



July 31, 2015

**VIA ELECTRONIC FILING**

The Honorable Kathleen H. Burgess  
Secretary to the Commission  
New York State Public Service Commission  
Empire State Plaza, Agency Building 3  
Albany, New York 12223-1350

Re: Case 14-M-0101 – Proceeding on Motion of the Commission in Regards to Reforming the Energy Vision

Dear Secretary Burgess:

The Advanced Energy Economy Institute (AEEI), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the New England Clean Energy Council (NECEC), and their joint and respective member companies, submit for filing these comments in the above-referenced proceeding, in connection with the demonstration project proposals filed by the New York distribution companies pursuant to the Commission's February 26, 2015, Order Adopting Regulatory Policy Framework and Implementation Plan. Our comments focus on the several proposals that include regulated utility ownership of distributed energy resources (DER).

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ryan Katofsky", with a large, sweeping flourish at the end.

Ryan Katofsky  
Director, Industry Analysis  
Advanced Energy Economy Institute

## Introduction

The mission of Advanced Energy Economy Institute (AEEI), the charitable and educational organization affiliated with Advanced Energy Economy (AEE), is to raise awareness of the public benefits and opportunities of advanced energy. As such, AEEI applauds the New York Commission for opening this proceeding on Reforming the Energy Vision (REV), which seeks to unlock the value of advanced energy so as to meet important state policy objectives and empower customers to make informed choices on energy use, for their own benefit and to help meet these policy objectives. In order to participate in the REV proceeding, AEEI is working with AEE and two of its state/regional partners, the Alliance for Clean Energy New York (ACE NY) and the New England Clean Energy Council (NECEC), and the three organizations' joint and respective member companies to craft the comments below. These organizations and companies are referred to collectively as the "advanced energy community," "advanced energy companies," "we," or "our."

The advanced energy community strongly supports the efforts of the Commission in this proceeding, and is committed to playing its part to create a high-performing electricity system in New York State. To that end, the advanced energy community looks forward to its continued involvement in this proceeding, and in assisting the Commission in this endeavor.

In previous REV filings, the advanced energy community strongly supported distribution company development of demonstration projects, particularly where they would promote partnerships between utilities and third parties.<sup>1</sup> We noted the importance and appropriateness of allowing for regulated cost recovery of demonstration projects, whatever their outcome, in order to encourage demonstrations of new technologies and business models.<sup>2</sup>

The advanced energy community reiterates its support for regulated utility demonstration projects and notes that several member companies of AEE, ACE NY and NECEC are partners in some of the proposed projects, consistent with the Commission's direction in its December 12, 2014, "Memorandum and Resolution on Demonstration Projects (included as Appendix D in the February 26, 2015, Track 1 Order) and an indication of the value the advanced energy community sees in these demonstrations.

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<sup>1</sup> Advanced Energy Economy Institute (AEEI), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the New England Clean Energy Council (NECEC), and their joint and respective member companies, Comments on Track 1 Straw Proposal, September 22, 2014, p.6, p.34

<sup>2</sup> Ibid., p.6, pp.34-35.



## The Distribution Utilities Must Provide Justification that Regulated Utility Ownership of DER is Necessary Even in Demonstration Projects

Although the advanced energy community has not reviewed all of the demonstration proposals in detail, they appear to be testing some important REV concepts. Nevertheless, in several projects, the distribution companies are proposing regulated utility ownership of DER assets without providing explanations and justifications that their proposals for DER ownership are consistent with the guidelines laid out by the Commission with respect to the conditions under which such ownership would be permitted. While demonstration projects were one of the four exceptions to the general prohibition against regulated utility ownership of DER, the Commission noted,

“As described, *infra*, we recognize that demonstration partnerships with utilities and third parties can accelerate market understanding and the development of sustainable business models. *In limited circumstances*, utility investment and ownership of assets to support such demonstrations is warranted.”<sup>3</sup> (emphasis added)

The reference to “limited circumstances” makes it clear that the distribution companies need to explain why regulated utility ownership of DER is necessary, appropriate and consistent with the Commission’s DER ownership guidelines:

- procurement of DER has been solicited to meet a system need, and a utility has demonstrated that competitive alternatives proposed by on-utility parties are clearly inadequate or more costly than a traditional utility infrastructure alternative;
- a project consists of energy storage integrated into distribution system architecture;
- a project will enable low or moderate income residential customers to benefit from DER where markets are not likely to satisfy the need; or
- a project is being sponsored for demonstration purposes.<sup>4</sup>

Moreover, even for demonstrations, the Commission issued guidelines that state that competitive markets are preferred.<sup>5</sup>

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<sup>3</sup> December 12, 2014 “Memorandum and Resolution on Demonstration Projects (included as Appendix D of the Track 1 Order), Section IV.C.2 Utility Engagement in DER.

