



## Microgrid Resources Coalition

### Summary of NY PSC REV Proceeding Recommendations

The Microgrid Resources Coalition (**MRC**) recently filed comments relating to the implementation and regulation of microgrids with the New York Public Service Commission (the **Commission**) in its Renewing the Energy Vision (**REV**) proceeding. Those comments, which are summarized below, provide useful guidance for reforming state utility regulation across the country.

**1. The Utility Should Empower Customers.** The first job of the utility is to empower its customers by enabling them to procure the services that they want from the providers that they choose. When the utility becomes a Distributed Services Platform Provider (**DSP**) as contemplated by the REV proceeding, it should remove barriers to customers providing their own energy services or contracting with third parties to provide those services through Distributed Energy Resources (**DER**). Tariffs that provide prompt, transparent processes for obtaining utility services to DER such as microgrids, and reasonable charges for use of those utility services, give customers the certainty that they need to pursue their own energy management.

**2. Microgrids Are Resources for Utilities and NYISO.** Empowered customers, in turn, will help the utility and the larger grid by providing resources and services through the distributed generation, storage, and smart controls. As the distribution network both accommodates and relies on widespread DER it will require new infrastructure and management tools to address the growing complexity. The ability of microgrids to dynamically alter their load, generation and import/export profile to create a range of products (including energy, capacity, ancillary services, substation support and “profile products” where a microgrid contracts to assume a specific profile) makes them extremely valuable both to NYISO and as a distribution level resource for utilities to ensure services and reliability circuit-by-circuit. Utilities should ratebase the procurement of profile products directly from microgrid resources just as they do payments for power or ancillary services through NYISO.

**3. Microgrids Effectively Co-Manage Thermal and Electric Loads.** Microgrids operated for the benefit of customers can achieve unparalleled efficiency. They employ co-generation to obtain the most useful energy from fuels, use storage and smart controls to shape load, and optimize among fuel choices. The efficiency gains save money, reduce the environmental impact of energy use, and reduce demands on grid infrastructure. Only customers

themselves, or their contractors and agents operating on their behalf, can optimize among the services that customers need and the environmental goals they wish to achieve. Customers' investments, which are made to serve their own needs in the first instance, can provide services to the grid at a lower cost of capital than separately procured equipment and services.

**4. Single Customer Microgrids Should Not Be Regulated.** There is no need or legal basis for special regulation of single customer microgrids. To the extent that they employ sophisticated load-shaping and management controls, the burdens of interconnection and standby services should be reduced rather than increased. Microgrid customers should be able to aggregate all of their loads across multiple meters, and should be able to construct and own distribution wires within their own facilities without regard to whether they cross multiple properties or public roads so long as they serve the customer's facilities.

**5. Multi-Customer Microgrids Should Have a Single Point of Regulation.** All microgrids must meet the safety and reliability standards of the grid for interconnection and islanding functions. For single customer microgrids, the obligations fall unambiguously on the single customer (though the customer may appoint an agent for this purpose). To avoid confusion and overlapping regulation, multi-customer microgrids should have a single point of regulation – the MRC filing calls it the “**Organizer.**” The Organizer may be a major customer, a governmental or community organization, or a private developer, and the Commission should give microgrid customers and developers flexibility in designating the Organizer. The requirements on the Organizer for interconnection and islanding should be as simple and straightforward as possible – one commenter suggested the equivalent of an Open Access Transmission Tariff.

**6. Some Multi-Customer Microgrids Are Exempt from Other Regulation.** A multiple customer microgrid may qualify for one of several existing exemptions from utility and consumer regulation. A landlord may serve multiple tenants; a cogeneration or renewable energy facility may serve “nearby” customers; and the Commission has granted “light handed regulation” to aggregations of commercial and industrial customers who share generating facilities. These exempt microgrids will typically own their own distribution wires. The Commission should clarify the boundaries of the various exemptions.

