March 8, 2021

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

Re: Case No. 15-E-0751 – In the Matter of the Value of Distributed Energy Resources

Dear Secretary Phillips:

Environmental Defense Fund (EDF) respectfully provides these comments in response to the Whitepaper on Allocated Cost of Service Methods Used to Develop Standby and Buyback Service Rates, jointly filed by Department of Public Service Staff and New York State Energy Research and Development Authority Staff on November 25, 2020 (the Whitepaper), pursuant to the Notice Soliciting Comments issued November 25, 2020 and the Notice Announcing Technical Conference and Extending Comment Period issued February 5, 2021.

In the Whitepaper, Staff articulates refinements to the Allocated Cost of Service (ACOS) methodology that are proposed to be adopted across the board by New York utilities, examines the impact of such proposed changes to the ACOS on resulting standby and buyback rates, and further evaluates the impact on various customer types, including customers with stand-alone energy storage systems (which, in the context of the Whitepaper, refers to storage systems that are not co-located with solar generation). Based on the resulting bill impacts, Staff observes that stand-alone energy storage customers experience much greater bill impacts than the average Standby Service customer, and accordingly recommends near-term relief "to enable these stand-alone storage systems to gain greater penetration in the market"[1]: specifically, that such customers be exempted from Contract Demand Charges for injections under Buyback Service.[2] Staff recommends these modifications due to the urgency of meeting the storage goal that the Commission has set to support achievement of the electric system decarbonization goals set forth in the Climate Leadership and Community Protection Act (CLCPA) and the resulting imperative to develop the energy storage market in New York without delay.[3] Moreover, Staff examines the risk of a cost shift from stand-alone storage customers to other customers and concludes that:

> [T]he potential for cost shift… will likely be small, and is likely to be far outweighed by other ratepayer benefits, including the achievement of economic savings and beneficial system options that storage provides. These benefits are particularly salient in areas where injections

[1] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources*, Department of Public Service Staff and New York State Energy Research and Development Authority, Whitepaper on Allocated Cost of Service Methods Used to Develop Standby and Buyback Service Rates at 25 (Nov. 25, 2020) [hereinafter, Whitepaper].
[2] Whitepaper at 25-26.
[3] Whitepaper at 26.

during high demand periods can offset congestion and additional distribution-level costs. These benefits continue to become even more attractive with increasing electric vehicle and other DER penetration.[4]

We appreciate the nuanced discussion of how prospects for rapid adoption of a particular technology that is critical to New York's decarbonization efforts may be affected by specific rate design determinations resulting from this proceeding. The Commission's and Staff's commitment to aligning rates with costs is appropriate and laudable. However, where rapid market transformation is required to achieve policy goals, generally applicable methodologies, because they cannot fully reflect benefits associated with new load (or for other reasons), can result in needlessly punitive outcomes, thereby risking the stifling of a nascent market. Thus, adjustments to this approach may be required to help ensure that market transformation scales up in accordance with New York's greenhouse gas goals.

To that end, we respectfully request that the impact of the rates being developed in this Value of Distributed Energy Resources proceeding on the adoption and likely charging impact of various types of electric vehicles, including medium- and heavy-duty vehicles, be given equally thorough attention, at the earliest opportunity and on an iterative basis. Given the relative magnitude of greenhouse gas emissions from transportation compared to electric generation, achieving rapid expansion of vehicle electrification is as important as electric sector decarbonization if the State's CLCPA greenhouse gas reduction goals are to be achievable. Medium- and heavy-duty vehicles in particular contribute an outsized share of carbon dioxide emissions; though they account for less than 5% of all vehicles on the road, they contribute approximately 20% of the transportation sector's greenhouse gas emissions in New York State[5]. Furthermore, these vehicles contribute extensively to local air pollution, producing 43% of nitrogen oxide (NOx) emissions in the state.[6] NOx, and the ozone that it forms, cause significant and harmful health impacts. In urban centers such as New York City, the impact on health is large: though only accounting for 6% of all vehicle miles traveled, diesel emissions from trucks and buses "cause 170 deaths and 360 emergency visits in New York City each year."[7]

Though the environmental and public health case for electrifying vehicles is compelling, the economics of fleet electrification can be challenging, especially for medium- and heavy-duty fleets, who may face very large upfront costs of fleet turnover. Importantly, the economic case for fleet electrification is shaped in part by the price signals associated with their energy consumption and

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[4] Whitepaper at 28.

[5] Synapse Energy Economics, Inc., *Transforming Transportation in New York – Roadmaps to a Transportation Climate Target for 2035* at 2*,* Prepared on behalf of Sierra Club (Sep. 2019), https://www.sierraclub.org/sites/www.sierraclub.org/files/blog/Transforming%20Transportation%20in%20New%20York.pdf.

[6] New York State Department of Environmental Conservation, *Multi-State Medium and Heavy Duty ZEV MOU and Action Plan,* Slide 9 (Oct. 21, 2020), https://www.dec.ny.gov/docs/air_pdf/mhdzevmou102120.pdf.

[7] Earthjustice, *et al.,* Comments on New York State Department of Environmental Conservation Proposed Part 248 Use of Ultra Low Sulfur Diesel Fuel and Best Available Retrofit Technology for Heavy Duty Vehicles, and Part 200 General Provisions at 9 (May 15, 2020), https://earthjustice.org/sites/default/files/files/earthjusticecomments_dec_05.15.2020.pdf at 9 (citing Iyad Kheirbek et al., The Contribution of Motor Vehicle Emissions to Ambient Fine Particulate Matter Public Health Impacts in New York City: A Health Burden Assessment, Envt'l Health (2016), https://ehjournal.biomedcentral.com/track/pdf/10.1186/s12940-016-0172-6).

injections. Ensuring that fleets face price signals that incentivize charging during low-cost or low-utilization hours and injections to the grid at high-cost and congested times, while also allowing fleets to keep their overall operating costs at a reasonable level, will be critical to ensuring that the transformation of the medium- and heavy-duty vehicle sector can be achieved rapidly and with maximum economic and environmental benefits. Approaching the design of electric pricing for the vehicular sector in such a robust and careful manner, with due consideration to the impact of such pricing on the market transformation required to achieve New York's decarbonization goals, is consistent with the expectations of the Commission as expressed in its July 2020 order in the Electric Vehicle Supply Equipment proceeding, which identified the rates being developed in this VDER proceeding as essential to ensuring efficient management of charging and vehicle-to-grid integration:

> While New York State has little experience with managed charging and vehicle-to-grid integration, through the REV process the State has worked on some of the fundamental issues of defining the value and process for consumers to participate more actively in the energy market. The Value of Distributed Energy Resources proceeding is already addressing the tariffs that provide the correct incentive for customers to inject power into the distribution system. The Commission must ensure that these forums continue to address the EV use cases.[8]

Thank you for your consideration of the matters we raise in this letter.

Sincerely,

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cc: Active Parties in Case No. 15-E-0751

[8] Case 18-E-0138, *Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure*, Order Establishing Electric Vehicle Infrastructure Make-Ready Program and Other Programs at 123 (July 16, 2020).