

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on September 12, 2018

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman, dissenting
James S. Alesi

CASE 15-E-0751 - In the Matter of the Value of Distributed
Energy Resources.

CASE 15-E-0082 - Proceeding on Motion of the Commission as to
the Policies, Requirements and Conditions For
Implementing a Community Net Metering Program.

ORDER ON VALUE STACK ELIGIBILITY EXPANSION AND OTHER MATTERS

(Issued and Effective September 12, 2018)

BY THE COMMISSION:

INTRODUCTION

On May 22, 2018, Department of Public Service Staff (Staff) filed the Staff Proposal on Value Stack Eligibility Expansion (Staff Whitepaper). The Staff Whitepaper proposes the expansion of eligibility for Value Stack crediting compensation under Value of Distributed Energy Resources (VDER) tariffs to certain additional distributed energy resources (DERs). The Staff Whitepaper was the culmination of an extensive stakeholder process through the VDER Value Stack Working Group to consider expansion of VDER tariff eligibility. The Staff Whitepaper explains that certain currently ineligible DERs can be compensated using the same Value Stack crediting approach used

in the VDER tariffs without changes to the Value Stack elements.¹ The Staff Whitepaper makes eligibility recommendations based on principles used to identify technologies and project types, including rules to prevent retail rate arbitrage and to determine appropriate service classes.

A Notice Soliciting Comments on the Staff Proposal and Related Matters was issued on May 22, 2018. In addition to soliciting comments on the Staff Whitepaper, comments were requested regarding the appropriate minimum subscription size for community distributed generation (CDG) projects and interzonal crediting, which would permit DERs under Value Stack compensation to apply credits to the bills of customers in the same utility territory but different New York Independent System Operator, Inc. (NYISO) load zones.

This Order expands VDER eligibility and establishes rules recommended in the Staff Whitepaper. In addition, this Order authorizes interzonal crediting for remote crediting and CDG projects being compensated under the Value Stack approach. The investor-owned electric distribution utilities are directed to file tariff revisions to effectuate these determinations.

BACKGROUND

On March 9, 2017, the Public Service Commission (Commission) issued the VDER Transition Order, which enabled the transition to a distributed, transactive, and integrated electric system by compensating DERs based on the actual value

¹ The Staff Whitepaper deals specifically with the issue of eligibility expansion. A variety of other issues related to the continued development of VDER tariffs are currently under consideration in various forums.

provided by those resources.² As an initial step, eligibility for the VDER tariffs was limited to technologies and project types that had previously been eligible for net energy metering (NEM) based on Public Service Law (PSL) Sections 66-j and 66-l, as well as projects that paired energy storage with an eligible technology.³

However, as the VDER Transition Order explained, "VDER tariffs will be expanded beyond NEM-eligible [Distributed Generation (DG)] technologies to all DER in a technologically-neutral, value-focused manner as soon as practicable."⁴ In addition, the VDER Transition Order directed that stand-alone energy storage projects be eligible under the VDER tariff "as expeditiously as possible."⁵ Staff worked with stakeholders through the VDER Value Stack Working Group to pursue these objectives, which culminated in the Staff Whitepaper.

STAFF WHITEPAPER AND NOTICE

The Staff Whitepaper includes a number of proposals that would create a process to further expand Value Stack eligibility based on general principles, expand the types of technologies that are currently eligible, and help avoid inequities for nonparticipating ratepayers.

² Case 15-E-0751, In the Matter of the Value of Distributed Energy Resources, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (VDER Transition Order).

³ The VDER tariffs were finalized in the VDER Implementation Order. See, Case 15-E-0751, supra, Order on Phase One Value of Distributed Energy Resources Implementation Proposals, Cost Mitigation Issues, and Related Matters (issued September 14, 2017) (VDER Implementation Order).

⁴ Case 15-E-0751, supra, VDER Transition Order.

⁵ Id.

