

June 21, 2021

VIA ELECTRONIC FILING

Hon. Michelle L. Phillips
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources –
Comments on the Joint Petition Regarding Community Credit Compensation

Dear Secretary Phillips:

The undersigned parties (together, “Petitioners”)¹ hereby submit these brief comments on the *Joint Petition Regarding Community Credit Compensation* that Petitioners filed on March 10, 2021 in this docket (“Petition”). These comments are submitted in response to the notice published in the *NYS Register* on April 21, 2021, I.D. No. PSC-16-21-00006-P, and are intended to provide an update on community distributed generation (“CDG”) market activity and regulatory proceedings in the three months since the Petition was filed.

In particular, and as detailed herein, Petitioners emphasize that: (i) there is an impending cliff in the Con Edison CDG market based on the limited remaining Community Credit capacity and as a result prompt Public Service Commission (“Commission”) action is required on the Petition; (ii) the soundest option for maintaining near- and mid-term certainty in this market is to replace the Community Credit capacity previously allocated to fossil-fired fuel cells at the full \$0.12/kWh as requested in the Petition; and (iii) the Commission may consider a modified or tiered approach to incremental Community Credit capacity, beyond that requested in the Petition, that reduces the value of the Community Credit depending on system size.

I. Recent Market Activity Underscores the Need for Prompt Commission Action

As of June 1, 2021, Con Edison reported that 36.425 MW of Community Credit capacity was available in their service territory, leaving only about 10% of total Community Credit capacity remaining.² Based on trends observed over the last two years, Con Edison receives

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

² See Con Edison, Automatic Tranche Report Generator V4 – 060121.xlsx, available at <https://www.coned.com/-/media/files/coned/documents/save-energy-money/using-private-generation/con-edison-vder-tranches.pdf?la=en> (last visited June 21, 2021).

(on average) 30 MW worth of new CDG applications each calendar quarter, although the pace over the last six months or so has been around 40 MW per quarter. If this trend continues, available Community Credit capacity will be exhausted by August 2021 at the latest.³ Prompt Commission action is therefore needed to avoid this impending cliff.

II. The Soundest Option to Maintain Market Momentum is to Replace the Approximately 180 MWs Allocated to Fossil-Fired Fuel Cells at the Full \$0.12/kWh

Petitioners appreciate that, since the Petition was filed, the Department of Public Service (“DPS”) and NYSERDA have provided preliminary details of compensation structures that might govern in the post-6 GW / post-Community Credit and -Community Adder market (“Post-6 GW Proceeding”). Indeed, many of the Petitioners are participating in this process on behalf of their respective organizations and will continue to do so. This successor compensation structure, however, likely will not be finalized until the end of the year, at the earliest.⁴

The distributed solar market in Con Edison’s territory needs near- and mid-term certainty in order to maintain the positive momentum that has developed there over the past few years. With the Community Credit projected to be exhausted in the coming months, the market cannot wait until the start of 2022 for the successor. Indeed, with the remaining capacity, Petitioners doubt at this point that the market can wait for development and approval of a Community Adder – which was the Commission’s preferred approach for upstate utilities. Certainly there is no time to develop new, untested approaches beyond the Community Credit or Community Adder, which are accepted and understood mechanisms by the development, financing, utility, and regulatory communities.

In short, extending the Community Credit as requested in the Petition is the most feasible outcome to ensure near- and mid-term stability in the distributed solar market in Con Edison’s territory. Petitioners acknowledge that, based on NYSERDA data, the incremental MWs requested in the Petition may bring the State beyond its 6 GW distributed solar goal. Importantly, these incremental MWs will further the CLCPA’s commitment to achieve zero-carbon emissions from the electricity sector by 2040, particularly in environmental justice areas. In addition, Petitioners continue to aver that the Petition is narrowly tailored to limit the incremental bill impacts on non-participating ratepayers to an amount reasonably necessary to bridge the gap between the looming development cliff and the adoption and implementation of the post-6 GW successor compensation structure through the this proceeding.

