

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission in Regard to
Reforming the Energy Vision**

Case 14-M-0101

DSIP GUIDANCE DOCUMENT REPLY COMMENTS

**Acadia Center, Association for Energy Affordability, Citizens for Local Power,
Clean Coalition, Environmental Advocates of New York, Environmental Entrepreneurs,
Natural Resources Defense Council, The Nature Conservancy, New York League of
Conservation Voters, New York Public Interest Research Group,
Pace Energy and Climate Center, and Sierra Club**

Dated: January 6, 2016

**Acadia Center, Association for Energy Affordability, Citizens for Local Power,
Clean Coalition, Environmental Advocates of New York, Environmental Entrepreneurs,
Natural Resources Defense Council, The Nature Conservancy, New York League of
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Reply Comments to New York State Department of Public Service

Staff Proposal: Distributed System Implementation Guide

Case 14-M-0101

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I. INTRODUCTION AND SUMMARY

On October 15, 2015, the New York State Department of Public Services Staff (“Staff”) filed a Staff Proposal regarding Distributed System Implementation Plan Guidance (“DSIP Guidance Proposal”)¹ in Case 14-M-0101. The Staff invited parties to submit comments on several recommendations pertaining to utilities’ future roles as Distributed System Platform providers by December 7, 2015, and reply comments by January 6, 2016.²

Acadia Center, Association for Energy Affordability, Citizens for Local Power, Clean Coalition, Environmental Advocates of New York, Environmental Entrepreneurs, Natural Resources Defense Council, The Nature Conservancy, New York League of Conservation Voters, New York Public Interest Research Group, Pace Energy and Climate Center, and Sierra Club, filing jointly as the Clean Energy Organizations Collaborative (“CEOC”),³ appreciate the opportunity to provide reply comments regarding the DSIP Guidance Proposal. This document builds upon many points raised in previous filings from CEOC members,⁴ and was prepared with the assistance of Synapse Energy Economics, Inc.

These reply comments focus on six key issues raised in other parties’ comments:

- The Staff should clarify the Distributed System Implementation Plan (“DSIP”) process and timeline.
- Request for Proposals (“RFPs”) should be used to procure Distributed Energy Resources (“DERs”).
- Advanced Metering Infrastructure (“AMI”) should be evaluated consistently on the basis of cost-effectiveness.

¹ Case 14-M-0101. Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Staff Proposal: Distributed System Implementation Plan Guidance (October 15, 2015).

² Case 14-M-0101. Notice Extending Deadline to File Reply Comments (December 14, 2015).

³ The Pace Energy and Climate Center and the Alliance for Clean Energy New York co-convene an independent group called the Clean Energy Organizations Collaborative on REV-related matters. This collaborative is made up of national and state-based environmental organizations, clean energy companies and organizations, renewable energy industry trade associations, consumer groups, energy efficiency providers, and academic centers. CEOC seeks to ensure environmental outcomes that are consistent with New York’s overall pollution reduction goals; break down existing barriers to clean energy services; and inform its members on market and rate design issues.

⁴ Case 14-M-0101. Core Principles for Reforming the Energy Vision and Creating a Clean Energy Fund from Columbia’s Sabin Center for Climate Change Law, Environmental Defense Fund, Natural Resources Defense Council and Pace Energy and Climate Center (May 27, 2014).

- Stakeholder input should be robust and independent.
- Data access should not be determined solely by the utilities.

II. THE STAFF SHOULD CLARIFY THE DSIP PROCESS AND TIMELINE

CEOC strongly recommends that the DSIP Guidance Document extend further than the incremental development of information regarding the distribution system and available resources. In our initial comments, we recommended a timeline that included Initial DSIPs, a Supplemental DSIP, a DER Procurement Plan, and ultimately the procurement of new DER by the end of this cycle. A clear roadmap for the full extent of this process is needed from the Commission in order to ensure that cost-effective DERs are implemented and the goals of REV are realized.

We agree with the City of New York that the draft DSIP Guidance Document “seeks to have the utilities provide as part of their DSIPs basic factual information” that should be provided in advance of the DSIPs. This information should be viewed as a key input, rather than an output of the DSIPs.⁵ CEOC recommends that the information requested in the draft DSIP Guidance Document be provided by the utilities and vetted by stakeholders in technical conferences during the winter and spring of 2016. This information should be supplemented by potential estimates for varying types of DERs, including distributed generation, energy efficiency, and demand response, developed in consultation with stakeholders. Together, this information will provide a foundation for the actual plans that will comprise the utilities’ DSIPs and their subsequent DER procurement plan.