Principles for Eligibility Expansion

Staff proposes the following general principles to identify technologies and project types for Value Stack eligibility and to determine the appropriate treatment of those technologies and project types:

- 1) Practicality: Inclusion of the technology or project type must not require any changes to the definition or calculation of existing Value Stack elements;
- 2) Ripeness: There must be a complete enough factual record for a decision.
- 3) Environmental Impacts: Technologies should be either: (i) renewable technologies, based on Tier 1 Renewable Energy Credits (RECs) eligibility rules; or (ii) non-renewable technologies that have potential environmental impacts that are better than or at least approximately "no worse" than bulk system power. Compensation based on environmental attributes should be offered only to projects that are eligible for and provide Tier 1 RECs.
- 4) Non-Participant Cost Impacts: Any potential utility net revenue impact, and therefore potential non-participant cost impact, if applicable, should still be subject to the Tranche system approved in the VDER Transition Order.
- 5) Technology Neutrality: The compensation for resource injections should be based on the specific values provided, rather than on technology designation, recognizing that specific technologies may provide different values.
- 6) Value-Based Crediting: Each element of the Value Stack should reflect an actual value to the system and society and an accurate calculation of that value.
- 7) Electricity Injection Focus: Each element of the Value Stack should have a direct relationship to the production and injection of electricity to the grid.

- 8) Market Transition Credit (MTC) as a Transitional Element:
The MTC was based on kWh retail rates that mass market customers could avoid via NEM and is a transition tool for NEM-eligible resources only; therefore, resources that were not eligible for NEM should not be eligible for the MTC.

Removal of Customer-Type Based Technology and Size Limits

Eligibility for NEM was limited to certain technologies, and certain project sizes by technology, depending on customer type (e.g., residential or commercial). Staff recommends that those limits be lifted, such that any of the technologies appearing in PSL 66-j or 66-l can be built by any type of customer up to the overall 5 MW limit, with the exception of Combined Heat and Power (CHP), which requires further analysis.⁶

Proposed Technologies for Expanded Eligibility

Staff identified additional technologies and project types that could be made eligible for Value Stack compensation based on the Commission's direction and the principles described above. In considering the inclusion of additional technologies and project types, Staff has also considered which elements of the Value Stack should be included in compensation for each resource.

(1) Tier 1 REC Eligible Resources. Staff proposes to expand the eligibility for Value Stack crediting under VDER tariffs to any clean generation technology that satisfies the requirements described for Tier 1 resources under the Clean Energy Standard (CES). While only clean resources that began

⁶ While Staff considered expanding the eligibility of CHP, Staff ultimately determined that further work is needed to define "VDER-eligible CHP" such that granting eligibility to such resources will not worsen environmental impacts, either by increasing rather than decreasing carbon intensity or by causing harmful local impacts.

operation on or after January 1, 2015 are eligible to participate in the CES, Staff proposes that resources that would qualify for Tier 1, but for their vintage date, should also be eligible for compensation under the Value Stack.

(2) Stand-Alone Storage, including Regenerative Braking. Staff proposes that stand-alone storage, including storage paired with consumption load, be eligible for the VDER tariff for any hourly injections to the grid. Staff also proposes that energy storage systems charged by using regenerative braking technologies, such as those used by New York subway systems, be eligible for the VDER tariff for any hourly injections to the grid.

Staff proposes that that Value Stack compensation be determined and calculated in the same manner for these newly eligible resources as for existing resources, except that they will not be eligible the MTC element, based on the principles above, and that the Capacity Value element will be calculated based on Alternative 3. Pursuant to the VDER Transition Order, the Value Stack tariff includes three alternatives for the calculation of Capacity Value. Alternatives 1 and 2 are only available to intermittent resources and offer a per kWh Capacity Value based on retail rates, with Alternative 2 focusing that value on summer afternoon hours. Alternative 3 provides compensation based on performance during the peak hour of the year statewide, as determined by the NYISO following the end of the summer capability period. This is the method by which utilities are charged for capacity and therefore, Staff explains, the most accurate method for determining Capacity Value.

Mitigating Inequities to Nonparticipants

To ensure that storage resources receive charges and credits that accurately reflect the costs and values they

create, Staff proposes customers with stand-alone storage would only be eligible for VDER injection compensation when they are charged for consumption at the utility's Mandatory Hourly Price (MHP), resulting in both charges and credits accurately reflecting hourly values.⁷ For customers installing storage designed primarily to manage their behind-the-meter consumption, MHP would not be required when the injecting storage is sized at 115% or less than the customer's peak consumption load.⁸ Staff also proposes that any standby or buyback rate provisions that would otherwise be applied to non-VDER prosumers would also be applied to customers in the expanded eligibility VDER class, except that compensation for net hourly injections would be based on the Value Stack crediting rather than on existing buyback rate compensation.