For example, the MWs sought in the Petition are limited to the MWs that were previously allocated to fossil-fired fuel cells, to ensure that Downstate residents are not deprived of

³ SIR Inventory Information, Con Edison Interconnection Queue, April 2021, available at <https://www3.dps.ny.gov/W/PSCWeb.nsf/All/286D2C179E9A5A8385257FBF003F1F7E>

⁴ See Case 15-E-0751, Presentations from Second Technical Conference (filed May 7, 2021) at p. 62 (noting that DPS is targeting Summer 2021 for release of a Whitepaper on the post-6 GW successor, which would be subject to a formal comment period).

approximately 180 MWs worth of clean, distributed generation that would otherwise be available in the absence of the fuel cells. Moreover, replenishing these MWs will avoid a shock to the distributed solar industry, which carries its own benefits by fostering a sustainable environment for clean energy development. These workforce benefits, which include avoided layoffs and preventable market contraction, are particularly important as the State emerges from the economic crisis caused by the COVID-19 pandemic. Due to the fact that solar employment is often project-based, even a slight interruption in the NYC solar pipeline due to a lapsed Community Credit would have an outsized impact on community goals such as workforce development.

Further, Downstate community solar development comes with its own unique benefits, including local air quality improvements, equitable access to renewable energy for multi-family building residents, potential resiliency improvements, and contributions to the CLCPA's goals for disadvantaged communities. These benefits are best achieved in the near- and mid-term with an extension of the Community Credit as requested in the Petition.

III. The Commission Should Consider a Tiered Approach to the Community Credit After the MWs Allocated to Fuel Cells are Restored and Exhausted

At current utilization rates, and if current schedule assumptions hold, Petitioners anticipate that restoring the approximately 180 MW of Community Credit capacity allocated to fossil-fired fuel cells can provide a bridge to the post-6 GW CDG compensation structure. In the event, however, that incremental MWs beyond the fuel cell replenishment are needed to avoid another cliff and maintain market momentum before the post-6 GW successor can be adopted, the Commission should consider adopting a tiered approach to Community Credit values that decreases in value as system size increases.

Due to space constraints in the dense Downstate environment, the median CDG project size in Con Edison's service territory is 200 kW, with projects sized between 0-200 kW accounting for over 70% of completed and pipeline projects.⁵ Many of these projects are located on the rooftops of multifamily housing, providing a similar type of solar access to renters and cooperative/condominium owners that single-family homes enjoy.

While Petitioners agree that the cost of installed solar has decreased in recent years, the smaller projects common to the Downstate market (200 kW and below) do not share the benefits of scale that a large, 5 MW upstate solar farm has. Examples of these 'scale' benefits include bulk equipment pricing, reduced per-kW customer acquisition and permitting costs, the ability to amortize inverter costs over a larger project cost, and frequently, simpler designs.

Maintaining a full \$0.12/kWh Community Credit is critical for the smaller project segment in Con Edison's territory. As acknowledged in the Petition, however, after the fossil-fired fuel

⁵ SIR Inventory Information, Con Edison Interconnection Queue, April 2021, available at <https://www3.dps.ny.gov/W/PSCWeb.nsf/All/286D2C179E9A5A8385257FBF003F1F7E>

cell capacity is replenished, it would be reasonable for Community Credit values to decline with system size. (See Petition at 19). Petitioners offer the following illustrative example for consideration: (a) \$0.12/kWh for projects sized 200 kW(ac) and under; (b) \$0.09/kWh for projects sized 1 MW(ac) and under; and (c) \$0.06/kWh for projects above 1 MW(ac).

The Commission should further consider whether projects that meet other policy objectives (e.g., solar on affordable housing; community-owned solar, etc.) can receive higher per-kWh incentives. As noted in the Petition, the Commission must actively monitor CDG development in the Con Edison territory and explore opportunities for new or creative incentive mechanisms, such as Community Adder or other similar upfront incentives, to support continued community solar development in the Downstate region while furthering the decarbonization and equity goals of the CLCPA.

In sum, Petitioners reiterate their request from the Petition to extend the availability of the Community Credit in the Con Edison service territory by replenishing the capacity that was allocated to fossil-fired fuel cells, and to take action to ensure the appropriate mechanisms are in place to sustain solar development in Downstate New York once this capacity is exhausted.

Thank you for your consideration of these comments.

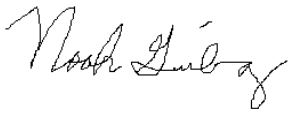
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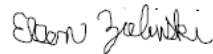
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