CEOC is troubled by the Joint Utilities’ assertion that “the models and data necessary to support increased DER penetration do not yet exist.”⁶ The utilities should use the best data available now to develop their DSIPs and DER procurement plan. While CEOC recognizes that sophisticated planning approaches and data will need to be developed over time to facilitate

⁵ City of New York, Initial DSIP Guidance Document Comments, p. 8.

⁶ Joint Utilities, Initial DSIP Guidance Document Comments, p. 8.

integration and control of large quantities of DERs on the distribution system, there is no need to delay initial DER procurements. As noted in our initial comments, peer utilities in Massachusetts and Rhode Island are achieving energy efficiency savings more than double that planned in the utilities' Energy Efficiency Transition Implementation Plans.⁷ Further, according to the U.S. Energy Information Administration, New York has installed less than half of the distributed solar photovoltaic capacity as New Jersey, and only 12 percent of the capacity of California.⁸ Clearly, it is reasonable to expect that the New York electric system is capable of supporting additional integration of DERs while the utilities further develop their DSP capabilities.

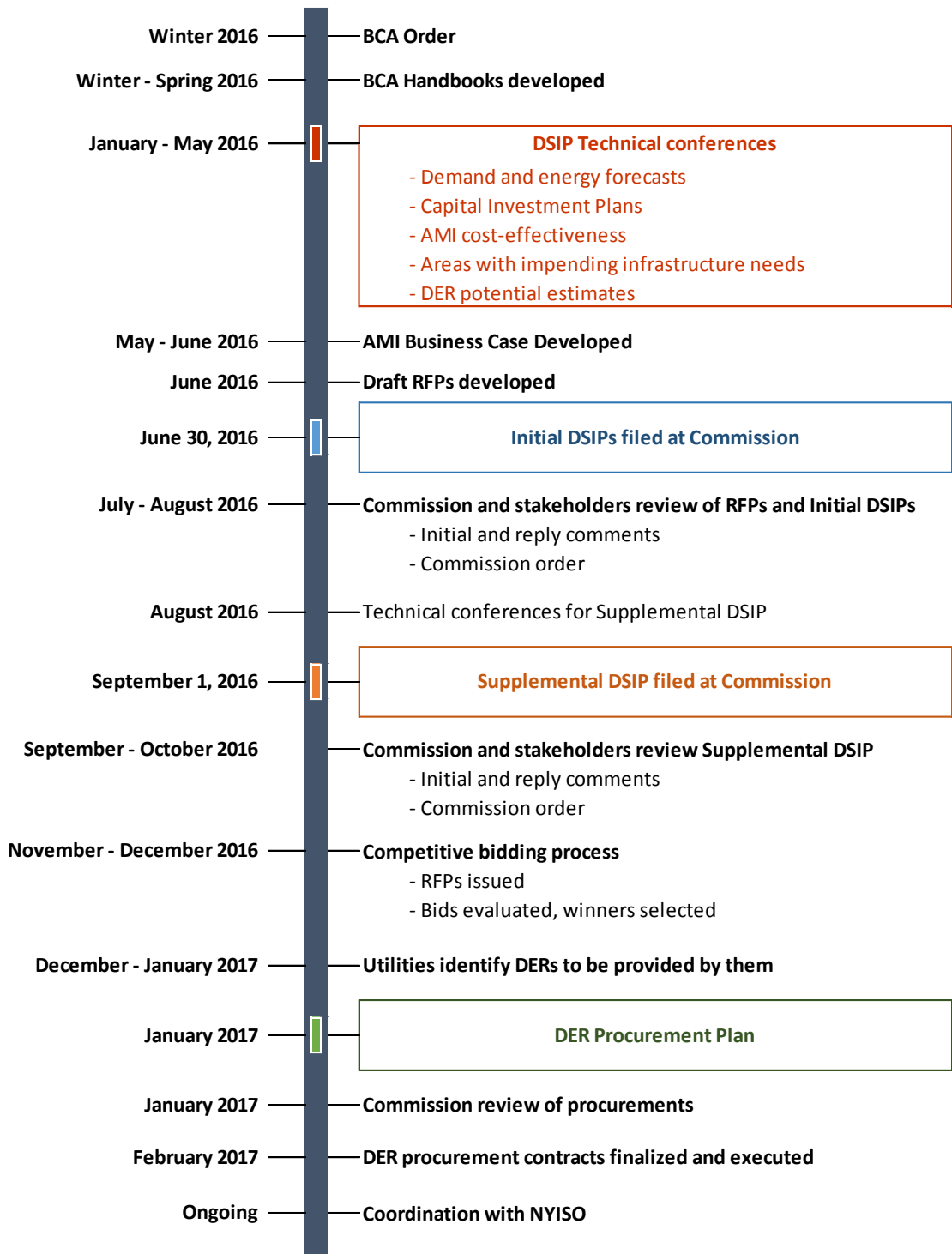
Developing a clear roadmap will also facilitate coordination with related entities, including the New York Independent System Operator (NYISO) and the local transmission owners. As noted in our initial comments, it is likely that NYISO will release its Reliability Needs Assessment (RNA) in September 2016. In order to have the greatest beneficial impact on the transmission planning process, the utilities' DER planning activities should be conducted within a timeframe that allows this information to be incorporated into the NYISO's reliability planning process. In addition, DER procurements should be explicitly accounted for in NYISO's Comprehensive Reliability Plan (CRP), which aims to resolve needs identified in the RNA through procurement of market-based solutions or regulated backstop solutions provided by local transmission owners.

