STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Value of Distributed Energy Resources	)	Case 15-E-0751
Proceeding on Motion of the Commission to Examine Utilities' Marginal Cost of Service Studies	)	Case 19-E-0283

REPLY COMMENTS OF THE CLEAN ENERGY PARTIES REGARDING THE STAFF PROPOSAL ON UPDATING DRV AND LSRV FOR VDER COMPENSATION

April 6, 2026

I. Introduction

On December 31, 2025, the New York State Department of Public Service (DPS or the Department) issued a notice soliciting comments on DPS's December 11, 2025 *Staff Proposal on Updating DRV and LSRV for VDER Compensation*. The Department invited interested parties to submit initial comments by March 2, 2026, and directed the Joint Utilities (JU) to "file draft LSRV tariffs on March 2, 2026, with their initial comments[1]", and invited reply comments by March 23, 2026. On February 24, 2026, in response to an extension request by the JU, the Department issued a notice extending the deadlines for initial and reply comments by two weeks, to March 16, 2026 and April 6, 2026 respectively. The Clean Energy Parties (CEP) submitted initial comments, and appreciate the opportunity to submit these reply comments for consideration by the New York State Public Service Commission (PSC).

In light of the impending federal Investment Tax Credit (ITC) mobilization deadline of July 4, 2026 for solar and the continued ITC supply restriction ramp up for energy storage, the CEP

[1] Cases 15-E-0751 and 19-E-0283. New York State Department of Public Service. Notice Soliciting Comments. December 31, 2025.

respectfully urge the Commission to adopt updated MCOS and derivative DRV values at the Commission's April 2026 session, or as soon as possible. The current MCOS and DRV rates are nearly a decade out of date, resulting in inaccurate price signals for distributed energy resources (DER). Delay risks stranding billions of dollars of private investment and forfeiting a narrow federal ITC opportunity that will not recur.

II. Summary of the Parties' Initial Comments

Several parties submitted initial comments during the public comment period, including the CEP, the City of New York, the JU, New York Power Authority (NYPA), NineDot Energy, and three aligned energy storage developers that operate in Orange & Rockland (O&R) territory.

The CEP comments include four major points. The CEP comments urge the Commission to:

1) Issue an Order quickly approving new DRV rates, set equal to MCOS as proposed by Staff, to increase accuracy and enable New York to maximally leverage the federal ITC while it's still available;
2) Implement a one-time opt-in window that allows developers that paid their 25% deposit after 6/30/2025 to elect to receive the up-to-date DRV rates;
3) Approve the MCOS Studies and updated DRV rates as soon as possible while allowing for further time and process to address details such as the operationalization of Staff's LSRV proposal; and
4) Direct the utilities to improve and standardize their MCOS methodology by including all known costs, including load transfers, in the MCOS calculation, consistently using post-tax Weighted Average Cost of Capital (WACC), and accounting for capacity phase-in for multi-year utility capital projects by discounting the MW project capacity by WACC.

The CEP also urge the Commission to ensure that compensation levels for Dynamic Load Management and other programs be updated to leverage the most accurate MCOS values available, and to consider modifying the Environmental ("E") Value to ensure parity among utility-scale and distributed energy resources.

The City of New York's comments "commend the Commission and Staff for guiding the standardization and improvements to the utilities' MCOS studies to send appropriate price signals and better quantify the ability for DER projects to avoid or defer traditional utility infrastructure costs passed onto customers through distribution rates" and urge the Commission to "swiftly adopt the Proposal's DRV modifications and provide clear guidance on eligibility requirements for the modified DRV."[2] The City of New York also recommends that the Commission grant a one-time opt-in option for updated DRV rates to projects that made their 75% interconnection deposit after the date of the Staff Proposal (December 11, 2025) and to projects that were restudied by Con Edison due to recent modifications to the utility's CESIR study process, including the unilateral imposition of new interconnection rules without stakeholder review or Commission oversight. The City of New York notes that allowing affected projects to receive the updated DRV compensation is critical to remove further uncertainty around compensation levels to projects that have already been subjected to significant uncertainty.[3] Finally, the City urges the Commission to direct Con Edison to address utility-specific barriers to DER interconnection through improved queue management and scheduled battery energy storage system (BESS) charging and discharging. The City notes that the Commission already enabled BESS schedules via recent modifications to Appendix K of the NY SIR, and that using these schedules as intended will increase the feasibility of BESS by mitigating interconnection costs and delays that would otherwise occur due to unnecessary distribution system expansion that are only required based on Con Edison's current "worst case scenario" forecasting practices that ignore the flexible nature of BESS.[4]