<sup>4</sup> NY PSC Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Adopting Regulatory Policy Framework and Implementation Plan, February 26, 2015, p. 70.

<sup>5</sup> December 12, 2014 “Memorandum and Resolution on Demonstration Projects (included as Appendix D of the Track 1 Order).



## Several Demonstration Proposals Lack Such Justification

The advanced energy community has identified the following demonstration project proposals where the distribution companies have not explained why regulated utility ownership of DER is warranted.

### National Grid/Niagara Mohawk “Fruit Belt Neighborhood Solar Project”

In this demonstration project, National Grid proposes to own solar systems on the homes of 100 low-moderate income households. National Grid states that regulated utilities are allowed to own DER if it “will enable low or moderate income residential customers to benefit from DER where *markets are not likely to satisfy the need* or where a project is being sponsored for demonstration purposes.”<sup>6</sup> The company further states, “In order to pass the full monetary benefits of this LMI neighborhood deployment of rooftop solar PV back to residents, *where the marketplace is not likely to satisfy this need*, and to realize the maximum benefit to the electric distribution system and other utility customers, this demonstration project will utilize utility ownership as an alternative to the traditional third-party Power Purchase Agreement (“PPA”).”<sup>7</sup> (emphasis added)

National Grid does not provide the basis for its conclusion that “the marketplace is not likely to satisfy this need,” nor does the company describe how it has tested the market to identify potential third-party partners. The advanced energy community respectfully requests that National Grid be asked to provide this information. If the company has not sought out third parties to own the DER, the advanced energy community further asks that they be required to do so and provide a description of the solicitation process and results before the Commission approves the Fruit Belt Neighborhood Solar Project.

### Con Edison “Clean Virtual Power Plant”

Con Edison proposes to partner with SunPower and Sunverge to install residential behind the meter storage and to aggregate the capacity into a “virtual power plant,” totalling 1.8 MW and 4 MWh. The

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<sup>6</sup> Niagara Mohawk Power Company, d/b/a National Grid, *National Grid Proposed REV Demonstration Project Filing: Case 14-M-0101 – Reforming the Energy Vision (REV)*, July 1, 2015, p.15.

<sup>7</sup> Niagara Mohawk Power Company, d/b/a National Grid, *National Grid Proposed REV Demonstration Project Filing: Case 14-M-0101 – Reforming the Energy Vision (REV)*, July 1, 2015, p.12.



company's filing states, "Con Edison will purchase, own and control the fleet of energy storage assets during the duration of this Demonstration Project. Con Edison and SunPower are designing a mechanism through which Con Edison can designate a finite time period for its ownership and control of the energy storage assets after the completion of this demonstration project."<sup>8</sup>

The advanced energy community is pleased to see that Con Edison has engaged third parties in this demonstration but notes that the project description does not appear to explain why Con Edison should own the storage, although it is also stated that storage is not yet cost-effective. The advanced energy community respectfully requests that Con Edison be asked to elaborate further on why regulated utility ownership, at least initially, is warranted. The company should also be asked to provide additional detail regarding the time period for regulated utility ownership of this DER and the mechanism for transferring ownership and control after this time period before this demonstration project is approved.

### Central Hudson Community Solar Demonstration Project

Central Hudson proposes to develop a 2 MW utility owned solar system from which customers can buy power in 100 kwh/month "blocks." Central Hudson says that regulated utility ownership provides value because it fulfills three of the Commission's exceptions to regulated utility ownership of DER:

- Consists of energy storage integrated into the distribution system;
- Enables low and moderate income customers to benefit from DER in a way that the market would not provide because 5% of the system capacity is set aside for low-income customers; and
- It is just for demonstration purposes and does not set a precedent for future DER ownership by Central Hudson.

Central Hudson also argues that this is more economically efficient than virtual net metering or homeowner-owned systems because all of the cost of the system is paid for by the users and that there is no cost shift to other customers.

Central Hudson does not explain, however, whether and how it tested the market to identify potential non-utility owners and why it concluded regulated utility ownership of solar is necessary to achieve the cost-effective outcome it seeks or is otherwise warranted, particularly given the number of

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<sup>8</sup> ConEdison, *Clean Virtual Power Plan: REV Demonstration Project Outline, Case 14-M-0101 – Reforming the Energy Vision (REV)*, July 1, 2015, p.5.



community shared solar models involving third parties in existence in other states if not New York. The advanced energy community respectfully requests that the Commission ask Central Hudson to provide this information before approving this project.

## Conclusion

The advanced energy community strongly supports distribution company demonstrations of technologies and business models and looks forward to working with the utilities to realize the Commission's objectives for REV. In order to determine whether the proposed demonstration projects will advance that vision, additional information is needed from the distribution companies to ensure that their proposals adhere to the Commission's principles of DER ownership, in which they are the "provider of last resort." We respectfully ask that the Commission request this additional information and then act to ensure that the demonstration projects are aligned with the principles and objectives of REV.

