STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

CASE 19-M-0463 – In the Matter of Consolidated Billing for)
Distributed Energy Resources.)

NYSEIA AND CCSA COMMENTS IN RESPONSE TO THE PETITION OF THE JOINT UTILITIES TO ESTABLISH NET CREDITING FOR VOLUMETRIC COMMUNITY DISTRIBUTED GENERATION PROJECTS

I. Introduction

In its December 12, 2019 *Order Regarding Consolidated Billing for Community Distributed Generation,* the New York Public Service Commission (PSC, or Commission) directed the state's investor-owned utilities to enable the net crediting model for consolidated billing for community distributed generation (CDG) projects.[1] The PSC recognized the importance of consolidated billing for reducing soft costs of renewable projects, improving the customer experience and reducing confusion, and improving access to renewable energy for low income customers.

The New York Solar Energy Industries Association (NYSEIA) and Coalition for Community Solar Access (CCSA) strongly support the Joint Utilities (JU) petition to establish net crediting for volumetric CDG projects. Net crediting provides many benefits that further New York's goal of bringing clean energy benefits to New Yorkers, and particularly low-to-moderate income customers. Net crediting: improves the customer experience by eliminating the extra step of a second bill; reduces customer acquisition cost by eliminating the need to collect customer payment information; and reduces collection risk for the CDG Host.

There are currently 92 volumetric CDG projects serving over 26,000 CDG satellites. These projects were developed following the PSC's 2015 Order Establishing a Community Distributed Generation Program and before the implementation of the PSC's 2017 VDER Phase 1 Order which replaced volumetric crediting with monetary crediting.

The CDG Hosts of these 92 existing CDG projects and their 26,0000 customers were early adopters of New York's then nascent community solar program. Those that developed these CDG projects invested substantial capital to build the first CDG projects in the state, taking material risk to meet the state's renewable energy objectives. The customers who enrolled in these CDG

[1] Case 19-M-0463, In the Matter of Consolidated Billing for Distributed Energy Resources (Net Crediting Proceeding), Order Regarding Consolidated Billing for Community Distributed Generation (issued December 12, 2019) (Consolidated Billing Order).

projects did so with faith and eagerness to be a part of the clean energy future, willing to pay a second bill to realize the benefits of participating in CDG.

When New York's utilities launched net crediting, these early adopters weren't afforded the opportunity to participate in the net crediting program, which was limited to projects receiving monetary crediting under the Value of Distributed Energy Resources (VDER) tariff. The negative impact of delayed implementation of net crediting for volumetric CDG projects is not just limited to the CDG Hosts and their original satellites. In the current competitive CDG market, where volumetric CDG projects coexist with VDER net crediting projects, volumetric CDG projects struggle to retain satellites. Additionally, when volumetric CDG satellites move or terminate their subscription, it can be challenging to acquire new satellites when there are VDER net crediting projects offering the same customer savings rate. Further, volumetric CDG projects are still subject to the legacy load zone restrictions whereby subscribers must reside in the same utility territory and load zone as the CDG project, further limiting the available pool of potential subscribers. Expanding net crediting to these projects and satellite customers would address these historic inequities and result in better service for these early adopters of CDG while creating incremental revenue for the utility companies, who are able to charge an administrative fee of up to 1% of the value of the credits. This is a win-win-win proposition for the customers, CDG hosts and the utilities.

II. Background

New York has established itself as a national leader in solar energy through its successful CDG program. The Commission launched the CDG program in its July 15, 2015 *Order Establishing a Community Distributed Generation Program and Making Other Findings (CDG Order).*[2] The CDG Order directed that CDG projects be credited through net energy metering, applying kWh credits to customer accounts for their share of the project's monthly production. In 2017, the PSC implemented Phase One of the Value of Distributed Energy Resources (VDER), crediting future CDG projects based on the VDER Value Stack tariff whereby CDG projects received monetary credits based on the temporal and spatial value of net injections to the grid rather than volumetric credits[3].

In 2019, the PSC directed the utilities to implement net crediting to eliminate barriers to customer participation, improve customer experience and reduce soft costs. The Consolidated Billing Order notably and explicitly rejected the JU proposal that net crediting be limited to only Value Stack projects, finding that the JU did not provide justification for this proposal and that "it would unreasonably limit the availability of net crediting."[4] However, four years later, the JU have not yet

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[2] 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 Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015) (CDG Order).
[3] Case 15-E-0751, In the Matter of the Value of Distributed Energy Resources (VDER Proceeding), Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (VDER Phase One Order).
[4] Case 19-M-0463, Consolidated Billing Order. Id.

extended net crediting to volumetric CDG projects and therefore have not yet fully complied with the Commission's Consolidated Billing Order. The CDG industry requested that the utilities implement net crediting for volumetric CDG projects repeatedly at CDG Billing and Crediting Working Group during the intervening years. In October 2023, the JU filed a Petition to Establish Net Crediting for Volumetric CDG Projects.