NineDot Energy's comments support the Staff Proposal to set DRV equal to MCOS. NineDot Energy also included a detailed proposal for LSRV implementation, with enhanced performance requirements for participating dispatchable DER. They reference utility Non Wires Alternatives (NWA) programs, and note that the LSRV program has underrealized potential to defer the most costly utility capital projects, recommending that the revamped program include "the most effective components of these locational-based electric load relief programs [NWA and Dynamic Load Management], while simultaneously creating a program that can be efficiently and

[2] Case 15-E-0751. City of New York. Initial Comments on Staff DRV and LSRV Proposal. March 2026
[3] Id.
[4] Id.

cost-effectively scaled as the dispatchable DER market matures."[5] NineDot Energy's comments urge the Commission to extend the DRV rate lock-in for the useful life of the DER to provide greater revenue certainty, and suggest the creation of a dedicated bi-directional tariff for BESS.

NineDot Energy's comments additionally include numerical examples of the effect of utilizing added capacity as opposed to incremental load served, showing that the inclusion of excess capacity created by traditional infrastructure expansion has a substantial effect on MCOS. They note that the Utilities did not account for such excess capacity in their methodologies and suggest that this be considered in the development of LSRV.

NineDot Energy's comments also include extensive analysis of Con Edison MCOS filing along with an interactive model that illustrates the impact of various corrections or methodological modifications to Con Edison's MCOS calculation. Notably, NineDot Energy asserts that Con Edison's actual MCOS is 45% higher than indicated in the Staff Proposal after accounting for methodological and data errors in Con Edison's underlying MCOS filing. The most significant issues identified by NineDot Energy include: Con Edison's omission of ~$3 billion of load transfers in their MCOS calculation; Con Edison's improper practice of including the full capacity of multi-year capital projects during the first year of construction with no phase-in; mislabelling of substations; and the incorrect use of pre-tax WACC. When these issues are addressed, NineDot Energy asserts that Con Edison's MCOS using the method outlined in the Staff Proposal is actually $365.97.[6]

Carson Power, New Leaf Energy, and Sol Source Power submitted joint comments that "applaud the direction of the Staff Proposal and urge its timely adoption, with modest modifications."[7] These joint commenters all have significant retail BESS development pipelines in Orange & Rockland (O&R) service territory, including 140 megawatts of projects that have not yet made their 25% interconnection deposits. Notably, O&R is the only utility territory in NY where the

[5] Case 15-E-0751. NineDot Energy. Initial Comments on DPS Staff Proposal for DRV and LSRV. March 2026.
[6] Id.
[7] Case 15-E-0751. Carson Power, New Leaf Energy, and Sol Source Power. Comments in Response to the Department of Public Service Staff Proposal on Updating DRV and LSRV for VDER Compensation. March 2026.

DPS Staff Proposal would result in significantly lower VDER compensation, which could undermine the joint commenters' retail BESS development pipelines. The joint commenters therefore urge the Commission to afford a one-time grace period to retail BESS developers in O&R territory to avoid unnecessary market disruption. They specifically request that any projects in O&R territory that make their 25% interconnection deposit within 90 days of the new DRV rates' effective date be eligible to lock-in the current DRV rate.[8]

New York Power Authority's (NYPA) brief comments respond to a question posed by DPS regarding the cadence of updating LSRV zones. NYPA recommends that, should the Commission adopt the Staff Proposal with a biennial cadence of updating LSRV zones, projects should be "grandfathered into the prevailing LSRV rate beyond the two-year window if specific conditions are met, such as securing site control and making ongoing progress through the permitting process."[9]

The Joint Utilities comments note that the VDER value stack has been effective in supporting clean energy investment in New York State, and note that, as a result, New York is on track to achieve some of its 2030 clean energy deployment goals. The JU allege that VDER has resulted in overcompensation in certain instances, and call for VDER rate design evolution to better reflect the avoided costs DERs provide to the system. The JU further allege that VDER-compensated resources are a significant cost to ratepayers, with a particular emphasis on retail BESS in Con Edison territory. The JU assert that utilities will be forced to pay "LSRV DERs more than the utility cost to build a traditional infrastructure upgrade, without any assurance of actual infrastructure deferral." Notably, the JU comments neglect to include the LSRV Dispatchability and Reliability Terms and Conditions tariff language requested by DPS, which were proposed by Staff in order to maximize savings for ratepayers by deferring traditional infrastructure expansion in the areas where it is most costly. Finally, the JU comments recommend that the Commission grant utilities wide latitude to change VDER compensation in ways that are outside the scope of the Staff Proposal. The JU requests that the Commission authorize utilities to: modify DRV and LSRV window timing and duration at-will; modify DRV

[8] Id.
[9] Case 15-E-0751. New York Power Authority. Comments. March 2026.

and LSRV compensation levels at-will; use additional heretofore undefined criteria to select LSRV zones; and introduce competitive procurement into the DRV compensation framework.

