

LISEIA Position on LIPA's Proposed Tariff Changes for Solar Net Metering

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To
LIPA Board of Trustees

By
Long Island Solar Energy Industries Association
Steering Committee & Industry Leadership

November 9, 2017 Update

Since LISEA submitted its position on LIPA VDER adoption in July 2017, LIPA and PSEG LI released specific tariff updates. A key change from the state was the postponement of applying VDER to Community Distributed Generation. LISEA appreciates the recognition of CDG's infancy on Long Island. Otherwise, the below comments stand.

Position Summary

Value of Distributed Generation (VDER) was developed for the rest of the state in 2016 as a compromise method to create a fairer solar compensation system. It is the position of the Long Island Solar Energy Industries Association (LISEIA), industry manufacturers, other stakeholders and customers that the system as proposed is highly complicated, bad for electricity customers and will stunt the growth of solar that we've all worked so hard to achieve. If implemented, without notable provisions and modification, severe negative impacts on the solar industry and consumers will result.

- ❖ Therefore, the Long Island Solar community, with support from the broader New York state solar community and numerous stakeholders, is opposed to adopting VDER and instead presents a number of process and structural ideas to consider as we observe the VDER experiment throughout the rest of the state.

It should also be noted that the ratepayers are highly supportive of all renewable energy and specifically Solar. They firmly believe in its necessity in Long Island's energy future as we work towards a 21st century solution to energy supply for Long Island. It is the position of LISEA that the ratepayers would not support implementation of VDER until such time as we could be certain that it would not further hinder the deployment of Solar Power. New solar capacity has already slowed dramatically in the last 12 months due to a number of market challenges in all sectors.

LISEIA believes that is premature to roll-out the VDER program in LIPA territory for many reasons, including but not limited to the list below. These, and additional topics are referenced for discussion in the balance of this paper.

- Commercial and Industrial sector already weak segment of the marketplace (do we have data?)
- Payback on Long Island with current rebates (lower than rest of state) and net metering not yet generating strong uptake.
- VDER makes getting project financing harder
- Insufficient transparency, public access to data and proper quality assurance exists for performance of VDER stack calculations
- Solar energy values subject to proprietary utility analysis and judgements without third party auditing. Environmental attributes are highly debatable.
- Solar values are variable and impossible to predict – this makes savings projects for customers impossible.
- Solar crediting based on net hourly exports. To accurately forecast savings, we need to know historical hourly consumption, but kilowatt hours and kilowatts, and even this is subject to change
 - **Minimum Precondition:** solar contractors have easy access to full one year hourly data.

- This is not available today.

VDER makes it harder and more confusing to sell solar

- Clean energy policies have significant societal impact, therefore require many essential stakeholders and a patient timeline to help evaluate policies
- NYS is aiming to play leadership role in clean energy deployment, more important than ever now. Focus should be on how to increase deployment, not decrease it. The stated REV goal is 50% by 2030. The VDER program as presented will slow and possibly kill growth, preventing achievement of this State goal.
- VDER is a one-sided approach which only applies pricing signals to the generation side. It is critically and equally important that consumption pricing signals and program be implemented in parallel.

Also noteworthy is the fact that the solar industry is already facing what may be an insurmountable challenge of a drastic change to the tax code in 2020 and a potential tariff on panel imports. At the current rate of deployment coupled with a very small and limited commercial rebate available it is imperative that we support the market as much as possible so Long Islanders and LI Business owners obtain their share of these available subsidies. VDER could unfairly disadvantage LI Businesses to utilize this instrumental subsidy as the industry and the utility gather data and build processes around understanding the Value Stack, locational differences, and other complexities of this system.