Below we offer a more detailed version of the timeline that was included in our initial comments. We have supplemented this timeline with additional details regarding topics to be covered in the technical conferences, the competitive procurement process, and coordination with NYISO, among other important milestones.

⁷ CEOC Initial Comments, page 13.

⁸ U.S. Energy Information Administration, *Electric Power Monthly*, September 2015, available at <http://www.eia.gov/electricity/monthly/pdf/epm.pdf>.

Figure 1. Timeline for DER Planning and Procurement



III. RFPs SHOULD BE USED TO PROCURE DERS

Our initial comments recommended that DER be procured using a RFP-based competitive procurement process.⁹

Advanced Energy Management Alliance (AEMA) argues that an auction process would be best for incenting or acquiring system benefits associated with improvements implemented behind customer meters. AEMA states that for price discovery, auctions that pay all cleared resources at a single clearing price for a well-defined commodity are preferable to pay-as-bid RFPs. Auctions give market participants the incentive to bid at cost rather than to build margin into their bid, and facilitate the entrance of new competitors.¹⁰

CEOC continues to recommend, at least in the near term, that DER be procured using a RFP-based competitive procurement process. We recognize that, for some commodities in some contexts, an auction process might lead to better prices or better terms than pay-as-bid RFPs. However, in order for this outcome to occur, at least two important conditions are necessary. First, the commodity must be narrowly and clearly defined, so that auction bids are directly comparable to each other. A high-cost commodity cannot be included in the same auction as a low-cost commodity, because the producers all receive the same price from the auction. Second, the market must be robust and competitive, with multiple producers providing a very similar product. In the absence of a robust market with multiple competitors, there is a significant risk of commodity overpricing and market manipulation. When DER markets are more mature and after a thorough auction design process is undertaken, auctions—not just marginal prices auctions used at the NYISO—could eventually be used for specific purposes and under certain circumstances.

CEOC believes that the industry and markets for DERs are not sufficiently mature to use auction-based competitive bidding processes. There are so many types of DERs, with different costs, benefits and impacts, that it would be very difficult to define the commodity that would be purchased from an auction. For example, it would not be appropriate to include all types of energy efficiency in a single auction, because of the wide range of costs of different types of

⁹ CEOC Initial Comments, December 7, 2015, pp. 18-21.

¹⁰ Advanced Energy Management Alliance comments, p. 6.

energy efficiency resources, and the way that energy efficiency affects different customers so differently. This point is indicated in Figure 1 of our initial comments, which shows the wide variation in the amount and cost of energy efficiency resources available to utility customers. A single auction for energy efficiency resources would likely result in many proposals for commercial and industrial programs, which would include only low-cost efficiency measures, and few if any proposals for residential and low-income programs. A single clearing price from such an auction would either result in many efficiency resources being overlooked, many low-cost efficiency resources being overpaid, or both.

Finally, CEOC is concerned that auction-based competitive bidding processes would take considerable time to establish and to implement. RFP-based processes, on the other hand, have been used by utilities for many years and could be quickly applied to the first set of Initial and Supplemental DSIPs.

