STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Value of Distributed Energy Resources **Case 15-E-0751**

JOINT PETITION OF THE CITY OF NEW YORK, SUSTAINABLE WESTCHESTER, INC., SOLAR ONE, NEW YORK SOLAR ENERGY INDUSTRIES ASSOCIATION, NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION, VOTE SOLAR, AND NEW YORK CITY HOUSING AUTHORITY REGARDING COMMUNITY CREDIT COMPENSATION

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PRELIMINARY STATEMENT

The undersigned parties (together, "Petitioners")[1] respectfully petition the New York State Public Service Commission ("Commission") to expand the availability of the Community Credit under the Value of Distributed Energy Resources ("VDER") Value Stack by at least 180 MW for eligible community distributed generation ("CDG") projects in the Consolidated Edison Company of New York, Inc. ("Con Edison") service territory.

Petitioners applaud the substantial efforts taken by the Commission and by the New York State Energy Research and Development Authority ("NYSERDA") to-date to incentivize Downstate renewable development, consistent with the goals of the Climate Leadership and Community Protection Act ("CLCPA") to accelerate clean energy and reduce Statewide carbon emissions while ensuring that forty percent of all benefits from clean energy investments inure to disadvantaged communities.[2] In particular, the Commission's efforts to develop the VDER Value Stack framework for compensating renewable distributed energy resources ("DERs"), including the creation of the Market Transition Credit ("MTC") and Community Credit components of the Value Stack for CDG projects, have helped accelerate renewable growth in Downstate New York,

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1 Petitioners include the City of New York, Sustainable Westchester, Inc., Solar One, the New York Energy Industries Association, the New York City Economic Development Corporation, Vote Solar, and the New York City Housing Authority.

2 L. 2019, ch. 106.

and overcome barriers like a scarcity in suitable real estate and high development costs that traditionally have made renewable development difficult.

In the last two years, the availability of the Community Credit has coincided with a growing community solar industry in Con Edison's service territory. Despite the COVID-19 pandemic and related economic shutdowns, approximately 89 MW of solar capacity entered the pipeline of projects proposed for interconnection in Con Edison's service territory in 2020, compared to only 22 MW in 2019 and 3 MW in 2018. In fact, community solar, the dominant technology for CDG, was the single largest source of incremental solar capacity in Con Edison's service territory in 2020; in comparison, behind-the-meter solar development only grew by two percent year-over-year while community solar increased by 405 percent year-over-year.

That notwithstanding, the MTC and Community Credit frameworks also inadvertently resulted in a recent influx of natural gas-fired fuel cells in Con Edison's service territory ("Fuel Cell Loophole"). As explained herein, the Commission took steps to close the unintended Fuel Cell Loophole because fuel cells do not align with the State's decarbonization goals and because the Community Credit and MTC were designed around solar technology. However, before the loophole was closed, a small number of fuel cells reserved over half of the Community Credit capacity that otherwise would have been available to renewable CDG projects in the Con Edison service territory. Petitioners expect that renewable CDG development in the Con Edison service territory will stagnate once the remaining Community Credit Capacity is exhausted, hampering solar's contribution to the economic recovery from the COVID-19 crisis in the Downstate region. Prompt action is therefore needed to support the continued development of renewable generation in the Con Edison service territory, and to ensure that the economic benefits of New York's bold investments in renewable energy reach the State's most diverse and populous region.

Given those needs, Petitioners respectfully request that the Commission (1) expand the availability of Con Edison's Community Credit by at least 180 MW for renewable CDG projects; and (2) work with stakeholders to identify policy actions that ensure renewable development in the region can be sustained after Con Edison's additional Community Credit capacity is filled.

BACKGROUND

VDER Value Stack and the Market Transition Credit

The Commission originally established the VDER Value Stack methodology in 2017 as a means of transitioning away from the then-existing net energy metering ("NEM") paradigm.[3] As part of the VDER Order, the Commission implemented an MTC for certain CDG projects that, when combined with the other components of the VDER Value Stack, would provide such projects with compensation substantially similar in value to available compensation under NEM.

