

Consumer Power Advocates

Columbia University Medical Center
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Mount Sinai Health System
New York Presbyterian Hospital
New York University
NYU Langone Medical Center

Electronic filing only

August 29, 2016

Honorable Kathleen Burgess
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: 14-M-0101- Reforming the Energy Vision

Dear Secretary Burgess,

Consumer Power Advocates' mission is to reduce energy costs for our members through representation in energy-related regulatory and legislative proceedings. CPA is an alliance of large not-for-profit institutions in the greater New York region. Our membership is open to hospitals, universities, medical schools, and cultural institutions. CPA members include some of the largest employers and energy users in New York State. According to *Crain's New York Business*, four of CPA's current member hospitals are among the 25 largest hospitals in New York, all of which are also among the five largest hospital systems. In addition, two CPA member hospitals are among New York's five largest employers. CPA is an Active Party in the above captioned case.

On June 20, 2016, Cubit Power One, Inc. (Cubit) filed a Petition for Rehearing on the issue of the treatment of standby rates in the Commission's Order of May 19, 2016 in this case. On June 30, 2016, the Commission issued a Notice requesting comments on the Cubit petition. Please accept this letter as the comments of CPA in support of the Cubit petition.

Con Edison's current export or buyback tariff (SC 11) applies a contract demand rate to the maximum export capability. This rate is numerically equal to the contract demand rate applied to standby service used to insure reliable service to loads. The implied assumption is that the cost of taking power from a customer (buyback) is equal to the cost of providing standby power to a customer. This assumption is incorrect.

Providing power requires that the distribution utility build and maintain facilities, and each new load decreases the remaining capacity of those facilities to serve additional loads. Buyback service requires similar facilities as would be required to serve equivalent size loads, but taking power from a customer increases the capacity of the system to provide service to other customers. Buyback service increases the system's headroom to serve other loads.

This is particularly clear in the case of a buyback customer served at distribution level voltages. Buyback at that level unloads transformers and other facilities, avoiding the need to build capacity for growth. New York City (NYISO Zone J) relies heavily on imported power, and generation within the City unloads the external interfaces as well. These are benefits, not costs to Con Edison.

The disparate treatment of transmission level connected wholesale generators and distributed generators is instructive. Wholesale generators pay nothing for power exported to the system, and standby charges on the relatively small amount of power they take from the system (station power). Distributed generation (DG) pays for the use of the transmission and distribution system both for power taken from the system and power exported to the system, at rates determined by the fully allocated embedded cost of the utility. This treatment of wholesale generators suggests that Cubit's argument with respect to use of the system is correct, and that it has been ratified by the Commission in its treatment of wholesale generators.

Finally, the unjustified cost applied to DG by the application of poorly designed standby and buyback tariffs unnecessarily favors large generators and creates a barrier to the development of DG. The integration of DG and other distributed energy resources (DER) requires that the rates applied to all supply resources, including DG and large scale generation, be based on consistent principles. This implies that DG should not be required to provide greater contributions to fixed utility costs than do large generators. Retail sales rates, including standby and the related export rates, necessarily include a large fixed cost component, and thus are inconsistent with the development of DERs.

For these reasons, CPA urges that the Commission grant the relief requested by Cubit. Thank you for the opportunity to offer these comments.

Respectfully Submitted,

Catherine Luthin

Executive Director, Consumer Power Advocates

Cc: Service list via DMM