CDG Eligibility

Currently, only NEM-eligible technologies are permitted to be organized and compensated as a CDG project. The Staff Whitepaper states that newly eligible Tier 1 technologies should also be permitted to be organized and compensated as a CDG project, as should projects that include an eligible generation technology and storage.

Notice

The Notice sought comment on whether a DER eligible for and receiving compensation based on the VDER Value Stack tariff should be permitted to apply the credits it receives,

⁷ A customer who sites storage behind a separate meter from its other consumption or generation would only be required to be charged based on the Mandatory Hourly Price at the meter on the storage.

⁸ However, customers that meet the pre-existing standards for mandatory inclusion in the MHP rate class would remain in that rate class for as long as they continue to meet those standards, regardless of their installation of storage.

either through CDG or through single-customer remote crediting, to the bills of customers in the same utility territory as the DER, but in a different NYISO load zone. In addition, it sought comment on whether the current CDG minimum subscription size, 1,000 kWh, should be lowered.

NOTICES OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), Notices of Proposed Rulemaking regarding the Staff Whitepaper were published in the State Register on June 6, 2018 [SAPA Nos. 15-E-0751SP13, 15-E-0751SP14, and 15-E-0751SP15]. In addition, a Notice Soliciting Comments on Staff Proposal and Related Matters was issued on May 22, 2018. The time for submission of comments pursuant to the Notices expired on August 6, 2018. Comments were received from 19 stakeholders. The comments received are addressed below.

LEGAL AUTHORITY

As described in the VDER Transition Order, the Commission has the authority to direct the treatment of DERs by electric corporations pursuant to, inter alia, PSL Sections 5(2), 66(1), 66(2), and 66(3). Pursuant to the PSL, the Commission determines what treatment will result in the provision of safe and adequate service at just and reasonable rates consistent with the public interest.

DISCUSSION

The Staff Whitepaper appropriately responds to the directives in the VDER Transition Order by identifying additional technologies that can be made eligible for Value Stack compensation and by providing a framework for eligibility of those technologies. Almost all commenters, including the

Joint Utilities,⁹ developers, and various non-profit groups, are in general agreement that these proposals represent appropriate steps to expand VDER eligibility and should be adopted.

Principles for Eligibility Expansion

Most comments were supportive of the proposed Principles for Eligibility Expansion, although Multiple Intervenors argues that, under the first principle, a required VDER change should not make a technology ineligible for Value Stack treatment forever, or unduly delay applicability. This argument is consistent the Staff Whitepaper, which acknowledges that Staff will continue to evaluate the potential for eligibility expansions as both the VDER tariffs and the market evolve, and will recommend further actions as appropriate.

Multiple Intervenors inaccurately claims that, contrary to the second principle, the factual record in this proceeding is extremely limited. The Staff Whitepaper is the result of almost a year of public stakeholder meetings, including presentations, exchanges of written documents, and multiple sets of comments. As discussed below, the information developed through that process is fully sufficient to render a decision based on the Staff Whitepaper.

Regarding the seventh principle (i.e., Electricity Injection Focus), Acadia Center notes that, while Value Stack compensation is only available for electricity injections into the grid, the amount of compensation often depends on other characteristics of that energy; for example, the Environmental Value depends on the source the energy, while the Demand Reduction Value depends on coincidence of injections with

⁹ The Joint Utilities are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

utility peaks. This is correct, as the Value Stack is based on the ability of DERs to offset a variety of utility costs, not just commodity costs, and nothing in the Staff Whitepaper would modify that critical concept.

The New York Power Authority (NYPA) argues that the Electricity Injection Focus principle should be rejected to allow consideration of behind-the-meter generation for Value Stack eligibility. While such consideration may be appropriate in the future, it would require significantly more analysis and modifications to VDER tariffs, and perhaps to the applicable retail consumption tariffs, than the expansions considered in this Order. Furthermore, a customer can already receive Value Stack crediting compensation for all generation by requesting a separate meter and interconnection for the generator, as the VDER Transition Order permits. For those reasons, the Electricity Injection Focus principle is appropriate at this time.

Because Staff's recommended principles create an appropriate framework for the identification and consideration of potential additions to eligible technologies for VDER, they are adopted.