The Commission initially established three MTC tranches, with projects in Tranche 1 receiving the full MTC, while projects in Tranches 2 and 3 received 95 percent and 90 percent of the MTC, respectively, on a per-kWh basis.[4] Recognizing the need to moderate impacts on non-participating customers, the Commission established tranche sizes based on the target of no more than a two percent net revenue impact. The Commission specifically noted that the two-percent target was not a hard limit, and that it would not result in a hard cap on DER installations.[5]

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

[4] *Id.* The Commission also created a limited Tranche 0, which essentially allows eligible projects to continue being compensated under NEM.

[5] VDER Order at 34-35.

Transition to Community Credit

Thereafter, Department of Public Service Staff ("Staff") issued a series of Whitepapers recommending various changes to the VDER Value Stack compensation methodology. First, in a July 26, 2018 Whitepaper, Staff recommended, *inter alia*: (1) for New York State Electric & Gas Corporation ("NYSEG"), Rochester Gas & Electric Corporation ("RG&E"), and Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), remaining MTC tranche capacity should be reallocated and divided between several new tranches with enhanced MTC values; (2) for Orange and Rockland Utilities, Inc. ("O&R") and Central Hudson Gas & Electric Corporation ("Central Hudson"), no new tranches should be created due to unacceptable impacts on ratepayers, but an upfront, per-kW incentive payment comparable to the MTC ("Community Adder") should be made available from existing NYSERDA funds; and (3) for Con Edison, Tranche 3 capacity should be significantly reduced, and the per-kWh compensation in all three Tranches should be raised substantially (for Tranche 1, the MTC would increase from \$0.1054 to \$0.1435 per kWh).[6] With respect to Con Edison, Staff specifically noted that CDG development had been very limited, with only 8.1 MW reserved out of the 136 MW allocated to Tranche 1.

Following stakeholder feedback, Staff subsequently issued a second Whitepaper on December 12, 2018, recommending further changes to the VDER Value Stack compensation methodology, including replacing the MTC with a new Community Credit available to all members of a CDG project, instead of only mass-market customers.[7] Specifically for Con Edison, Staff recommended that the MTC be continued at the \$0.1435 per-kWh value proposed in the CDG

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6 Case 15-E-0751, supra, Staff Whitepaper on Future Community Distributed Generation Compensation (issued July 26, 2018) ("CDG Whitepaper").

7 Case 15-E-0751, supra, Whitepaper Regarding Future Value Stack Compensation, including for Avoided Distribution Costs (issued December 12, 2018) ("Value Stack Whitepaper").

Whitepaper, and that the utility transition to a Community Credit once the remaining 128 MWs of MTC Tranche 1 capacity is exhausted.

In an Order dated April 18, 2019, the Commission largely adopted Staff's recommendations in the Value Stack Whitepaper regarding the Community Credit.[8] The Commission described the Community Credit as representing the "overall societal benefits of clean distributed generation and the role that generation has in meeting the State's clean energy goals."[9] Notably, the Commission rejected Staff's recommendation to continue MTC Tranche 1 for Con Edison, and instead directed that the utility also transition to a $0.12/kWh Community Credit, with the utility's Community Credit tranche sized at 350 MW. The Commission also directed that each utility report on the availability of the Community Credit in its service territory, and to file a letter with the Commission when 80 percent of the Community Credit capacity has been exhausted, so that the Commission had time to consider necessary further steps.[10]

<u>High-Capacity-Factor Order</u>

On May 10, 2019, the Joint Utilities filed a Petition identifying a flaw in the design of the MTC and Community Credit frameworks related to high-capacity-factor ("HCF") resources.[11] Specifically, the Petition noted that each utility's tranches were designed to limit the net revenue impact of the MTC/Community Credit to two percent, based on the assumed output of a typical solar facility. However, this framework failed to recognize that CDG-eligible technologies with

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8 Case 15-E-0751, <u>supra</u>, Order Regarding Value Stack Compensation (issued April 18, 2019) ("VDER Compensation Order").