Our first general recommendation is that LIPA halt/postpone all actions regarding VDER program for a minimum of 12 months for the purposes of (a) ongoing review as proposed in recommendations #2 and #3, and (b) observation and evaluation of the effects of VDER where already implemented. Using data from the waiting period, ultimately we can better formulate informed opinions on the efficacy of VDER to achieve what is best for Long Island. Such observations & evaluations may include:

- How is VDER affecting the solar industry in upstate NY? What is happening to business? What is feedback from contractors/customers using VDER upstate? (Sect 1.1)
- How is the Value Stack determined and managed elsewhere? Is there sufficient transparency in the calculations? Etc. (Sect 1.2)
- Observe what is happening in other states/markets during this period (Sect 1.3)

In parallel with ongoing observations and evaluation, ***our second recommendation*** is that, in partnership with LISEIA, we commence a discussion period to create a modified, improved program architecture that address multiple fundamental issues. Sample discussion topics and issues include:

- **Plan to provide easy third party access to hourly customer data.** Note, today in LIPA territory it is harder than ever before to obtain and analyze even monthly customer data. (Sect 2.7)
- Discussion on big picture power generation goals from solar and other energy sources. Determine what rates/incentives are necessary to achieve those goals. How do we actually achieve REV goals of 50% by 2030. (Sect 2.1 & 2.2)
- Attain agreement on core program design principles (Sect 2.3)
- Discussion of potential VDER alternatives. Ex. Net energy metering 2.0 in California. Discussion of potential architecture changes to VDER. Ex. Can rate uncertainty be eliminated? (Sect 2.4)
- Discussion and incorporation of demand side consumption rates and price signals (VDER only addresses generation side valuation). Consider how VDER implementation should be timed with broader overhaul; AMIs, TOU consumption, smart grid, better data availability and transparency. (Sect 2.5)

- Discussion of methodologies used by potential client and contractor to provide accurate 20 to 30 year rate estimations. This fundamental flaw will result in mass deterrence by potential solar customers. (Sect 2.6)
- If VDER type system chosen, discussion of exact methodologies for how value stack (or similar) values shall be determined. Determine how industry is a meaningful stakeholder and necessary partner to determine these rates. Determine what third party validation exists to provide quality assurance. (Sect 2.8 & 2.9)
- If VDER recommendations modified, review classification of what defines “Mass Market” to include demand accounts connected to systems up to 250 kW. (Sect 2.10)
- Discuss & identify absolute requirements which must be in place prior to rollout. For example, if there is variable or location based pricing, a fully functional online and/or Excel based calculator tool must be in place. (Sect 2.11 & 2.12)

Finally, once LIPA and industry have converged on a new improved VDER program, similar to the PSC process for NYS, and even the IRP process for LIPA, ***our third recommendation*** is to commence a public comment period which will allow for reviewing the final program to be implemented. We feel there are many benefits to this process including boosting transparency, public engagement and understanding.

Each of the principles and comments above has a corresponding narrative section in this working position statement may be expanded and revised in future revisions of this document.

LISEIA and PSEG/LIPA have a long history of successful collaboration. We believe that through this mutual respect and exchange we have achieved positive outcomes that do not only benefit a single entity, but rather, all Long Island ratepayers and solar industry. These benefits have been so great as to merit deserved recognition on State and National levels. LISEIA is proud to work with PSEG/LIPA as we embark upon this new, post NEM era. We are confident that this process in totality (including recommendations #1 and #2 above) will increase the possibility of developing a sustainable and fair policy which achieves desired goals for all.

Review of Vision for Solar & Renewables on Long Island

We think solar can generate the majority of the energy supply, and, coupled with storage, electric vehicles, smart grid technologies and more, can deliver a 21st century energy system that results in stable prices, clean air, clean water, mitigate climate change, and create robust regional economic development from the fast-growing clean tech sector.

Long Island has a long history of being a top leader in the solar industry, recognized both locally and nationally. This is largely because LIPA acts independently and considers what is best for its ratepayers industry partners. For example, Solar has also been a major job creation engine for the State. We are confident that the proposed VDER changes will have a severe negative impact on these factors.

We believe it's therefore imperative to promote policies that lead to robust and sustained growth of distributed solar and storage. LISEIA wholly supports the REV goal of 50% by 2030, and believe that solar power can and should be a major component of that generation mix.

