



RAP

REGULATORY
ASSISTANCE PROJECT

NEW YORK'S TRANSITION FROM NET METERING

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NEW YORK'S REFORMING THE ENERGY VISION (REV) PROCEEDING: 2014

Historical regulatory approach and utility business models are not well adapted to address challenges and capture opportunities

CHALLENGES:

- Aging infrastructure
- Declining system efficiency
- Flat load growth
- Climate change

OPPORTUNITIES:

- Rapidly falling technology costs
- Rise of the digital economy and new capabilities from IT
- Proliferation of new business models to create customer value

REV POLICY OBJECTIVES

- Enhanced customer knowledge and tools to support bill management
- Market animation and leverage of customer contributions
- System wide efficiency Improvement
- Maintain Fuel and resource diversity
- Maintain/improve System reliability and resiliency
- Reduce carbon emissions

REFORMS TO NEM

- NEM compensation mechanism is simple and easy to understand.
- But NEM is imprecise and provides an incomplete signal of the full value and costs of DERs, especially with traditional volumetric rate structures.
- This could result in suboptimal DER solutions
- A better mechanism is needed to compensate DERs for the value they offer to help make investment decisions that would mutually benefit the customer and the grid.

WEAKNESSES WITH NEM

- Simple residential and small commercial customer (mass market) rate designs only have a fixed charge and a per kWh charge. NEM price signals will tend to overstimulate kWh-based values and under stimulate kW-based values.
- Most default mass market retail rates do not reflect the time-varying prices.
- Most rates do not reflect location-based cost causation.
- Retail rates do not value other benefits DERs offer including location reliability, demand shifting, flexible operation, and quick response.
- Most prices do not reflect environmental benefits/costs

VALUE STACK APPROACH: VALUING DER BENEFITS

- Energy Value (LBMP)
 - Capacity Value (ICAP)
 - Demand Reduction Value (DRV)
 - Locational System Relief Value (LSRV)
 - Environmental Value (E)
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- The Commission provided a template to evaluate benefits in a consistent and transparent manner, and utilities developed worksheets to provide guidance to DER developers.

VALUING DER COSTS

- Program Administration Costs (including rebates, costs of market interventions, and measurement & verification Costs)
- Added Ancillary Service Costs
- Incremental Transmission & Distribution and DSP Costs (including incremental metering and communications)
- Participant DER Cost (reduced by rebates, if included above)
- Lost Utility Revenue
- Shareholder Incentives
- Net Non-Energy Costs (e.g. indoor emissions, noise disturbance)

EXAMPLE OF VDER TARIFF

- National Grid Electric Utility VDER Tariff

[https://www.nationalgridus.com/media/pdfs/billing-payments/electric-rates/upstate-ny/2026/stat-vder-cred-104-\(effective-march-31-2026\).pdf](https://www.nationalgridus.com/media/pdfs/billing-payments/electric-rates/upstate-ny/2026/stat-vder-cred-104-(effective-march-31-2026).pdf)

REFERENCES

- NY PSC REV Track 1 Order: Feb 2015

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- NY PSC REV Track 2 Order: May 2016

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- NY PSC Benefit Cost Analysis Order: January 2016

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- Value of DER Order:

<http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={5B69628E-2928-44A9-B83E-65CEA7326428}>

- Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding: NY PSC, Case 15-E-0751; dated October 27, 2016

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