In the 2019 Consolidated Billing Order, the PSC notes that "the net crediting model will significantly reduce costs for CDG projects in New York State while also increasing benefits and clarity for CDG members and the potential for low-income customers to participate in and benefit from the CDG program." The implementation of net crediting has achieved these outcomes for Value Stack projects by reducing customer acquisition and billing costs, expanding the pool of customers CDG Hosts are able to serve by reducing the need to check for creditworthiness, and reducing customer confusion and mistrust that can result from receiving a second bill for CDG credits. The Consolidated Billing Order also required a minimum 5% customer savings rate, ensuring that all net crediting customers receive guaranteed utility bill savings.

Expanding net crediting to volumetric CDG projects will allow CDG Hosts to better serve their existing subscribers and reach a broader pool of customers, including low- to moderate-income households, as they replace existing customers over the next few decades.

III. Tariff Update Methodology

NYSEIA and CCSA are generally supportive of the JU's proposed method of updating the tariffs by first removing specific references to Value Stack methodology (the current default and dominant CDG valuation method) and then inserting the specific methodology to describe how volumetric net credits will be calculated and applied to a CDG satellite's utility bill. This approach provides the detail necessary to ensure CDG customers and Hosts can account for the valuation and tracking of generated credits.

IV. Bank Forfeiture

NYSEIA and CCSA agree with the JU proposal to allow volumetric CDG and Remote Net Metering projects to retain their existing CDG Host volumetric bank upon conversion to volumetric Net Crediting. Given the benefits of Net Crediting, CDG Hosts should not be disincentivized to convert their projects to Net Crediting because they would lose the value of banked credits. The CDG Host bank represents rightfully generated value from the CDG project. NYSEIA and CCSA strongly encourage the Commission to prevent CDG host bank forfeiture.

V. Additional Changes to Net Crediting

NYSEIA and CCSA support the JU recommendation that future net crediting program changes that apply to Value Stack projects and customers should also apply to volumetric CDG projects. NYSEIA and CCSA recommend that the utilities implement net crediting for volumetric projects without delay, while taking care to consider and plan for proposed improvements to the net crediting program so they can be implemented efficiently for all net crediting customers.

VI. Transfer or Assignment of Ownership

NYSEIA/CCSA strongly support the JU proposal to prevent the forfeiture of credits in the CDG/Remote Crediting Host Bank in the event that a project is transferred from one owner to another. In principle, credits generated by distributed generation projects should not be forfeited, as these credits are the basis for adequately compensating distributed generators and their customers. The JU proposal observes that transfers or assignments of ownership are increasing in frequency. One key reason for this trend is that a growing number of New York's first community solar projects are exiting federal Investment Tax Credit (ITC) recapture periods. Although the ITC can be claimed in full the year after the system is placed in service, the business claiming the ITC must retain ownership of the system until the sixth year of the system's operation, or the business will be required to repay a portion of the tax credit[5]. Allowing banked credits to transfer to the new owner in the event of assignment is an important tariff adjustment that will support New York's maturing CDG market.

VII. Changes to the Net Crediting Agreement

NYSEIA and CCSA support the JU proposal to update the Net Crediting Agreement by adding language that pertains to both Volumetric and Value Stack Net Crediting.

VIII. Changes to the Net Crediting Manual

The JU proposal notes that "[al]though the utilities have slightly different methods of establishing the Volumetric Net Crediting Manual, the rules amongst utilities are generally the same[6]." NYSEIA and CCSA appreciate that the JU used a uniform approach to update their tariffs. While the revised net crediting manuals are operable, they are different across the utilities. We recommend that in future versions of the net crediting manual, the utilities coordinate with one another to standardize wherever possible. Standardizing tariffs and net crediting manuals will streamline participation for CDG Sponsors, ease reporting for utilities, and support DPS' efforts to track and evaluate utility performance with regard to CDG billing & crediting.

IX. Customer Outreach

NYSEIA and CCSA support the JU's approach of conducting direct outreach to the finite number of affected CDG Hosts to solicit input and support the JU's request for a waiver from the newspaper publication requirement in PSL §66 (12) (b) and 16 NYCRR §720-8.1.

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[5] US Department of Energy. Federal Solar Tax Credits for Businesses. https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses. Updated August 2023. Accessed January 19, 2024.

[6] Case 19-M-0463. Joint Utilities. Petition for CDG Net Crediting Program. October 20, 2023.