As such, it is our primary goal that if Net Energy Metering (NEM) is to be replaced, then it must be done with a program that achieves these goals and not only values solar renewable energy in a fair and accurate manner, but also incorporates the real and practical requirements to properly sell that energy. We are confident that the proposed VDER program in its current form will absolutely not achieve these goals.

We believe that Long Island can and should continue to lead. As suggested within, we provide three basic recommendations which we believe will enable us to achieve this vision.

Recommendation #1 - Postpone & Observe

Our first general recommendation is that LIPA halt/postpone all actions regarding the VDER program for a minimum of 12 months or longer, as determined throughout this process. This stay on continued VDER advancement is essential to both (a) observe what is happening upstate and around the country, and (b) commence a joint review of how to improve on the VDER program for Long Island.

Following are key summaries/considerations regarding this postponement period.

1.1 - Observe/Evaluate General Upstate Industry Activity

Although detailed studies have not yet been completed, it is observed among contractors how extremely difficult it has been to sell standard commercial solar (Aka, non-community solar) in upstate NY. We feel that it is likely that standard commercial sales will become depressed and essentially all feedback from contractor and client will be negative. Regardless of outcome, macro factors can be observed during the waiting period.

1.2 - Observe/Evaluate "Stack Value Determination" Process Upstate

In particular, calculating value stack rates is one of the most complex and challenging aspects of the program. While evaluating other aspects of VDER for Long Island (see recommendations #2 & #3), LISEIA and LIPA have a genuine opportunity to see how other utilities (Ex, National Grid upstate, ConEd, etc.) manage this aspect of the program. We can also obtain direct feedback from other contractors who have requested transparency and may or may not have performed quality assurance to see whether the utility calculated numbers are accurate.

1.3 - Observe VDER and/or Similar in other States

Alternative programs to NEM are still under review across the country. This period will allow us the ability to see what other frameworks develop. Because this working group exists we will be able to react quickly to modify VDER or possibly implement an alternate model.

Recommendation #2 – Commence Discussion Period & Improved Program Redesign w/LISEIA

In parallel with ongoing observations and evaluation, our second recommendation is that, in partnership with LISEA and industry stakeholders, we immediately commence a discussion period to create a modified, improved program architecture that address multiple fundamental issues. It is expected that the time to complete this process properly may be around 6 to 8 months.

The outcome of this redesign process is an industry supported, joint document which outlines a reformulation of the VDER (or similar) program for Long Island. This document will be the basis for the next stage of review and implementation as part of recommendation #3.

Following is an outline of the key issues and principles to address and review during this discussion period.

2.1 - Setting Energy Generation Goals & How to Realistically Achieve Them

NYS is aiming to play leadership role in clean energy deployment, more important than ever now. Focus should be on how to increase deployment, not decrease it.

- As explicitly stated in the PSEG 2017 *Integrated Resource Plan*¹ (IRP), statewide goal is 50% by 2030. The VDER program as presented will slow and possibly kill growth, preventing achievement of this statewide, Governor set goal.
- Look specifically at each generation method, in particular solar, and set real, tangible goals which are in alignment with the underlying program (currently VDER, or other) to achieve it.

2.2 - Confirm LIPA's vision for Solar on Long Island

It is further observed that the PSEG 2017 Integrated Resource Plan, page 9 graph shows solar growth ceasing in 2019. Clearly we feel that this is undesirable and inappropriate. As noted previously, we should be clear about understanding joint goals for the solar industry on Long Island.

2.3 - Establishment & Agreement on Core Program Design Principles

It is critical to establish clear program design principles and discuss whether or not the VDER program achieves these goals. This was a foundational element of the joint LISEA and LIPA partnership when ramping down the solar rebate.

- Solar project ROI should result in year one savings of 20% using financing. Thus the proposed system compels action on the part of the perspective solar client.
- Benefits may step down over time / MW tranche, to ensure visibility and longevity. (Presently, for example, there is no visibility what happens after VDER MTC Tranche 3.)
- To reiterate, visibility and predictability are essential to provide confidence to perspective buyers and to manage a viable and stable solar business.