9 VDER Compensation Order at 28.

10 VDER Compensation Order at 26; *see also* VDER Order at 126-127.

11 Case 15-E-0751, <u>supra</u>, Joint Utilities Petition Seeking Clarification of the Treatment of High-Capacity-Factor Resources Eligible for Community Distributed Generation (filed May 10, 2019) ("HCF Petition").

much higher capacity factors than solar could inadvertently receive significantly more MTC or Community Credit compensation than anticipated, creating unacceptable impacts for non-participating customers. The HCF Petition estimated that, based on the 53 MW of fuel cell projects in Con Edison's interconnection queue at the time, a $0.12/kWh Community Credit would result in $50 million of annual Community Credits paid, compared to $8.4 million that annually would be paid to 53 MW of solar generation in the same service territory.[12]

In response to the concerns raised in the HCF Petition, Staff issued a further Whitepaper on August 13, 2019 proposing, *inter alia*, closing the Fuel Cell Loophole and offering future high-capacity-factor resources a downward-adjusted Community Credit based on the ratio of an average solar capacity factor to that resource's estimated average capacity factor.[13] Significantly, Staff also proposed that any high-capacity-factor resource qualifying for the Community Credit on or before August 13, 2019 should be grandfathered into the Fuel Cell Loophole and receive an unadjusted Community Credit. For Community Credit purposes, the HCF Whitepaper identified the average capacity factor for a fuel cell as 0.87, compared to the baseline solar capacity factor of 0.14 used in the original design of the Community Credit. Based on these figures, the Community Credit adjustment factor for fuel cells was calculated at 0.16. Consistent with this adjustment, Staff also recommended that each MW of fuel cell generation count as roughly 6 MW of capacity reserved in the Community Credit tranche.

The Commission adopted Staff's recommendations on December 12, 2019.[14]

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[12] *Id.*

[13] Case 15-E-0751, supra, Whitepaper Regarding High-Capacity-Factor Resources (issued August 13, 2019) at 3-4 ("HCF Whitepaper").

[14] Case 15-E-0751, supra, Order Regarding Value Stack Compensation for High-Capacity Factor Resources (issued December 12, 2019) ("HCF Order").

Current Status of Con Edison Community Credit Tranche

According to NYSERDA's Value Stack Tracker, as of March 10, 2021, 320 MW out of the 350 MW of available capacity in Con Edison's Community Credit tranche (or approximately 91%) has been reserved.[15] Based on the difference between the amount of CDG capacity that has reserved incentive funding under NYSERDA NY-SUN program (130.9 MW as of mid-March 2021), and the 320 MW of Community Credit capacity that has been reserved to-date, Petitioners estimate that 180 MW or more[16] of the total available Community Credit capacity in the Con Edison service territory has been reserved by fuel cell projects (although the actual total nameplate capacity of these fuel cells is much less than 180 MW).

Petitioners estimate that, absent any immediate action from the Commission, and with the current pace of tranche reservations, the remainder of Con Edison's Community Credit tranche will be exhausted by mid-2021. Because the Community Credit represents nearly half of all VDER Value Stack compensation available to CDG projects in the Con Edison service territory, New York City and Westchester likely will experience a cliff in solar project development once all available Community Credit capacity has been reserved and that valuable revenue stream is no longer available.

[15] *NYSERDA*, The Value Stack (last visited February 2, 2021), *available at* https://www.nyserda.ny.gov/All-Programs/Programs/NY-Sun/Contractors/Value-of-Distributed-Energy-Resources.

[16] Petitioners estimate that 8-9 MW of the 130.9 MW of Community Solar in Con Edison's service territory received the MTC rather than the Community Credit. Therefore, solar may only account for 122 MW of the Community Credit capacity thus far, suggesting that fuel cells may represent up to 198 MW of Community Credit Capacity. Petitioners respectfully request that the Commission or Staff identify exactly how much Community Credit capacity was occupied by fuel cells prior to the closing of the Fuel Cell Loophole.