Additionally, the revised workpapers submitted by New York State Electric & Gas (NYSEG) and Rochester Gas & Electric (RG&E) include “deaveraged” DRV values that are calculated by removing the MCOS for all areas that exceed the LSRV threshold from the system-wide MCOS.[10] Not only do these revisions completely disregard Staff’s proposal to eliminate deaveraging, they pre-suppose that all LSRV areas will be developed with DERs. This is unlikely and will perpetuate the "phantom LSRV capacity issue" raised by the CEP in its November 2024 comments.[11] The Staff Whitepaper proposes a clever solution for LSRV where the positive difference between the LSRV payment level and the calculated LSRV area specific MCOS will flow to ratepayers as savings if a DER can meet the area's reliability needs.[12] The Staff Proposal also includes LSRV as an overlay of DRV, which eliminates the reduction of DRV payment rates for phantom LSRV capacity that doesn't materialize. NYSEG & RGE are seemingly opposed to these innovative elements of the Staff Proposal and continuation of "deaveraging" methods that have been proven to be ineffective. This is also a material change to the NYSEG and RG&E MCOS calculation method that is tucked into workpapers without sufficient explanation or support and therefore should be rejected.

National Grid also includes several material changes in its revised workpapers submitted on March 16, 2026 that are responsive to Staff questions regarding assignment of transmission project costs to substation areas. As in its initial comments, the CEP recommend that project capacity in MW be discounted by the post-tax WACC for material multi-year projects. In addition, the CEP note that the spreadsheet is quite difficult to follow and raises some questions regarding LSRV calculation methods that can be worked out in further process regarding LSRV operationalization.

[10] Case 15-E-0751, NYSEG and RG&E DRV LSRV Revised Workpaper Attachment, NYSEG tab cell AC9 and RG&E tab cell AC20
[11] Case 15-E-0751, CEP - Response to Staff Questions for Comment on Calculating Locational System Relief Value (LSRV) and Demand Reduction Value (DRV) to Inform Pricing, November 25, 2024, pp. 19-21
[12] Case 15-E-0751, Staff DRV and LSRV Proposal, December 11, 2025, Appendix A, Figure A-1

Discussion of the Parties Comments

The comments submitted in response to the DPS Staff Proposal for DRV and LSRV Compensation constitute a robust record to support Commission decision-making, with input from key stakeholders including DER providers, the Joint Utilities, and public entities such as NYPA and the City of New York. With the exception of the JU, the comments are generally supportive of and responsive to the Staff Proposal. The CEP respectfully offer the following feedback in response to the JU and other parties' initial comments for the Commission's consideration.

III. Clean Energy Parties' Response to the JU Initial Comments

Critically, the JU comments are not responsive to the Staff Proposal. The JU comments neglect to provide the requested draft tariff language intended to maximize the reliability benefits and ratepayer savings/deferral value of dispatchable DER in LSRV zones. Instead, the JU comments attempt to discredit DER as a solution to reduce the scale of traditional ratepayer-funded system expansion (and increase system utilization). The JU propose dramatic modifications to VDER that would destabilize and undermine the tariff's effectiveness. Several of the JU's proposals, particularly those allowing utilities to modify compensation, eligibility, and program rules at-will, would introduce unacceptable regulatory risk, rendering DER projects unfinanceable and halting private investment. Not only are the JU's proposed DRV modifications impractical; they are well outside the scope of the Staff Proposal, which correctly seeks to update DRV and LSRV for the first time in nearly a decade to increase price signal accuracy.

Finally, the JU comments miss the forest for the trees by conflating the broad, systemwide deferral value that is targeted by DRV with the location-specific deferral value targeted by LSRV. As noted in the Commission's 2017 Order initiating this proceeding, the DRV "applies across the service territory" and an additional LSRV "would apply to high value areas for a limited number of megawatts."[13] The Staff Proposal aligns with precedents established by the Commission,

[13] Case 15-E-0751. New York State Public Service Commission. Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters. March 2017.

whereas the recommendations in the JU comments do not. The CEP urge the Commission to continue advancing the Staff Proposal, and to entertain any out-of-scope comments and suggestions raised by the JU in subsequent technical conferences or a future phase of this or a related proceeding to ensure a complete record and compliance with the State Administrative Procedure Act (SAPA) prior to consideration by the Commission.

A. Distributed Energy Resources are a Key Affordability Solution

As the PSC seeks to tame rising electricity rates for consumers, DERs are powerful tools to deliver relief in both the short- and long-term. The JU comments attempt to portray DERs as a cost burden for ratepayers, when the opposite is true. DERs lower electricity bills and deliver on affordability in three primary ways:

1) defer the need for ratepayer-funded transmission and distribution system capital expenditures, and increase overall system utilization;
2) deliver direct utility bill savings to participating customers; and
3) lower wholesale electricity supply prices for all New Yorkers through peak shaving, supply of zero marginal-cost energy, and balancing energy supply and demand.