Removal of Customer-Type Based Technology and Size Limits

The Staff Whitepaper proposes eliminating the customer class and capacity limitations in the NEM statute in applying the Value Stack to projects. Eligibility for NEM is limited to certain technologies and certain project sizes by technology, depending on customer type (e.g., residential or commercial). These limits may have been necessary and appropriate when compensation was associated with the utility service class that applied at that project's site. However, with the advent of the Value Stack, the service class applied at a project site no longer impacts compensation and therefore those limits are no

longer needed. For that reason, the Commission agrees that those limits should be lifted, such that any of the technologies appearing in PSL 66-j or 66-l can be built by any type of customer up to the overall 5 MW limit, with the exception of CHP, which requires further analysis. The only CHP application that was eligible under NEM was residential CHP with a rated capacity between 1 kW and 10 kW that would produce at least 2,000 kWh annually, at a total fuel use efficiency of at least 80%. At this time, those restrictions on CHP projects are retained for NEM and VDER eligibility.

If a project would not have been eligible for NEM under PSL 66-j or 66-l, the project will not be eligible for Phase One NEM or the MTC element of the VDER Tariff. In all other respects, newly eligible projects in this category will be treated in the same way as other projects of that technology which meet the customer type and/or project size rules. For example, solar photovoltaic (PV) projects will be permitted to choose between Capacity Value Alternatives 1, 2, and 3.

Most comments were supportive of eliminating NEM statutory restrictions for Value Stack projects. The Advanced Energy Economy Institute (AEEI),¹⁰ the City of New York (the City), Consumer Power Advocates (CPA), the Northeast Clean Heat and Power Initiative (NECHPI), Multiple Intervenors, and National Fuel Gas Distribution Corporation (National Fuel) all support eliminating the restrictions on CHP as well. Commenters in favor of CHP participation cite to the positive societal, economic, and environmental benefits, technology neutrality, adequacy of the record, Department of Energy confirmation that

¹⁰ Entities filing comments on behalf of Advanced Energy Economy (AEE) include the Alliance for Clean Energy New York (ACE NY), the Northeast Clean Energy Council (NECEC), and their joint and respective member companies.

CHP is significantly more efficient when compared to grid power, and CO₂ levels comparable to other fuels. National Fuel argues that assurances are already in place that CHP cannot unreasonably increase local pollutants. The NECHPI argues that the inapplicability of the Environmental Value should not prevent CHP from receiving the other Value Stack components. CPA suggests allowing CHP participation, but erring on the conservative side by providing such facilities with no Environmental Value while the suggested environmental studies proceed.

The Staff Whitepaper explains that Staff considered expanding CHP eligibility to all CHP below the maximum project size, currently at 5 MW, for any customer, but that during the Working Group process, some stakeholders raised concerns that the record is not adequate to assure that such resources would be “no worse” than system power, environmentally, with respect to CO₂ emissions or to assure that such resources will not unreasonably increase local pollutants in environmental justice areas or other similar locations. The Environmental Defense Fund (EDF) reiterates these arguments in its comments on the Staff Whitepaper and supports Staff’s argument that further analysis is necessary before expanding CHP eligibility. The Commission agrees with these parties that further work is needed to define “VDER-eligible CHP” such that granting eligibility to such resources will not worsen environmental impacts. Staff should continue to work with the New York State Energy Research and Development Authority (NYSERDA) and stakeholders to develop the record such that CHP eligibility for the VDER tariffs can be given further consideration in the near future.

Proposed Technologies for Expanded Eligibility

The Staff Whitepaper recommends expanding VDER eligibility to renewable resources that were not already

eligible, including CES Tier 1 Eligible Resources, as well as projects that would be eligible for Tier 1 but for vintage dates (i.e., projects of the same technologies built before January 1, 2015). Examples of technologies that are Tier 1 eligible, but are not currently eligible to participate in VDER tariffs, are tidal energy generators and biomass generators, such as anaerobic food waste digesters, that meet the Tier 1 CES requirements.¹¹ Staff also noted that, consistent with existing rules for VDER crediting, resources that are not Tier 1 eligible due to their vintage date will not be eligible for the Environmental Value. Based on the principles discussed above, the Staff Whitepaper states that newly eligible resources should not be eligible for the MTC because it is an element specifically tied to NEM eligibility. Similarly, because Alternatives 1 and 2 of the Capacity Value represent transitional tools for moving away from NEM toward value-based crediting, Staff proposes that non-NEM-eligible resources be eligible only for the Alternative 3 Capacity Value. The attached Appendix sets forth the eligibility for each Credit Element by New Resource Category.