ARGUMENT

POINT I

THE COMMISSION SHOULD EXPAND THE COMMUNITY CREDIT BY AT LEAST 180 MW FOR RENEWABLE CDG DEVELOPMENT IN THE CON EDISON SERVICE TERRITORY

Based on the August 13, 2019 cut-off date for the Fuel Cell Loophole, Petitioners estimate that at least 180 MW of Con Edison's Community Credit tranche has been reserved by a small number of fuel cells, leaving diminished remaining capacity for zero-carbon resources like solar that rely on the value of the Community Credit in order to be economically viable. For the following reasons, Petitioners recommend that the Commission expand the availability of Con Edison's Community Credit by at least 180 MW, to support additional renewable development in Downstate New York.

1. A small number of fuel cells have had a significant impact on the Community Credit

In the HCF Order, the Commission asserted that there was only a "limited number of qualified high-capacity-factor projects" and that such resources would not "meaningfully impair the development of solar PV and other renewable energy systems."[17] To the contrary, because the nameplate capacity of a fuel cell CDG project is multiplied by approximately six when determining how much of the Community Credit tranche it occupies, this means that a small handful of fuel cells are taking up over half of Con Edison's Community Credit capacity. This Community Credit capacity could instead have been utilized to support 180 MW or more of renewables in the Con Edison service territory that would have contributed toward the CLCPA's clean energy goals.

[17] HCF Order at 19.

Similarly, the annual net revenue impacts of both the MTC and the Community Credit were calculated based on the capacity factor of a solar photovoltaic system, and the "overall societal benefits of clean distributed generation," under the assumption that they would foster solar generation.[18] In other words, in adopting the original MTC and Community Credit frameworks, the Commission assumed that those constructs would foster a certain amount of solar development, as opposed to a much-smaller amount of fuel cell development. It follows that the lost Community Credit capacity in the Con Edison service territory should be restored to enable further renewable CDG development.

2. Expanding Con Edison's Community Credit capacity will help ameliorate geographic inequity in renewable development in New York

The Fuel Cell Loophole has disproportionately impacted renewable development in the Con Edison service territory, where solar generation and other renewables are most needed to displace the reliance on fossil-fired generation. The "Tale of Two Grids" paradigm is a well-known issue in New York, specifically, that there is an abundance of renewable resources located in Upstate New York, but the Downstate area (particularly New York City) continues to rely primarily on fossil fuel-fired generation.[19] While the State has been supporting renewable development since it established the Renewable Portfolio Standard in 2003, almost twenty years later, promoting project development Downstate still remains an unresolved issue.

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[18] VDER Compensation Order at 28.

[19] The Commission has specifically identified this "Tale of Two Grids" dilemma in developing policies to increase Downstate renewable generation, consistent with the mandates of the CLCPA. *See, e.g.*, Case 15-E-0302, Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and Clean Energy Standard, Order Adopting Modifications to the Clean Energy Standard (issued October 15, 2020) (adopting changes to the Clean Energy Standard to, *inter alia*, facilitate delivery of renewable energy from Upstate to Downstate).

The geographic inequity between Upstate and Downstate is further complicated by the fact that renewable projects in Downstate New York are heavily dependent on the availability of the Community Credit to be economically viable, due to the myriad of well-known barriers to project development in a dense urban landscape like New York City (*e.g.*, high development costs, lack of suitable sites, smaller sites). Expanding Community Credit capacity in the Con Edison service territory would provide additional opportunities for renewable projects to be developed in Downstate New York and, in turn, help the State achieve its decarbonization goals. Conversely, absent action from the Commission, half of the Community Credit capacity that was intended to support renewable DER development in the Con Edison service territory instead will support fossil fuel resources that do not contribute to the State's CLCPA goals (the success of which relies on substantially increasing renewables development in Con Edison's service territory), and perpetuate Downstate New York's reliance on fossil fuel-fired generation.