In the Commission's Order that established VDER and initiated this proceeding in 2017, the Commission and Staff clearly acknowledge that the VDER tariff does not compensate DERs for many potential value streams, including: "distribution system values not reflected by the locational demand reduction value, as discussed above; reduced SO2 and NOx emissions, to the extent that their damage costs are not already embedded in the LBMP through existing programs; non-energy benefits, including reductions in CO2 emissions for reasons other than reduced electric generation, land and water impacts; environmental justice impacts, including reduced local emissions; and wholesale price suppression."[14] Of course, scaling up DER deployment will reduce air pollution and improve public health outcomes for New Yorkers; however, this section of the CEP reply comments solely addresses the DER value streams that directly lower utility bills for New Yorkers.

[14] Case 15-E-0751. New York State Public Service Commission. Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters. March 2017.

DERs Deliver Utility Bill Relief to Participating Customers and Low-Income Customers Enrolled in Utility Energy Affordability Programs (EAP)

In addition to deferring the need for traditional capital projects that would otherwise be paid for by ratepayers, VDER-compensated DERs deliver direct utility bill savings to participating customers. These savings are delivered through mechanisms such as opt-in community distributed generation (CDG, otherwise known as community solar), remote crediting, and the Statewide Solar for All (SSFA) program. Opt-in CDG and remote crediting enable households and businesses, including renters and others that cannot install onsite solar or energy storage, to participate in local solar and/or energy storage projects and to lower their electricity bills. New York State's consolidated billing program includes a minimum 5% savings rate[15], which means that participating customers always save money, and it is common for community solar projects to offer 10% savings to mass market customers and up to 20% savings to low- to moderate-income (LMI) customers, which is needed to qualify for certain incentives, such as the federal ITC Category 4 Bonus Credit.[16] The newly launched SSFA program also delivers bill savings in a targeted fashion, providing a portion of VDER credits to LMI customers enrolled in EAP through a utility-administered credit pooling and allocation mechanism. SSFA essentially steers additional relief to LMI customers enrolled in EAP, directly addressing energy burden for these households. Again, these customer savings are material, with the LMI customer share of VDER credits for 2026 ranging from 5% up to 23% depending upon the project type and utility service territory.[17] In addition to delivering targeted relief to LMI households, programs like NYSERDA's Inclusive Community Solar Adder and SSFA benefit all ratepayers by delivering targeted bill credits to customers at the greatest risk of nonpayment, thereby reducing arrears and reducing the cost-recovery burden associated with customer non-payment.

[15] Case 19-M-0463. New York State Public Service Commission. Order Regarding Consolidated Billing for Community Distributed Generation. December 2019.
[16] IRS. Clean Electricity Low-Income Communities Bonus Credit Amount Program. https://www.irs.gov/credits-deductions/clean-electricity-low-income-communities-bonus-credit-amount-program#cat4. Accessed March 2026.
[17] Case 21-E-0629. NYSERDA. Statewide Solar for All Compensation Level Schedules – 2026 Program Year. October 2025. The table above shows the system owner's share of VDER credits from an SSFA project. The portion of the VDER credits allocated toward LMI customers via SSFA is 100% minus the system owner share ("Compensation Level") minus a 1% utility administrative fee.

Table 1: Compensation Levels for Projects Enrolling in Statewide Solar for All Between December 1, 2025 and November 30, 2026

Utility	Central Hudson Gas & Electric	Con Edison (NYISO Zone J)	Con Edison (NYISO Zones H and I)	National Grid	NYSEG	Orange & Rockland	RG&E
Standalone Energy Storage	94%	94%	94%	94%	94%	94%	94%
Solar PV and Paired Solar-Storage[5]	87%	85%	86%	86%	87%	86%	87%
Solar PV and Paired Solar-Storage (Awarded Category 4 Low Income Communities Bonus Credit)	76%	76%	76%	76%	76%	76%	76%

Source: NYSERDA. Case 21-E-0629. October 2025.

The net savings that DERs provide to participating customers through community solar, remote crediting, and SSFA are significant, and accrue over time. This is a unique affordability benefit that DERs deliver to New Yorkers that cannot be delivered through traditional ratepayer funded utility capital expenditures.