**7. Other Multiple Customer Microgrids Fit within Existing Retail Choice Regulations.** Other proposed microgrids, such as “community microgrids,” may serve multiple retail customers through the utility's wires. Other than interconnection and islanding requirements, this process is no different in character than an Energy Service Company (ESCO – a competitive retail energy supplier) serving retail load over the utility's wires as currently permitted under the retail competition law. Such a microgrid should generally be subject to the same forms of consumer regulation to which other ESCOs are subject. The Commission should consider modifying the ESCO regulations for microgrids in the light of their geographic compactness and use of local, physical resources to serve included load.

**8. Utility “Microgrids” Are Simply a Part of the Distribution System.** Utilities decisions to provide islanding capability for portions of the distribution system and support those islanded sections with DER are reliability planning decisions that are subject to Commission

review for prudence. The addition of islanding capability should not change the Commission's limitations on utility ownership of DER. However, while such microgrids cannot be expected to provide customer efficiencies through behind-the-meter load management or to attract private capital, the islanding capability can serve an important reliability function and allow the utility to fulfill its service obligation to its customers. Investments to meet that obligation can and should be funded through ratebase.

**9. Utilities Should Manage the Distribution System through Partnerships with DER such as Microgrids.** The Commission expects DSPs to incorporate DER by operating markets for their services. Utilities in New York and in other areas served by Regional Transmission Organizations (RTOs) no longer serve as balancing authorities, and they do not directly use services such as demand response, capacity and reserves that are purchased by the New York Independent System Operator and other RTOs in daily auction markets. DSPs are not necessary intermediaries for these markets and could interfere with the direct communications needed by the RTO. On the other hand, DSPs have a critical role in managing and planning for the needs of the distribution system and assuring reliable service to all customers. The DSP planning process should identify locations in the distribution system where long term service contracts with DERs for “**Distribution Support Solutions**” are an alternative to additional investment in distribution infrastructure, and should run RFP processes or entertain unsolicited proposals for such service contracts. Infrastructure provided through these DSP/Private Partnerships (**DSP3s**) would take advantage of private investment supported by the customer serving functions of DERs such as microgrids.

**10. Service and Equipment Providers Should Not Be Regulated.** The most important market for the future of the grid is the competitive market for equipment and services to meet customer needs behind the meter or behind the point of common coupling for a microgrid. Other than requirements for the safety and reliability of the equipment they install or deploy – requirements served by the interconnection and islanding technical requirements – competitors in these markets should not be regulated unless they choose to serve as a microgrid Organizer. If they provide a Distribution Support Solution under a DSP3 contract, the contract will be subject to Commission review for utility prudence, and if they provide services in a DSP market, they will be subject to the DSP tariff – also subject to Commission review. Additional regulation based on the status of competitors as equipment or services suppliers to energy customers for the customer's purposes, or the use of customer information with the customer's permission, will prevent the development of vibrant markets for DER and microgrids.

**11. Customer Information Belongs to the Customer.** To realize the benefits to customers of competition between equipment and services suppliers, customers must be able to provide information about their energy consumption to their chosen supplier. The Commission should require utilities to make this information easily available to the customer and its designees. It should reconsider whether smart meters are required to provide the necessary quality information. It should not allow or require utilities to provide customer information to private equipment and service suppliers without the consent of the customer, even if the customer can “opt out.”

**12. Utility Incentives Must Be Aligned.** The MRC suggests that the utility revenue requirement be revised to limit the ability of utilities to increase shareholder return by selling a greater volume of electricity or implementing capital additions that do not serve the DSP function. This can only be achieved through decoupling utility revenues from simple tariff receipts. Decoupling will also permit provision of strong incentive payments for meeting customer service and DSP goals. Managing a complex DER platform will require investment in new advanced tools, and with them, new mechanisms for utility cost recovery, and utilities' shareholders should not suffer because they adopt DSP3 reliability solutions. Utilities generally have a regulatory obligation to serve all customers, get rate recovery for capital investment, and are shielded from liability for the failure of the distribution system. Equipment and service providers in the competitive market take on contractual obligations to their customers, have negotiated liability (often including specified damages for non-performance), and must raise capital in the private markets. Permitting utilities (as opposed to their unregulated affiliates) to compete with private equipment and service providers while at the same time serving as DSPs, which oversee interconnection and islanding capacity requests, will be inherently chilling to competition. Only by aligning utility incentives and creating a path to a new utility business model will the REV proceeding goals be achieved.