Relatedly, New York State's disadvantaged communities are highly concentrated in the Con Edison service territory, as are populations of renters. These communities are disproportionately energy cost burdened[20] and impacted by Downstate fossil fuel-fired generators, resulting in higher rates of respiratory ailments and cardiovascular disease. Expanding the Community Credit as proposed herein would provide meaningful benefits to these communities, both in terms of reducing the impacts of local fossil fuel generators, and in terms of increased opportunities for community members to receive utility bill discounts from clean energy CDG

[20] The City of New York found that "609,850 [NYC] families pay greater than 6 percent of their household income and are therefore considered energy cost burdened. This represents 18 percent of families across all incomes living in NYC…." New York City Mayor's Office of Sustainability and the Mayor's Office of Economic Opportunity, *Understanding and Alleviating Energy Cost Burden in New York City* (issued August 2019) at 4, *available at* https://www1.nyc.gov/assets/sustainability/downloads/pdf/publications/EnergyCost.pdf.

subscriptions. Continued momentum for renewable development in the Con Edison service territory also will allow local clean energy businesses to play a meaningful role in New York's economic recovery from the ongoing COVID-19 pandemic.

Petitioners note that public entities in New York City are in the process of developing programming to increase in-City solar deployment and deliver bill credits to households in disadvantaged communities, and many of these projects are reliant on the Community Credit. Petitioners also note that one of the impetuses for creating the Community Credit was to replace the MTC and encourage anchor subscribers to participate in community solar projects, in order to drive down overall project costs and broaden participation opportunities for residential customers.[21] Importantly, New York Power Authority ("NYPA") customers taking service under Con Edison's PASNY Tariff,[22] including major municipalities like the City of New York, originally were not eligible to participate in CDG projects that included non-NYPA customers, and could not participate in such projects and receive MTC or Community Credit compensation until April 2020.[23] While the NYPA Tariff Order has finally allowed the public sector entities to better serve as community solar anchors for CDG projects, the Community Credit remains

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[21] In adopting the Community Credit, the Commission specifically noted that "by removing a disincentive for anchor customers, the Community Credit will create benefits by allowing the development of more projects at the same or lower net revenue impact. The increased use of anchor customers may also increase the ability of developers to enroll subscribers with low credit scores, as the anchor customer will provide the necessary certainty for financial institutions." VDER Compensation Order at 27.

[22] Con Edison Schedule for PASNY Delivery Service, P.S.C. No.: 12 – Electricity ("PASNY Tariff").

[23] *See* Case 19-E-0723, Tariff filings by Con Edison Company of New York, Inc. to Modify its Electric Tariff Schedules, P.S.C. Nos. 10 and 12, to Implement Provisions that would Enable Customers Served Under P.S.C. No. 12 (PASNY) to Participate in Community Distributed Generation Projects Receiving Value Stack Compensation, Order Approving Tariff Amendments (issued March 19, 2020) ("NYPA Tariff Order").

important to the economic viability of these projects, and loss of the Community Credit could further hinder the ability of municipalities like the City of New York to meaningfully support solar development Downstate.

Regarding current efforts by public entities to accelerate solar development in the Downstate region, the New York City Housing Authority ("NYCHA") sees community solar as the primary tool to achieving its goal of installing 25 MW on its rooftops by 2025. NYCHA currently has two community solar projects in construction and several more in development, utilizing a community solar lease model developed and refined over the last four years by NYCHA in close collaboration with the State. These projects, which have received support through pre-development funding from NYSERDA and a Con Edison Reforming the Energy Vision Demonstration Project, have already employed approximately two dozen NYCHA residents, and serve as a blueprint for successfully developing community solar projects in New York City that benefit local communities.

Similarly, the New York City Economic Development Corporation has a community solar project under development aiming to serve the environmental justice community of Sunset Park and is exploring the potential for additional installations in the future. New York City's Department of Citywide Administrative Services ("DCAS") also is currently working with the Department of Design and Construction and the Department of Sanitation on a solar array that has the potential to be a CDG project when it ultimately enters into the design and construction phase over the course of the next year. DCAS also is exploring other options for community shared solar projects over the next five years. Another of the undersigned Petitioners, Sustainable Westchester, a nonprofit organization that counts forty-five Westchester municipalities as its members, also is developing a program with support from NYSERDA to provide community solar savings on an opt-out basis to low-income residents in Westchester County.