Most comments were supportive of Staff's proposal, with Generate Capital specifically expressing support for eligibility of anaerobic food waste digesters, although a few commenters argued that some or all of these resources should be eligible for the Alternative 1 or 2 Capacity Value. AEEI argues that there may be projects in the expanded eligibility category that are intermittent, which was the primary rationale for providing Alternatives 1 and 2 to VDER-eligible projects.

¹¹ Under PSL 66-j, anaerobic digesters were only eligible if they were on farms and met other very prescriptive requirements, including that at least fifty percent of the feedstock be "livestock manure materials."

Digital Energy Corp suggests that another method should be offered for dispatchable resources other than Alternate 3, since it can result in capacity being determined based on only one hour. NYPA argues that offering only Alternative 3 to these resources privileges certain resources over others. The City requests that the Commission clarify when the Value Stack compensation term is deemed to begin for such resources, and the duration of the compensation term. The City recommends that the compensation term begin when the technology opts into the Value Stack and continue for 25 years.

The Commission adopts Staff's proposal. There is no reason to exclude any renewable DERs from Value Stack compensation, as the Value Stack represents a determination of the actual value created by those generators. Regarding Capacity Value, Alternative 3 best represents the value provided to the system. Alternatives 1 and 2 were transitional constructs to allow resources that have been relying on NEM compensation to gradually adapt to the VDER approach. Alternative 3, which reflects actual capacity cost causation for Load Serving Entities and large retail customers, will provide an improved value signal for entry by new market participants and will ensure that the addition of these technologies does not shift capacity costs to nonparticipating customers.

Regarding the City's comment, the Commission notes that the VDER Transition Order states that projects are eligible to receive Value Stack compensation for 25 years from their in-service date. The City recommends that the compensation term for newly eligible projects should begin when the technology opts into the Value Stack and continue for 25 years, but does not explain why these projects should be treated differently from other projects receiving Value Stack compensation. Therefore, as with already eligible projects, newly eligible

projects will receive Value Stack compensation for 25 years from their in-service date, after which they will transition to the then-applicable tariff for compensating DERs. The Commission notes that otherwise eligible generators older than 25 years, such as older hydroelectric facilities with rated capacities of 5 MW or less, may nonetheless opt into the Value Stack, as it is the currently applicable tariff for compensating DERs.

The Staff Whitepaper also proposes that stand-alone storage, including storage paired with consumption load, be eligible for the VDER tariff for any hourly injections to the grid. Staff also proposes that energy storage systems charged by using regenerative braking technologies, such as those used by New York subway systems, be eligible for the VDER tariff for any hourly injections to the grid. The Staff Proposal explains that storage charged with either system power, or by a VDER-eligible technology, will satisfy the principle that its injection is no worse than system power, environmentally.

Most comments were supportive, although NY-Best, Borrego Solar, and AEEI recommend that storage should receive compensation for the Environmental Value once a time- and location-differentiated Environmental Value is developed. NY-BEST and Borrego also argues that storage should be eligible to opt into Capacity Alternative 2 due to the operational limitations associated with current technology. The Metropolitan Transit Authority (MTA) requests that regenerative braking be eligible for Value Stack compensation regardless of whether it is paired with storage. The Joint Utilities argue that larger resources, including storage resources, should be required to seek energy and capacity compensation from the wholesale market rather than receiving those elements as part of the Value Stack. University of Delaware's Electric Vehicle (EV) Research and Development (R&D) Group proposes that the

eligibility expansion include vehicle-to-grid (V2G) systems, where electric vehicle batteries are used to export electricity to the utility system.

The VDER Transition Order allowed storage paired with an eligible VDER resource to receive Value Stack compensation and directed Staff to consider standalone storage for Value Stack eligibility. The Staff Proposal provides a rational and appropriate framework for the eligibility of standalone storage and it is therefore adopted. As requested by the MTA and the University of Delaware's EV R&D Group, the Commission clarifies that eligible resources under the storage umbrella include both regenerative braking systems, whether or not paired with a separate battery, and V2G systems.

As discussed above, Capacity Value Alternative 3 offers the most accurate price signals and therefore will be applied to all newly eligible technologies. With regard to Environmental Value, as Borrego Solar notes, the VDER Value Stack Working Group is currently considering proposals for modifying Environmental Value compensation. To the extent that this results in a proposal to offer time-differentiated Environmental Value as part of the Value Stack, that proposal should include the opportunity for storage resources to receive an Environmental Value.

