credit tranche because this capacity was previously allocated to MTC tranches.

II. Additional Funding for the Community Adder

NYSERDA requests that the Commission authorize up to \$35 million of currently uncommitted NY-Sun funds to support a Community Adder for the utility territories that use up all of the existing Community Credits. NYSERDA is preparing an additional filing that requests funding as part of a comprehensive expansion of the NY-Sun Program to achieve the State's 6 GW solar deployment target. The funding requested in this Petition would serve as a bridge to ensure continued market activity and CDG deployment until such time as the subsequent filing is considered by the Commission.

In the Value Stack Compensation Order, the Commission stated:

It would be appropriate to consider extending the Community Adder to projects in other utility territories not receiving an MTC or Community Credit, as well as to extend its availability in Central Hudson and O&R. Any such extension would require further Commission consideration of funding source and incentive levels.⁵

Accordingly, NYSERDA proposes to administer a Community Adder of \$0.18/Watt DC, consistent with its administration of the existing Community Adder for Central Hudson and Orange &

⁵ Id. at 30.

Rockland, for CDG projects developed in utility territories that have fully exhausted their existing Community Credit or Community Adder tranches.

Conclusion

For the reasons set forth above, NYSERDA respectfully requests that the Commission issue an Order (1) reallocating CDG capacity from cancelled projects in the MTC tranches to a new, subsequent Community Credit tranche; and (3) authorizing NYSERDA to use uncommitted NY-Sun funds to support a Community Adder incentive in utility territories where the Community Credit capacity is exhausted.

November 1, 2019

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Sarah Main".

Sarah Main
Counsel
NYSERDA
17 Columbia Circle
Albany, New York 12203-6399
(518) 862-1090