These projects are in earlier stages of development and, as noted above, their continued viability is tied to the continued availability of a Community Credit, which only became available to customers taking service under Con Edison's PASNY Tariff less than one year ago. The ability to deliver the benefits of community solar to low-income residents, consistent with the CLCPA, will be limited without an expanded Community Credit.

3. <u>Commission action is needed to avoid a near-term cliff in renewable development in Downstate New York</u>

The difficulties in developing renewables in the Downstate region are well-known, and projects largely depend on the availability of the Community Credit to be economically viable. Petitioners are concerned that, absent Commission action, renewable development in the region likely will face a steep decline once the Community Credit is exhausted, and Downstate New York will continue to lag behind the rest of the state in terms of renewable development and continued reliance on fossil fuel generation.

The other New York utilities generally have informed the Commission about the impending exhaustion of their respective MTC and Community Credit tranches, so that the Commission would have ample time to devise solutions as appropriate (*e.g.*, a Community Credit Tranche 2, or the Community Adder). In Con Edison's case, no letter was filed with the Commission indicating that 80 percent of the Community Credit capacity had been reserved, as required by the VDER Compensation Order.[24] In addition, there are no follow-up plans in place for when the existing Community Credit tranche is exhausted, and little time to devise such plan.

[24] VDER Compensation Order at 26.

As noted above, at the current pace of tranche reservations, Petitioners estimate that the remainder of Con Edison's Community Credit tranche will be exhausted by mid-2021. It is critical that momentum be sustained, and that the cliff in renewable development in Downstate New York be avoided if possible. Petitioners appreciate that the Commission and stakeholders may seek to explore other options besides the Community Credit for supporting community solar in Con Edison's service territory in the long term; however, given the impending cliff in renewable development, additional runway should be given before significant modifications, informed by a robust stakeholder processes, are made to compensation structures. Extending the Community Credit by 180 MW or more at the same value will allow renewable generation in the region to continue, until a further long-term solution can be found.[25]

4. <u>Ratepayer impacts should be balanced with renewable development needs</u>

Regarding the appropriate level of compensation for this expanded Community Credit capacity, Petitioners are cognizant of the Commission's policy of minimizing the impacts of its programs and policies on non-participating ratepayers, especially in the Con Edison service territory where customers pay some of the highest energy bills in the country, and particularly during the current economic climate as a result of the COVID-19 pandemic. At the same time, sustained renewable development in the Downstate region is needed to help the State achieve its CLCPA goals. These needs are further compounded by the impacts of the Fuel Cell Loophole, which allowed fuel cell projects to occupy a substantial portion of the available Community Credit capacity and have a substantial impact on non-participating ratepayers, while providing none of the clean energy benefits that otherwise would have inured to customers if that capacity had fostered zero-carbon resources like solar. Thus, in this instance, it would be appropriate to

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[25] *See* Point II, *infra*.

modestly exceed the Commission's two-percent rate impact target for Con Edison's Community Credit tranche in order to ensure that some of those benefits actually are realized.[26]

Given the impending tranche exhaustion, the importance of the Community Credit to renewable project finances in the Con Edison service territory, and the role of solar employment in facilitating an economic recovery, Petitioners propose that the new 180 MW or more of Community Credit capacity be provided at the current $0.12 per kWh. Providing the same level of compensation is essential to prevent cliffs in project development, and to provide sufficient runway as the Commission develops a successor to the Community Credit.