Over time, there may be opportunities for auction-based competitive bidding processes for DERs in New York. This may prove to be appropriate for certain products and markets that are deemed to be reasonably well-defined and competitive. CEOC recommends that, before using auction-based processes in a significant way, the utilities be required to first test such processes out using pilot programs. If the pilot programs are found to be successful, then auctions could be considered for additional products.

Either way, CEOC recommends that auctions not be used to procure DERs unless the following conditions have been met:

- The commodity being sold is very narrowly defined.
- The commodity being sold at auction has a sufficient number of competitive producers.
- The auction is conducted by an independent third-party with no financial stake in the auction's outcome.
- The auction process is overseen by the Commission, and is supported with sufficient monitoring protocols to prevent market manipulation.

IV. AMI SHOULD BE EVALUATED CONSISTENTLY ON THE BASIS OF COST-EFFECTIVENESS

In our initial comments, CEOC recommended that utility proposals for AMI be evaluated for cost-effectiveness and that the benefits of AMI must be weighed against affordability,¹¹ e.g. through a rate and bill impact analysis.

The City of New York argued that AMI must be universally implemented across utilities, because “allowing AMI in one part of the State but not another, or establishing different rules and procedures for AMI for each service territory, is not consistent with the Statewide retail marketplace envisioned by the Commission.”¹² Likewise, Environmental Defense Fund and IGS Generation argued that full (or wide-scale) deployment of AMI, coupled with additional rate design modifications, is necessary to ensure that all customers receive appropriate price signals and to maximize customer participation.¹³ Exelon maintained that the deployment of universal AMI systems is essential for achieving the REV vision.¹⁴ Mission:data argued that AMI should be fully deployed, as long as usage data from advanced meters are made available free of charge to customers and authorized third parties.¹⁵ On the other hand, Multiple Intervenors held that the Commission should ensure that AMI investments do not contribute unnecessarily to cost and rate increases that consumers are unable to afford. Further, Multiple Intervenors argued that prior to taking any action on AMI proposals, the Commission should insist upon detailed proposals, cost estimates (including rate impact analyses), and quantifications of the benefits to customers and that large industrial customers that have installed their own meters should not have to pay for AMI for other utility customers.¹⁶

CEOC agrees with other parties that deploying AMI can facilitate achievement of REV goals. Without advanced metering and access to data, many of the REV goals may not be realized. However, CEOC shares Multiple Intervenors’ concerns about the distribution of AMI costs and benefits. CEOC stresses that the design and implementation of AMI must be based on

¹¹ CEOC comments, p. 39.

¹² City of New York comments, p. 17.

¹³ Environmental Defense comments, p. 4; IGS Generation comments, p. 9.

¹⁴ Exelon comments, p. 7-8.

¹⁵ Mission:data comments, p. 3.

¹⁶ Multiple Intervenors comments, p. 1-2.

careful analysis and planning to ensure that benefits are achieved, and that these benefits are experienced by all customers. Therefore, the DSIP Guidance should describe the components of an AMI business plan and how AMI will facilitate customer bill management and achievement of REV goals. Furthermore, any AMI proposals must be accompanied by an assessment of cost-effectiveness, using consistent valuations and methodologies across the state (ideally, as described in the BCA Handbook).

Specifically, we recommend that any DSIPs that include proposals for AMI should include the following information (with supporting details and analysis) in their AMI Business Case:

- 1) Projected rate and bill impacts on low-income customers and proposals for ensuring residential and low income customers have access to programs or initiatives using AMI data
- 2) Environmental and DER-related benefits, including:
 - a) Description of the REV-related products and services that will be enabled by the proposed AMI project
 - b) Identification and quantification of environmental and DER-related benefits (e.g., improvements in forecasting and management of distributed resources)
 - c) The extent to which identified benefits could be achieved with an AMI alternative or a partial AMI deployment
- 3) Customer engagement and education plans, including training materials and guides or videos on how to download meter data and how to share data with third party providers
- 4) Procedures for providing customers with near-real-time access to their individual customer data, and for providing third-party providers with near-real-time access to both individual and aggregate customer data

As AMI is an important consideration for the DSIP, AMI proposals should be made and considered within or concurrent with the DSIP process. Technical conferences should precede AMI proposals, and stakeholder engagement should be encouraged through an ongoing AMI Collaborative.

