

June 29, 2022

The Climate Action Council
Attn.: Mr. Dennis Elsenbeck
Draft Scoping Plan Comments
NYSERDA
17 Columbia Circle
Albany, NY 12203-6399

Dear Mr. Elsenbeck:

Please accept this letter as Solar Liberty's comments on how we believe the Draft Scoping Plan under review could be made the most robust possible considering New York State's long-term goals for renewable energy and carbon reduction.

Together, NYSERDA and the Department of Public Service have created a strong policy foundation to support DG solar. The Value of Distributed Energy Resources ("VDER") tariff approved by the Public Service Commission ("PSC or Commission") established a fair compensation structure for large-scale distributed solar projects.

Even with this considerable progress and many projects under contract, NYSERDA's own analysis shows New York still needs considerably more generation (well beyond the current 10 GW solar goal) to reach the CLCPA's '70 by 30' target now memorialized in the New York Clean Energy Standard ("CES").¹

Furthermore, regulators must keep in mind that the 70 by 30 milestone is only one important stop along the way towards the ultimate goal of zero emissions from the electricity sector by 2040 and an 85 percent reduction in greenhouse gas emissions ("GHG") economy-wide by 2050. Considerably more clean energy will be necessary in order to attain that objective.¹

New York State must put itself in the best position possible to accomplish a zero-emissions electric grid by building and supporting all the most promising renewable markets; markets which have become a thriving industry and created more than 12,000 New York State jobs.³

In establishing a new solar goal, collectively we caution regulators not to place artificial constraints on distributed energy's potential based on current levels of hosting capacity. Regulators should start their analysis from the goal of bringing enough distributed solar onto the system to meet the CLCPA emissions reduction goals and then design, improve, and construct a distribution system that can accommodate these levels of increased deployment.

The DPS already has the process of improving and upgrading renewable energy hosting capacity underway in Docket 20-E-0197 as part of implementing the Accelerated Renewable Energy Growth and Community Benefit Act. However, we believe that provided a tradeable and higher renewable energy credit (REC) within, or separate from, VDER will assist with infrastructure improvements via upgrades required to increase hosting capacity while consistently improving the electric grid's stability.

Furthermore, regulators should identify opportunities to support and encourage utilities to adopt innovative technologies, such as smart inverters, that will also accommodate more renewable generation without the need for certain distribution system upgrades.

E-Value or Renewable Energy Credit (REC)

Collectively, we recommend that the State should increase the E-value and/ or REC based on the New York State Department of Environmental Conservation's ("DEC") damages-based Social Cost of Carbon Guidance ("SCC or SCC Guidance") updated in December 2022 with a 1.25% discount rate.⁴ This value would be set as the Alternative Compliance Payment (ACP).

Increasing the E-value to be consistent with DEC's damages-based SCC Guidance is an expedient and justified approach that meets many of the State's policy goals. The DEC Guidance sets updated calculations and discount rates to establish the damages-based value of an avoided ton of carbon dioxide, and DPS already uses a damages-based SCC to determine the current E-value.

Infrastructure improvements are required to meet CLCPA's goals and promote the State's Electricity Transformation. As such, we recommend a Clean Energy Infrastructure Improvement Fund be created, whereas based on the New York State Department of Environmental Conservation's ("DEC") damages-based Social Cost of Carbon Guidance ("SCC or SCC Guidance") updated in December 2022 with a .4% discount rate would be applied to all REC's registered in NY State during each calendar year and would be allocated towards improvements accordingly. This mechanism would be based on registration of the REC in the NYGATS system and could be billed once annually to the generator owner.

Tradability

Currently, any VDER project receiving the value stack is ineligible for Tier 1 solicitations or transferrable RECs but will receive one of two options:

- A. Default Interconnecting-LSE-Option: Utility (LSE) receives non-transferrable RECs, and customers receive environmental value component in Value Stack ("E")
- B. Customers may permanently opt into Customer-Retention-Option at time of interconnection. The customers forfeit the "E" value in the Value Stack but receive non-transferrable RECs (not redeemable for monetary value).

Limiting the tradability of the E-Value limits market conditions to dictate this commodity. We would request that modifications be made to read that any renewable energy project connected to distribution and sub-transmission lines are eligible for Tier 1 solicitations or transferrable RECs may:

- A. Default Interconnecting-LSE-Option with options of 5, 10-, 15-, 20- and 25-year term: Utility (LSE) receives transferrable RECs, and customers receive environmental value on their electric bill with the chosen option of 5, 10-, 15-, 20-, or 25-year term (at the end of the term the customer would be eligible to receive transferrable RECs (redeemable for monetary value).
- B. Customers may permanently opt into Customer-Retention-Option at time of interconnection. The customers forfeit "E" on their utility bill but receive transferrable RECs (redeemable for monetary value).

Additional Tariff Improvements

Among the values uniquely attributable to large distribution facilities is the avoidance of capital spending on new infrastructure – both deferring and avoiding upgrades of existing distribution infrastructure or construction of new transmission infrastructure purposely built to relieve congestion and deliver future renewable generation to load. VDER currently compensates large distribution assets for only one of these values and for only a portion of the useful life of the asset: it should compensate commercial assets for both values for their full 25-year asset life.

Extension of DRV

The DRV is a quantifiable value attributable to the characteristics of the DG asset and is part of the VDER stack. This value is currently fixed for a period of ten years, with a reassessment of the value at year 11 for the remaining years of the asset’s useful life (years 11-25). The current structure of this regulatory review of DRV creates finance risk for any entity developing a project, as financiers assume a zero value for DRV in years 11-25, which is contrary to the intent of DPS/NYSERDA. Instead, the asset’s value in avoiding future utility expenditure should be received on an amortized basis over its useful life just as a utility asset’s value/contribution to plant is returned to the utility on an amortized basis over its useful life. While it is possible that a DRV could be reduced over time, it is also possible that this value would increase due to additional load on the system and other grid characteristics not heretofore contemplated by utility load forecasts (particularly those as disparate as the MCOS proceeding). In sum, to decrease unintended finance risk that will limit DG deployment, DPS should consider extending a floor DRV for the full life of the asset.

Develop an avoided long-run transmission value

DPS should also account for the avoided transmission infrastructure and capacity costs associated with load reduction through DG. Short-run transmission congestion costs are included within the avoided energy costs through locational based marginal pricing. However, long-run avoided transmission costs have not been included within the current methodology.

Thank you for the opportunity to present our comments.

Very truly yours,
Solar Liberty Energy Systems, Inc.

A handwritten signature in blue ink that reads "Nathan Rizzo".

Nathan T. Rizzo
Vice President

1. NYSERDA, “Future of New York. Commercial/Industrial & Community Distributed Generation Solar Markets,” April 21, 2021. At slide 25.
2. It is also worth noting that load projections are inherently uncertain and the Clean Energy Standard Order and supporting documents use the 2030 load projection of 151,678 GWh as the initial basis for formulating procurement targets. As with any projection, the 151,678 GWh projection at issue here is subject to substantial uncertainty and may need revisions based on the achievement of the state’s energy efficiency goals, the pace of beneficial electrification, and the deployment of electric vehicles.
3. NYSERDA, supra note 4. At slide 19.
4. New York State Department of Environmental Conservation, “Establishing A Value of Carbon: Guidelines for Use by State Agencies,” 2022 Update. At: https://www.dec.ny.gov/docs/administration_pdf/vocguid22.pdf