¹ 2017 *Integrated Resource Plan: PSEG Long Island Analysis Summary*, April 10, 2017,
http://www.lipower.org/pdfs/company/trans/2017-04-10_PSEG_IRP_Summary_Report.pdf

2.4 - Evaluation of VDER Alternatives & Potential Architectural VDER Alterations

Even if not implemented, there is value in evaluating what has happened in other areas across the country. How is VDER similar or differ? What key architectural elements and changes can/should be incorporated? Sample programs to reference:

- California NEM 2.0²
- Austin Value of Solar
- Etc.

2.5 - Incorporation of Demand Side Management Initiatives & Incorporation with other LIPA Initiatives & Programs

VDER is a one-sided approach which only applies pricing signals to the generation side. It is critically and equally important that consumption pricing signals and program be implemented in parallel. For example, how does VDER rollout correspond with AMIs, TOU consumption, smart grid initiatives, better data availability and transparency for value stack calculations, et cetera. What is the time horizon on TOU or near real-time rate retail rate setting?

2.6 - Elimination of Rate Uncertainty Over Project Time Horizon

Even if jointly agreed upon calculation methods are determined, variability over time is considered a fundamental flaw for instilling confidence in the potential buyer. This will absolutely deter thousands of buyers, financiers, and other related parties who rely on payback confidence. In addition to potential buyers, it cannot be overstated that obtaining financing through various banks will be extremely difficult if not impossible.

2.7 - Ensure Efficient Third Party Access to Hourly customer Data

Note, today in LIPA territory it is harder than ever before to obtain and analyze even monthly customer data.

2.8 - If VDER Chosen, Establish Checks & Balances which Eliminate Rate Calculations Ambiguity

Much must be done to eliminate the ambiguity and lack of transparency around how the value stack calculations are made. We believe there to be a legitimate concern that VDER base rate calculations are and will be calculated, by the utility, to be artificially low as a result of a variety of factors, as outlined in the list below. Solutions to each of these fundamental issues must be found:

- Hidden or unknown “black box” calculations performed by the utility, where exact methods and fundamental basis for calculations are hidden or improper.
- Unavailable data to the public or industry leaders. And if made available, often it is in an unusable format.
- Lack proper third party verifications and quality assurance processes
- Etc.

² *Breaking: California's NEM 2.0 Decision Keeps Retail Rate for Rooftop Solar, Adds Time-of-Use*, Jeff St. John, January 28, 2016, <https://www.greentechmedia.com/articles/read/Californias-Net-Metering-2-0-Decision-Rooftop-Solar-to-Keep-Retail-Payme>

2.9 - If VDER Chosen,

We feel that the automatic assumption of the value stack rates being less than retail rate is fundamentally flawed. Of course, the first step is to defer to the processes and transparencies outlined in section 2.7. Pending the outcome of that process, then can we discuss the necessity and management of the Market Transition Credit (MTC).

2.10 - If VDER Chosen, Review Definition of "Mass Market"

We feel that there are unique factors on Long Island which should be incorporated. One of which is assessing what defines "Mass Market". Suggested changes are as follows:

- The small commercial classification should be included in the "mass market", representing solar systems up to 250 kW
- The requirement of "non-demand" account should be removed

2.11 - Minimal Requirements Prior to Rollout – Ex Solar Rate Calculator

Following the public comment process, we believe that a careful review must be conducted to identify what critical components must be in place before the program goes live. One critical example is, if there is locational based pricing, some sort of online and/or Excel based rate calculator. We understand that there may be some database related challenges for LIPA to sort out in order to provide this information (Ex, ability to determine the loading on a specific feeder for a specific account). There are likely other key aspects which must be sorted out prior to the final program going live.

2.12 - Misc Additional Rate Considerations – Ex Battery Programs

Some discussion must be made as well regarding the methodologies of calculating onsite storage, and smart grid related benefits.

Recommendation #3 – Commence Public Comment Period

Following the completion of a industry supported, joint document which outlines a reformulation of the VDER (or similar) program for Long Island, we recommend that a public comment period be commenced. It is expected that the time to complete this process properly may be around 3 to 4 months.

We feel there are many benefits to this process including boosting transparency, public engagement and understanding.