X. Implementation Timeline

NYSEIA and CCSA believe the JU's proposed implementation timeline is too long. NYSEIA and CCSA recommend that net crediting for volumetric CDG projects be fully operational within six (6) months of an order, and that the utilities strictly adhere to this timeline. The JU proposal is necessary to bring the utilities into compliance with the PSC's 2019 Consolidated Billing Order, which states that "the Joint Utilities are directed to implement net crediting as a billing option for all CDG projects, both existing and new[7]". Volumetric CDG projects were early adopters, and it is important that these CDG Hosts and satellites be afforded equal access to net crediting as soon as possible. This implementation timeline should be inclusive of finalizing automation, quality assurance testing, and migrating over the volumetric CDG projects that opt in to net crediting.

NYSEIA and CCSA also recommend that the PSC clearly define the date by which Volumetric CDG Hosts may enroll in net crediting, as enrollment dates varied between the draft tariffs filed by the utilities as part of their proposal. NYSEIA and CCSA recommend June 1, 2024 for a target enrollment start date, three (3) months before net crediting for volumetric CDG is to be fully operational (September 1, 2024). This timeline will enable volumetric CDG projects to enroll in advance of the net crediting launch date, decreasing the overall implementation timeline while providing the utilities time to prepare for and migrate projects over to net crediting.

XI. Additional Recommendations

Modest Tariff Adjustment to Reduce Banked Credits

The JU proposal would make net crediting widely available to CDG projects and customers. One potential benefit of net crediting is the opportunity to reduce banked credits. In light of the broad access to net crediting the JU proposal offers, NYSEIA and CCSA encourage the PSC to consider directing the JU to amend their tariffs to eliminate unnecessary banking of credits on subscriber accounts. Banked credits on subscriber accounts equate to deferred savings for customers, deferred CDG subscription revenue for CDG Hosts, and deferred administrative fee revenue for utilities. Banked credits on subscriber accounts also contribute to customer confusion, as it is counterintuitive for customers when they carry over banked CDG credits for future months while still owing a significant balance on their current electric bill. Reducing banked credits benefits all parties, and can be achieved through simple tariff adjustments.

Under net crediting, banking of credits on subscriber accounts is seldom necessary. Typical savings rates for CDG subscriptions are in the 5-20% range, making it unlikely for the monetary value of a subscriber's net credits to exceed their total utility bill amount. This is even true during months when a subscriber's allocation of monthly solar production exceeds their electricity consumption in kilowatt hours. Replacing the existing volumetric caps on CDG subscription with monetary caps could significantly reduce banked credits, accelerating the flow of CDG credits to customers.

[7] Case 19-M-0463, Consolidated Billing Order. Id.

NYSEIA and CCSA recommend the Commission consider directing utilities to amend their tariffs to: 1) remove volumetric caps on allocations to CDG Satellites, including monthly Net Member Credit calculations; and 2) add monetary caps on allocations to CDG Satellites, e.g. add language stating that, in the event that the monetary value of CDG credits allocated to a CDG Satellite exceed their account balance, the surplus shall be added to the CDG Satellite Bank. For net crediting projects, CDG net credits should be able to be allocated up to the Satellite customer's account balance, with any surplus still being banked for future months.

Enabling Net Crediting for Remote Crediting

The proposed tariff and software modifications that the JU are proposing are substantially similar to the changes that would be required to enable net crediting for Remote Net Metering (RNM) and Remote Crediting (RC) projects. Expansion of net crediting is a win-win-win, as it improves customer experience, improves the distributed generator's collections process, and generates additional recurring revenue for the utilities that can offset the program costs. Net crediting also reduces risk for DER providers, enabling them to serve a broader and more diverse group of customers with less stringent credit requirements. Enabling net crediting for RNM/RC will expand access to solar savings among small businesses, multifamily buildings, nonprofits and other potential RNM/RC subscribers who could benefit from the utility bill savings and, in some cases, the New York City Local Law 97 compliance value. NYSEIA and CCSA recommend that the Commission direct the JU to add net crediting for RNM and RC while they are updating their tariffs and software for CDG crediting enhancements. If the PSC declines to address net crediting for RNM/RC in its decision on this matter, NYSEIA and CCSA strongly encourage the utilities to implement the required software upgrades with this functionality in mind to allow for efficient implementation in the near future.

XII. Conclusion

Net crediting provides many benefits that further New York's goal of expanding access to clean energy, particularly among low-to-moderate income customers. The JU petition will bring New York's utilities into compliance with the Commission's 2019 Consolidated Billing Order, ensuring that all CDG projects and customers, including early adopters, are able to participate in and benefit from net crediting. NYSEIA and CCSA strongly support the JU petition to establish net crediting for volumetric CDG projects. NYSEIA and CCSA appreciate the opportunity to provide input; we encourage the Commission to consider and incorporate the additional recommendations included in these comments, and to act upon the JU petition without delay.