Mitigating Inequities to Nonparticipants

The Staff Whitepaper's recommendations for avoiding arbitrage opportunities and impacts on nonparticipants are also adopted. If customers with storage resources were permitted to remain on rates that calculate consumption charges based on monthly average prices, a storage resource could charge from system power during a high-value period at an average retail consumption rate and then immediately inject that power back into the system for the more granular, and therefore higher,

VDER tariff value. As Staff proposes, the Commission requires that a customer with stand-alone storage participating in the Value Stack tariff must be charged for consumption at the utility's Mandatory Hourly Price (MHP) rate, resulting in both charges and credits accurately reflecting hourly values.¹² For customers installing storage largely to manage their behind-the-meter consumption, the customer will not be required to be charged the MHP rate when the injecting storage is sized to not exceed 115% of the customer's peak consumption load.¹³ However, such customers should be permitted to opt into hourly pricing.

Projects eligible for NEM have generally been exempt from participation in utility standby or buyback rates. This exemption has continued with VDER. The Staff Proposal recommends that newly eligible projects should not receive this exemption and that instead any standby or buyback rate provision that would otherwise be applied to non-VDER prosumers also be applied to customers in this expanded eligibility VDER class, with the exception that compensation for net hourly injections would be based on the Value Stack rather than on existing buyback rate compensation. The Staff Proposal explains that the exemption permits projects to avoid charges that have been deemed appropriate for such prosumers to support the existence and maintenance of the electrical grid and that expanding the exemption is neither fair nor sustainable.

¹² A customer who sites storage behind a separate meter from its other consumption or generation would only be required to be charged based on the Mandatory Hourly Price at the meter on the storage.

¹³ However, customers that meet the pre-existing standards for mandatory inclusion in the MHP rate class would remain in that rate class for as long as they continue to meet those standards, regardless of their installation of storage.

While most comments were supportive, a few commenters suggest that it is not prudent to apply these charges to expanded technologies. AEEI expresses concern that this could disadvantage newly eligible technologies. The City recommends that any other rate design elements intended to compensate for self-generation should be carefully weighed to ensure they do not serve as barriers to DER adoption. Digital Energy Corp supports giving DERs the option to select either the standard rate or the standby rate. NYPA argues that the Commission should extend the standby rate exemption to newly eligible resources in order to promote the development of DG and to avoid undue complexity associated with variable rate structure for intermittent DG. NY-BEST argues that Staff's proposal with respect to standby and buyback provisions needs additional analysis, potentially through the Rate Design Working Group.

The Commission adopts Staff's recommendation that standby and buyback rate provisions that would apply to non-VDER prosumers will also apply to newly eligible projects. Standby rates seek to ensure that customers who generate on-site, who still depend on the electric grid to ensure that they have access to electricity when their needs exceed their generation or when their generator fails, are charged an appropriate level to support to the existence and maintenance of the electrical grid. Buyback rates similarly ensure that customers who inject energy into the grid provide appropriate contributions to the maintenance of the grid. Exempting customers from these rates, and allowing them to instead remain on standard rates not designed with prosumers in mind, carries the potential of allowing those customers to contribute less than the costs they cause and thereby shift costs onto other customers.

CDG Eligibility

Currently, only NEM-eligible technologies are permitted to be organized and compensated as a CDG project. Staff proposes to expand the CDG-eligible list to the Tier 1 technologies proposed to be added to VDER eligibility, including when any of the VDER eligible technologies are combined with storage. Most comments were supportive, although the Joint Utilities recommend monitoring the development of CDG on a periodic basis. The Commission finds that it is appropriate to adopt Staff's proposal at this time. Staff will continue monitoring CDG projects to ensure that the CDG program is benefiting customers and supporting achievement of New York's policy goals.

Interzonal Crediting

In response to the Notice, a number of commenters, including High Peaks Solar, SolarPark Energy LLC, the Acadia Center, Borrego Solar, PowerMarket, express support for interzonal crediting. The City expresses concern that interzonal crediting could discourage DER development in New York City and recommends that the Commission refrain from adopting interzonal crediting at this time, and instead focus on addressing barriers to DER development in New York City. The Joint Utilities state that interzonal crediting can be accommodated in their billing processes, although there is a need for customer education because the difference in credits between NYISO load zones has the potential to create customer confusion.