DERs Lower Electricity Supply Charges, Saving Ratepayers Billions of Dollars Statewide

In addition to deferring traditional capital expenditures and directly lowering bills for participating customers, there is a body of evidence indicating that scaling up DER deployment lowers wholesale electricity rates by shaving system peaks, better aligning supply and demand, supplying zero marginal cost energy, and reducing exposure to fuel price volatility. In January 2026, Synapse Energy Economics published a New York-specific study, which found that meeting New York's energy storage deployment goals and deploying 20 GWdc of distributed solar by 2035 would save ratepayers $1 billion per year through wholesale price suppression.[18] The Synapse study estimates that achieving this level of DER deployment will provide $542M in

[18] Synapse Energy Economics. Sunlight and Storage into Savings: Evaluating Energy Cost Savings from Distributed Solar and Storage Additions in New York. https://www.synapse-energy.com/sites/default/files/SolarStorageBenefitsNY%2025-113.pdf. January 2026.

annual savings in Upstate NY, and an additional $481M Downstate, with savings distributed relatively evenly across the seasons. These savings are in addition to any direct savings for participating customers, and they are in addition to any environmental or public health benefits accrued from avoiding reliance on fossil fuel peaker plants.

The statewide findings from the January 2026 Statewide Synapse study are consistent with the findings in the March 2026 study completed by PowerGEM that focuses specifically on the ability to meet New York City's reliability needs with energy storage. In addition to finding that NYC can meet its reliability needs with BESS, the study observes that "the addition of battery storage within ConEd reduces annual load payments primarily by suppressing (Locational Based Marginal Price) LMPs during the highest-demand hours, which are precisely the hours when the largest volumes of load are being served and when congestion-driven price premiums are most acute."[19] In addition to suppressing wholesale energy (supply) prices, as analyzed in these two recent studies, DERs also reduce capacity prices; another ratepayer savings benefit.

DERs are uniquely capable of delivering the affordability benefits described above, and adopting the Staff Proposal to update DRV values to more accurately reflect deferral value will unlock additional utility bill savings for all ratepayers, including participating and non-participating customers alike.

DRV is a System-Wide Value Uniquely Positioned to Provide DER with the Forward-Looking Signals Necessary to Create Long-Term System Value

The JU's assertion that "using full MCOS value for compensation does not allow other customers to share in any of the potential avoided costs from DERs"[20] is incorrect. In addition to the direct savings described in the prior section, DERs receiving DRV are responding to system-wide price signals, effectively suppressing both energy and capacity pricing across the entire system. Additionally, the JU do not account for other value streams provided by DERs that

[19] Case 18-E-0130. PowerGEM. Ability of Energy Storage to Address Transmission Reliability Needs in New York City. March 2026.
[20] Case 15-E-0751. Joint Utilities' Comments on DPS Staff Proposal on Updating DRV and LSRV for VDER Compensation. March 2026.

are not fully recognized in utility MCOS studies. As discussed in prior CEP comment letters, MCOS is an underestimation of the true value of DERs as it ascribes no value to unknown utility capital projects nor does it account for the significant load growth we expect to see beyond the 10-year study period.[21]

With the increasing load growth projected for New York State, the broad deployment of DERs in addition to targeted deployments is of even greater importance than when first driven by the Commission with the REV proceeding. DERs compensated through the DRV mechanism offset load, both addressing longer-term load growth not measured by MCOS and, importantly, mitigate load growth so utilities do not need to include projects in their capital plans that would need to be addressed by traditional utility solutions or more targeted DER programs.

The JU's request to move away from a system-wide DRV directly conflicts with how DRV and LSRV are defined in the New York Value Stack and in the underlying Reforming the Energy Vision framework. The 2015 REV Order notes that "REV will establish markets so that customers and third parties can be active participants, to achieve dynamic load management on a system-wide scale, resulting in a more efficient and secure electric system including better utilization of bulk generation and transmission resources,"[22] and further explains that "customers will realize the greatest benefits from open, animated markets that provide clear signals – both long and short term - for benefits and costs of participants' market activity."[23] The DRV uniquely responds to this need by providing forward-looking signals so that DERs can create durable, long-term system value.

Staff's 2016 VDER proposal observes that while "The Value of DER process has not produced a valuation methodology that identifies and includes all potential distribution system values…sufficient information does exist to offer one piece of the value provided to the distribution system by these projects, the Demand Reduction Value."[24] Staff explains

[21] Case 19-E-0283, CEP Comments on Parties' Proposals Regarding Process for Calculating LSRV and DRV Values to Inform Pricing, February 26, 2025, pp. 9-10
[22] 2015 REV Order, p. 11
[23] Id., p. 33
[24] Case 15-E-0751, Staff Report and Recommendations in the VDER Proceeding, October 27, 2016, p. 36

that "as part of developing Demand Response tariffs as required in the Dynamic Load Management proceeding, the electric utilities have filed Marginal Cost of Service (MCOS) studies and used those studies to calculate the value to the distribution system of reducing demand during distribution peaks,"[25] and opines that MCOS studies are an appropriate mechanism to value DRV compensation. This confirms that DRV is inherently a system-wide value as it is set by the utility MCOS studies..