POINT II

APPROPRIATE MECHANISMS SHOULD BE IMPLEMENTED TO SUSTAIN CDG DEVELOPMENT IN THE CON EDISON SERVICE TERRITORY ONCE THE EXPANDED COMMUNITY CREDIT IS EXHAUSTED

Approving the proposed 180 MW or more of additional Community Credit capacity will prevent a rapid decline in CDG development in the Con Edison service territory, while helping to advance the greenhouse gas, solar, and equity goals of the CLCPA, including that forty percent of all benefits associated with clean energy investments inure to disadvantaged communities. However, at the current pace at which the current Community Credit tranche is being reserved by in-development projects, Petitioners estimate that even an additional 180 MW would be exhausted by 2023, and Downstate New York would experience a further cliff in CDG development at that time. To avoid a second cliff, it is critical that the Commission engage stakeholders and act to

[26] The Commission previously has noted that its two-percent ratepayer impact target is not a hard limit. *See* note 4, *supra*.

sustain renewable CDG development into the foreseeable future, including once the additional Community Credit capacity has been fully subscribed.

Petitioners recognize that the Commission previously has taken a variety of actions to help sustain renewable development in other utility service territories where the Community Credit tranche has been or is close to being exhausted. First, for the O&R and Central Hudson service territories, the Commission authorized an up-front Community Adder incentive for new projects, sized to the equivalent of an incremental decrease in the net present value of the MTC that the project would have received if further MTC tranches were created (less the Demand Reduction Value ("DRV") component of the VDER Value Stack). The Community Adder is funded from collected, uncommitted NYSERDA funds (*e.g.*, from statewide Systems Benefits Charge collections) rather than collected from ratepayers in those specific utility service territories.[27] Second, the Commission recently authorized Community Credit Tranche 2 for the NYSEG, RG&E, and National Grid service territories (at a lower per-kWh price point than Community Credit Tranche 1), with available capacity derived from MTC and Community Credit tranche capacity allocated to projects that were later cancelled.[28] This Tranche 2 concept differs slightly from Petitioners' proposal in Point I, *supra*, in that the Tranche 2 capacity authorized for NYSEG, RG&E, and National Grid is derived from previously-reserved MTC and Community Credit tranche capacity that has since become available again, instead of incremental capacity.

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[27] VDER Compensation Order at 28-29.

[28] *See* Case 15-E-0751, supra, Order Regarding Community Credit and Community Adder Allocations (issued March 19, 2020).

While both Community Credit Tranche 2 and the Community Adder[29] can serve as useful blueprints for how the Commission might approach the future exhaustion of Con Edison's Community Credit tranche, the Downstate region poses some unique challenges that may make these mechanisms inefficient or inappropriate for the region. For example, the Community Adders for O&R and Central Hudson are broadly based on the net present value of a \$0.03/kWh MTC (reduced by estimated DRV compensation).[30] This calculation results in Community Adders of \$0.40 per W_{DC} and \$0.25 per W_{DC} for Central Hudson and O&R, respectively. However, a Community Adder based on the net present value of Con Edison's current Community Credit (*i.e.*, \$0.12 per kWh) would be several times bigger (estimated around \$1.50 per W_{DC}), and likely too large to be funded from NYSERDA's collected, unallocated funds. Nonetheless, set at a sufficient level, a Community Adder in Con Edison's service territory would support regional equity, given that costs would be shared by ratepayers statewide rather than solely burdening the customers with the highest energy costs in the State. This would be consistent with the Commission's recognition of the statewide benefits of clean distributed generation and that the costs to obtain such benefits should be spread across all ratepayers in the State. [31] Similarly, in Petitioners' understanding, Con Edison's MTC and Community Credit tranches do not face enough project attrition to provide a

[29] In the VDER Compensation Order, the Commission specifically stated that "moving forward, as Community Credit availability is exhausted and to the extent that above-Value-Stack compensation continues to be needed to ensure robust development of CDG projects, it would be appropriate to consider extending the Community Adder to projects in other utility territories not receiving an MTC or Community Credit…." VDER Compensation Order at 30.

[30] VDER Compensation Order at 29.

[31] *See* VDER Compensation Order at 28 (noting that the MTC and the Community Credit "principally represent the overall societal benefit of clean distributed generation and the role that generation has in meeting the State's clean energy goals, and the net revenue impact resulting from those payments should be spread across ratepayers to the extent possible, rather than concentrated on ratepayers in particular utility territories and services classes.").

meaningful buffer against the renewable development cliff through a Community Credit Tranche 2. Depending on the magnitude of a reduction in the Community Credit value for a Tranche 2, it also is possible that a new Tranche 2 value could be insufficient to make renewable development in the Con Edison service territory viable.