When limited to Value Stack compensation, the Commission finds that interzonal crediting causes no additional cost shifts between customers, while increasing the potential for all New Yorkers to benefit from CDG, as well as for businesses to build projects for remote crediting. Interzonal

crediting within a utility territory shall therefore be permitted for CDG and remote crediting projects compensated based on the Value Stack. The Commission agrees with the Joint Utilities that it is important that customers understand what value their CDG subscription will have and directs CDG providers to ensure that the disclosure forms mandated by the Commission's DER Oversight rules appropriately reflect the expected value of credits in projects using interzonal crediting.

With respect to the City's concerns, the Commission notes significant work is ongoing to address barriers to development in New York City, including recent modifications to the NY-Sun Program and proposals recently filed by Staff for modification to the MTC and Demand Reduction Value.¹⁴ In addition, Staff, NYPA, the City, and Consolidated Edison Company of New York, Inc. continue to work together to ensure that projects built on buildings owned by NYPA customers can receive Value Stack compensation. These efforts, and not imposing restrictions on projects built outside of the City, are the most appropriate mechanisms to incentivize solar development in New York City.

CDG Minimum Subscription Size

The Notice also sought comment on whether the current CDG minimum subscription size, 1,000 kWh annually, should be lowered to facilitate the participation of customers who wish to take smaller subscriptions. A number of comments were filed supporting the adoption of a lower subscription size. No commenters suggested a specific alternate minimum, though several suggested that no minimum be applied. The Joint

¹⁴ Case 15-E-0751, supra, Staff Whitepaper on Future Community Distributed Generation Compensation (filed July 26, 2018); Draft Staff Whitepaper Regarding VDER Compensation for Avoided Distribution Costs (filed July 26, 2018).

Utilities oppose a modification to the minimum subscription size, arguing that the transaction costs associated with smaller subscriptions would be too high relative to their value to justify such a reduction. The Joint Utilities also note that, for projects compensated under the Value Stack, a 1,000 kWh annual subscription would have an average value of \$17 per month.

The Commission notes that it is appropriate to have a minimum subscription size for CDG because each CDG customer will impose some additional incremental administrative and transactional cost on the utility, even when utility crediting systems are entirely automated. No commenter suggested a specific minimum smaller than 1,000 kWh or provided specific details on the usage profiles that require a lower minimum. Furthermore, we find persuasive the point made by the Joint Utilities that, under Value Stack compensation, even a customer with less than 1,000 kWh annual usage could use all of the credits generated by a 1,000 kWh subscription to an average Value Stack project. For those reasons, the minimum CDG subscription size is not modified and will remain 1,000 kWh per year.

CONCLUSION

The decisions made in this Order continue the evolution of VDER tariffs as effective compensation mechanisms for DERs in New York. In order to effectuate those decisions, the Joint Utilities are directed to file tariff amendments implementing the expansion of Value Stack eligibility and availability of interzonal crediting. As these changes are the results of substantial public process, newspaper publication is unnecessary and will be waived.

The Commission orders:

1. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation are directed to file tariff leaves implementing the expansion of Value Stack eligibility and availability of interzonal crediting consistent with the requirements in the body of this Order on not less than thirty days' notice to become effective on December 1, 2018.

2. The requirements of §66(12)(b) of the Public Service Law and 16 NYCRR §720-8.1 concerning newspaper publication of the tariff amendments described in Ordering Clause No. 1 are waived.

3. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

4. These proceedings are continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

APPENDIX

Eligibility for Credit Element by New Resource Category

Additional VDER Eligible Resources

	Other Tier 1	Stand-Alone Storage/ Braking*	Non-NEM CHP
<u>Credit Element</u>			
LBMP	Yes	Yes	Not at this time
ICAP	Alt. 3	Alt. 3	Not at this time
E	Yes	No	Not at this time
LSRV	Yes	Yes	Not at this time
DRV	Yes	Yes	Not at this time
MTC	No	No	Not at this time
Project Size Limit	5 MW	5 MW	N/A

*Note: for storage paired with an eligible generator, the 5 MW limit is applied as described in the Commission's April 19, 2018 Order Modifying Standardized Interconnection Requirements in Case 18-E-0018. Essentially, the eligible generator and the storage may each individually be sized at up to 5 MW and no more than 5 MWs may be injected into the distribution grid at any given time.