The JU's characterization of VDER as a financial burden on ratepayers is misleading and incomplete; the JU comments present the theoretical cost of DRV performance payments for a major build out of BESS in Con Edison territory without quantifying any of the benefits. The JU assert that "if all projects currently in the Con Edison interconnection queue connect, this would grow to a utility customer cost of over $5 billion in DRV compensation alone over ten years."[26] There are several flaws with this statement. First, Con Edison's cost estimate is wholly speculative and provided without any analytical support. To date, the current maximum DRV cost recovery statements in ConEd have shown values of $0.0006/kWh for residential SC 1 customers.[27, 28] ConEd hasn't provided any explanation for the DRV capacity assumptions, payment rates, and performance factors that it used to arrive at its $5 billion dollar estimate. Its statements regarding ratepayer impacts fail to acknowledge that DRV is a pay for performance product where DERs only get compensated if they deliver output to the system during program hours, so ratepayers are only charged for actual DER performance.

Furthermore, it is not realistic for every single project in the interconnection queue to be constructed. A review of the Con Edison SIR Inventory interconnection queue demonstrates that 3.88 gigawatts of potential BESS projects have withdrawn from the queue to date, whereas only 116 megawatts have been completed.[29] In other words, significant attrition is expected and true VDER program costs will be far lower than implied by the JU. Additionally, the figure is

[25] Id.
[26] Case 15-E-0751.
[27] Statement of Value of Distributed Energy Resources Cost Recovery (VDER-CR) No. 12, Effective 12/1/2-25
[28] ConEd PSC No. 10, General Rule 26.8(d) DRV and LSRV Components Cost Recovery, Leaves 358.2 (Rev 11) and 358.2.1 (Rev 4)
[29] New York State Department of Public Service. SIR Inventory. Con Edison Interconnection Queue Data (January 2026). Accessed April 2026.

presented without context of overall utility capital expenditures and fails to account for the substantial system benefits DERs provide, including avoided ratepayer funded infrastructure costs, reduced peak demand, and wholesale price suppression. Moreover, the analysis does not consider future load growth, which DERs are uniquely positioned to address in a flexible and cost-effective manner. When viewed holistically, DERs are a cost-reduction strategy - not a cost burden.

DERs Defer or Eliminate the Need for Costly Traditional Capital Projects

The focus of this immediate proceeding is accurately compensating DERs for deferring the need for traditional transmission and distribution system capital expenditures that would otherwise be borne by utility ratepayers. The CEP support the Staff Proposal, which constitutes a good-faith effort to translate the JU MCOS filings into just and reasonable compensation for DERs based on their deferral value. However, we maintain that the true deferral value of DERs often exceeds the utility-reported MCOS. DERs defer upgrades that are not yet included in utility capital plans that are the basis for MCOS, and, as discussed in the CEP's initial comments, many utility MCOS filings underreport their true marginal cost. Appendix A of NineDot Energy's illustrates the potential for DERs to deliver deferral value with a compelling example. NineDot Energy's comments include an analysis comparing the estimated cost of Corona 1, a traditional load growth project in Con Edison's Capital Plan that includes a new substation and a load transfer, with the estimated cost to serve the forecasted load growth with the DERs. NineDot Energy's analysis finds that the Corona 1 Capital Project creates 12X more capacity than the incremental load it is intended to serve, which results in: 1) higher cost to ratepayers; and 2) lower reported MCOS – a perverse outcome due to the fact that utility-reported MCOS is based on dollars per MW of capacity addition rather than MW of incremental load served. NineDot Energy's analysis finds that deploying VDER-compensated BESS instead of this traditional capital project, would save ratepayers ~$1.95B over ten years, while shielding ratepayers from any risk of utility cost overruns and of deviations from load projections.[30] While not every DER delivers such dramatic ratepayer savings, this example illustrates the potential for DERs to serve as a nimble and cost-effective solution to meet load growth while prioritizing affordability.

[30] Case 15-E-0751. NineDot Energy. Initial Comments DPS Staff Proposal on Updating DRV and LSRV for VDER Compensation. March 2026.

Appendix 1: BESS Solution to Load Growth Needs

Case Study: Corona No. 1 has a projected need of **29 MW in 2034**
The 2025 substation capability utilization is 36%

TEN YEAR RATEPAYER SAVINGS: $1.95 billion**

	Traditional Solution	BESS Solution
Project specifications	New substation (358 MW) + Load transfer (177 MW)	12, 5-MW VDER BESS (60 MW)
Sizing	Requires overbuilding, > 12X the need	Can be right-sized to meet the need
Timing	6-8 years	2-3 years
Project Cost	$1,731 Mln	Paid by developer
Annual Ratepayer Cost	**$214 Mln**	**$18.6 Mln**
$/kWh	New capacity: $598/kW-yr Load need: $7,382/kW-yr	$305/kW-yr*

Assumes BESS capacity of 2X load need

**Staff proposal for DRV + LSRV adder*
***In nominal value*

Source: NineDot Energy. Case 15-E-0751. Comments in Response to Staff Proposal to Update DRV and LSRV. March 2026.