V. STAKEHOLDER INPUT SHOULD BE ROBUST AND INDEPENDENT

In our initial comments, CEOC indicated that meaningful stakeholder engagement and input will be critical to the success of the DSIP process. To facilitate stakeholder participation, we proposed that the Commission require utilities to host technical conferences at several points in the DSIP process, and that the utilities hold separate, one-day technical conferences covering key topics. CEOC also recommended that the Commission allow stakeholders the opportunity to file initial and reply comments at key stages in the DSIP process. Further, CEOC suggested that the Commission identify several priority topic areas on which it is specifically seeking input.¹⁷

AEEI's comments included a proposal for three periods of stakeholder engagement (before, during, and after DSIP development). CEOC agrees. AEEI also indicated concern about the burden being placed upon stakeholders given the volume of material there will be for stakeholders to review, particularly as all of the DSIPs will be filed at the same time. AEEI recommended that the Commission consider ways to support the stakeholders, which could include directing the utilities to provide summaries of the DSIP filings, or have Staff or an independent consultant do so.¹⁸ Given the importance of stakeholder input into this process, CEOC agrees that some form of stakeholder support may be warranted, such as funding to hire independent experts.

Exelon indicated that any requirement that utilities present capital budgets for review by stakeholders and market participants would be redundant with existing adjudicatory processes for considering capital investment proposals and the proposed BCA process, where REV projects are subjected to competitive alternative solicitations. According to Exelon, such stakeholder processes would be inefficient and costly, and make it extremely difficult for utilities to develop baseline capital plans for reliability and other core utility functions.¹⁹ But Exelon ignores the fact that the DSIPs can and should be used to substantially replace the capital budgeting process and can include the benefit cost analysis.

¹⁷ CEOC comments, p. 23-24.

¹⁸ AEEI Comments, p. 3-4.

¹⁹ Exelon Comments, p. 5.

In its comments, the Joint Utilities indicated their expectation that Joint Utilities and Staff would work with a consultant to “identify potential stakeholder engagement working group members from among the active REV participants, in an effort to secure representation from every significant interest inclusive of various customer segments, third-party vendors, and government entities.”²⁰ CEOC disagrees. If stakeholder representatives are chosen, the utilities should not determine who the representatives will be. The group of representatives should include representation from the environmental and consumer sectors in proportion to the utilities’ representation.

VI. DATA ACCESS SHOULD NOT BE DETERMINED SOLELY BY THE UTILITIES

In our initial comments, CEOC recommended that the utilities work collaboratively with third-party vendors to determine the data and data formats that would be most useful. CEOC appreciates the willingness of the Joint Utilities to work collaboratively with stakeholders to provide “insightful information as an output of the planning process,”²¹ but disagrees with the Joint Utilities’ statements that raw data would not also be appropriate for vendors and other third party providers. As we noted in our initial comments, stakeholders should have an opportunity to formally comment on the utilities’ draft data sharing proposals.

Not only is the Joint Utilities’ proposal to limit data access to planning output premature, but it also raises significant concerns regarding market power and the ability of third party vendors to compete on a level playing field. The Joint Utilities should not be the arbiter of data access questions. Instead, such questions should be put before the Commission for final determination, as recommended by the City of New York. We support the City of New York’s recommendation that “the Commission should solicit information from potential market participants, including DER providers, energy service companies, vendors, and consumers, as to the data they need and the manner in which they would like it provided.”²²

²⁰ Joint Utilities comments, p. 20.

²¹ Joint Utilities, p. 14.

²² City of New York, p. 12.

Finally, we agree with NY-BEST and Energy Storage Association that third party data access will also be important in the DSIP planning process. As stated by NY-BEST, the draft Guidance Document skews the process for proposing optimal locations for DER toward the utilities.²³ However, the utilities may only have limited information regarding where DERs would be most useful as alternatives to traditional grid assets. CEOC is concerned that, without greater transparency and data access for stakeholders during the planning process, the utilities may not identify all of the potential areas where DERs could be cost-effectively deployed. This may result in missed opportunities. We agree with NY-BEST and the Energy Storage Association's proposal that the utilities share detailed information on proposed infrastructure planning for both DERs and traditional grid assets.²⁴

Thank you.

[Signatures to follow.]

Respectfully submitted,

²³ NY-BEST, p. 6.

²⁴ NY-BEST, p. 6; ESA, p. 6.

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