Notwithstanding the challenges of adapting Community Credit Tranche 2 or the Community Adder to the Con Edison service territory, the Commission should nonetheless actively monitor the status of CDG development in the Con Edison service territory, and explore available opportunities with Downstate stakeholders to sustain such development in that region once the Community Credit is exhausted. As an example, after the additional 180 MW or more of Community Credit proposed in Point I, *supra*, is exhausted, the Commission could consider continuing the Community Credit at a stepped down level, paired with a new NY-SUN Community Adder in coordination with NYSERDA.[32] Such an arrangement may provide a mechanism by which to support continued community solar development in the Downstate region and the decarbonization and equity goals of the CLCPA, while distributing ratepayer costs with increased geographic equity. At the same time, if a successor includes both a Community Credit and a Community Adder, the values of each must be established thoughtfully, collaboratively, and carefully, to avoid excessive revenue shifting to non-participating ratepayers while still providing CDG-eligible renewable projects with continuity and a meaningful value in order to make them economically viable in the Con Edison service territory.

Petitioners defer to the Commission and Staff as to the appropriate sizes (MW) and Community Credit values ($/kWh) for any incremental tranches adopted, in order to best satisfy

[32] Petitioners understand there is no unallocated NY-SUN funding available for this purpose, and that providing such an Adder may require additional funding for the NY-SUN program.

Downstate renewable development community needs while balancing the need to protect customers from overly burdensome rate impacts. These new calculations of ratepayer impacts should reflect policy changes that have occurred since the original VDER Order was issued. For example, the two percent utility rate impacts were initially calculated based on the combined impacts of both net metering and the MTC.[33] Soon, the Customer Benefit Contribution for net metered customers will reduce rate shifting from that market segment, and the Commission should consider whether and how a successor to the Community Credit (including a further Community Credit tranche or a potential Community Adder) for the Con Edison service territory could be structured to fit into this new paradigm. Regardless, Petitioners understand that it may be appropriate for the structure of a successor to the Community Credit in the Downstate region to deviate from that of the Upstate successors in order to reflect the differences between the Con Edison service territory and the rest of the State.

Finally, given the long lead time to develop projects in the Con Edison service territory, any follow-up measures should be in place as soon as possible so that the utilities, customers, and developers all have a reasonable expectation of project development needs going forward. Future opportunities could be tailored to target specific regional needs, for example, incentives based on geographic equity (*i.e.*, based on differences between utility service territories or New York Independent System Operator, Inc. zones), adders for projects that specifically focus on environmental justice, and different compensation structures that take into account the financing needs of smaller CDG projects versus larger projects.

Specifically with respect to project size, Petitioners note that large projects have economies of scale, are more able to take on large anchor subscribers, and tend to be constructed in areas

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[33] VDER Order at 34-39.

where land values and population density are lower. Projects over 1 MW make up over half of the existing capacity completed or in-the-queue (as reported to NY-SUN) but only represent a small number of projects. Conversely, small projects such as those located on the rooftops of multifamily housing properties are less able to absorb a decrease in value, but provide greater community benefits like local jobs. Many of the smallest projects are on-site community solar projects that allow properties like multifamily cooperatives to take advantage of solar the same way a single family homeowner might.

In summary, Petitioners strongly urge the Commission to take action as soon as possible and engage Downstate stakeholders to develop the appropriate mechanisms for sustaining solar CDG development in Downstate New York once the expanded Community Credit capacity has been exhausted.

CONCLUSION

For the reasons set forth herein, Petitioners respectfully requests that the Commission (1) extend the availability of Community Credit compensation under the VDER Value Stack in the Con Edison service territory as described herein; and (2) take action with stakeholder input to ensure that appropriate mechanisms are in place to sustain solar development in Downstate New York once the Community Credit is exhausted.

Respectfully submitted,

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