B. The JU Comments Are Non-Responsive, and Neglect to Include Tariff Language to Maximize the Value of Dispatchable DER in LSRV Zones

The JU comments make broad assertions that DERs do not provide the full deferral value that they are compensated for via DRV and LSRV. The Staff Proposal actually finds that, in most cases, the *current* DRV rates paid to DERs for their performance are far below their true deferral value. The CEP concur with Staff, and dispute the JU's unsubstantiated assertions. Further, the CEP reaffirm our commitment to working collaboratively with the DPS and JU to maximize the deferral value of DERs, and applaud DPS Staff for including a directive for the JU to file draft LSRV tariff language to achieve this objective, with a focus on dispatchable DERs in the areas with the highest MCOS. The CEP are disappointed that the JU neglected to provide the requested draft tariff language, which was an important opportunity for the JU to address some of the concerns raised in their comments.

In these reply comments, the CEP hoped to provide a thorough response to the JU's proposed LSRV tariff language, with the goal of rapidly advancing the development of a high-impact LSRV program that maximizes deferral and ratepayer savings. We are eager to engage in the development of a stronger and more impactful LSRV program whenever the utilities are ready. A properly designed LSRV tariff with clearly defined LSRV zones could serve as a powerful geographic steering mechanism to maximize the ratepayer savings from DERs. In the meantime, we urge the Commission to move quickly to adopt the updated MCOS and DRV rates as proposed by Staff so DER development can be guided by more up-to-date/accurate price signals.

C. The JU Propose Major Modifications to VDER that are Outside the Scope of the Staff Proposal and Better Addressed in Future Proceedings

In addition to declining to provide the requested LSRV tariff language in their filing, the JU comments propose a series of major modifications to VDER compensation that are cause for significant concern. The JU recommendations are out of scope for the immediate proceeding, and should not be acted upon by the Commission. Not only are the JU's proposed recommendations out of scope; they are also ill-advised. If implemented, the JU's recommended modifications to VDER would undermine the tariff's usefulness by making what is intended to be a set of transparent price signals into bespoke, utility-specific programs that are ambiguous, risky and unfinanceable. The proposed changes would stall development and frustrate New York's ability to leverage DERs as a cost-effective strategy to meet rising demand for electricity, load relief and reliability needs.

The JU specifically request that the Commission authorize utilities to: modify DRV and LSRV window timing and duration at-will; modify DRV and LSRV compensation levels at-will; use additional heretofore undefined criteria to select LSRV zones; and introduce competitive procurement into the DRV compensation framework, with no supporting detail so the proposal could be considered and assessed for feasibility. These proposals to move away from broadly applicable tariffs and markets toward narrow utility programs oppose the general direction of the state's work to modernize the grid under Reforming the Energy Vision (REV) and the Grid-of-the-Future (GOTF) efforts.

Any one of these changes would create major new risks for DER project owners, chasing away private investment and imposing significant adverse impacts on DER development in New York State. Allowing utilities to modify price signals at-will or to use bespoke and opaque criteria to establish LSRV zones undermines the purpose of VDER, and frustrates the tremendous efforts by DPS Staff in this proceeding to ensure that DER compensation is fair and transparent. Moreover, introducing a competitive procurement mechanism into DRV allocation contradicts the foundational principles of VDER, in that it is a walk-up tariff intended to provide fair compensation to DERs based on the value of grid injections. The JU proposal lacks sufficient detail to be seriously considered, and any hypothetical ratepayer savings that could be realized by introducing an auction mechanism should be balanced against the loss of a clear price signal that is needed to catalyze private investment at-scale.

D. The CEP Support Maximizing DER Deferral Value through LSRV Implementation

The CEP agree with Staff that there is an opportunity to optimize and evolve the LSRV portion of the VDER tariff to maximize deferral value and ratepayer savings. The LSRV construct, which has not been updated in nearly a decade, is ineffective in its current form. In some respects, the LSRV was ahead of its time, established before New York had a viable BESS market. Until now, the program has been significantly under-utilized, and the JU have not announced any new LSRV zones in recent years. Now that New York has a vibrant community-scale BESS market, we can deploy dispatchable DERs in high-value locations, positioning the LSRV construct to be successful. With a revamped LSRV program, dispatchable DERs can be deployed in the areas where they can defer the most expensive capital expenses, and the utility can specify how the DERs must operate in order to deliver the maximum value to the system. The CEP seek to work collaboratively with the JU to implement the Staff Proposal, which proposes an iterative process whereby the JU propose LSRV tariff language to maximize the value of DER in LSRV zones and the CEP then provide constructive feedback to ensure that the resultant tariff supports robust DER deployment and optimized DER operations in LSRV zones.

IV. CEP Comments in Response to Other Parties

The CEP offer the following brief replies to other party comments for the Commission's Consideration.

City of New York: the CEP appreciate the City of New York voicing support for the Staff Proposal while also calling for Con Edison to address interconnection barriers that are preventing community-scale BESS deployment. The CEP also appreciate the City's recommendation that the Commission grant a one-time opt-in option for DERs that made their 75% interconnection payment deposit after the Staff Proposal was filed in December 2025, and also granting a one-time opt-in option to BESS projects that were negatively impacted by Con Edison's 2025 CESIR re-studies. The City's recommendation is closely aligned with the CEP recommendation that the Commission grant a one-time opt-in option to projects that made their 25% deposit by June 2025; the New York Standardized Interconnection Requirements allow 120 business days, or approximately 6 months, between the 25% and 75% payment dates, so the City and the CEP recommendation are nearly identical.

NineDot Energy: the CEP concur with NineDot Energy that the Commission should move quickly to update utility MCOS and align DRV with MCOS as recommended in the Staff Proposal. We also agree that the LSRV program should be materially enhanced by including additional operational requirements, and incorporating the best elements of other programs, such as Non Wires Alternatives and the Dynamic Load Management programs, to maximize deferral value. To advance NineDot Energy's recommendation, the CEP propose that Staff convene a technical conference where the JU and other stakeholders can offer presentations with recommendations for consideration, and work toward the goal of a joint proposal for LSRV tariff language submitted to the Commission by the JU and DER stakeholders, or alternatively, a staff proposal if consensus cannot be reached. The CEP recommend that the Commission outline a process to strengthen LSRV in a forthcoming Order adopting the Staff Proposal for updating DRV and MCOS. NineDot Energy also offers recommendations relating to a bi-directional tariff and modifications to the duration of the DRV rate lock. These are interesting proposals that warrant further consideration following the adoption of updated MCOS values, either through a

subsequent chapter of the VDER proceeding and/or through the Grid of the Future or NYC Reliability proceedings.

NineDot Energy also identifies significant deficiencies in Con Edison's MCOS filing, and recommends that Con Edison's MCOS calculations be updated to: 1) include load transfer capital costs, which were omitted from the utility's filing; 2) phase-in capacity additions over time for multi-year projects to avoid exaggerating near-term capacity additions and diluting MCOS; 3) correct substation mislabeling; and 4) utilize the post-Tax WACC for the discount rate. The CEP support these recommendations, which would all serve to more accurately account for Con Edison's true MCOS and translate into a more accurate price signal for DERs.

O&R BESS Developers: the CEP are sympathetic to the position of the retail BESS developers who have invested significantly into O&R territory, which currently has the highest DRV outside of Con Edison and which is projected to decline significantly when the new rates are adopted. The commenters make a compelling case for the Commission to grant modest flexibility to minimize market disruption. These comments and NYPA's comments both highlight the importance of market stability and continuity to support DER development.

V. Conclusion

The record in this proceeding is clear: updating DRV to align with MCOS is necessary to ensure accurate price signals, protect ratepayers, and support continued private investment in New York's energy system. The VDER tariff has been foundational to the success of New York's distributed solar and energy storage programs, however, the rate has grown out-of-date since it was enacted nearly a decade ago. The DPS Staff Proposal seeks to update the utilities' MCOS and DRV values to more accurately reflect the utilities' long-term systemwide cost to construct traditional infrastructure that can be deferred by DERs while also directing the JU and other parties to maximize deferral value through LSRV tariff modifications. The CEP strongly support the approach outlined by Staff, which will maintain market continuity by modernizing DRV rates while evolving the tariff by imposing enhanced performance requirements for dispatchable DER in LSRV zones over time.

In light of the impending federal ITC mobilization deadline of July 4, 2026, the CEP respectfully urge the Commission to adopt updated MCOS and derivative DRV values at the Commission's April 2026 meeting (or as soon as possible), and to direct Staff to convene a technical conference with the JU and other parties to establish a near-term roadmap for LSRV improvements. The Commission has a narrow window to act. Delay will introduce unnecessary risk, stall development, and increase long-term costs for customers. Conversely, adopting updated MCOS and DRV values in the near-ter, will unlock near-term investment that leverages the federal ITC, deliver measurable ratepayer savings, and deliver progress deploying the resources that are required by New York State's recently adopted State Energy Plan.