



# NECHPI

NORTHEAST CLEAN HEAT AND POWER INITIATIVE

## RESPONSE TO NEW YORK ENERGY HIGHWAY RFI

*Submitted By*

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### **RESPONDENT INFORMATION**

The Northeast Clean Heat and Power Initiative (“NECHPI”), which represents stakeholders from the clean heat and power (“CHP”) industry in the Northeastern states from New York to Maine, commends New York State Governor Andrew Cuomo for raising awareness of the daunting challenges to obtaining a smarter and more efficient New York State electricity system.

### **PROJECT DESCRIPTION**

NECHPI is not proposing a project in the traditional sense, but rather expressing concerns about the unjustifiable and inglorious exclusion of supply options utilizing before the meter (“Before TM”) and/or behind the meter (“Behind TM”) clean energy projects (both generating and electricity storage) from the scope of the RFI based on the proximity of those projects to the utility meter.<sup>1</sup>

The Request for Information (“RFI”) excluded electric supply-side “projects that will advance one or more of the Task Force’s specific objectives” based on their proximity to the meter. All else being equal, the economic, environmental and reliability impacts of producing an electron close to the meter are indistinguishable whether produced immediately in front or behind the same meter. Proximity to the “meter” is not a meaningful proxy for estimating the impacts of an electron.<sup>2</sup> It is impossible to predict the economic, environmental and reliability impacts of an electron produced locally to those of an electron produced remotely without additional information.

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<sup>1</sup> At the RFI conference on April 19, 2012, members of the Energy Highway Task Force stated that comments and suggestions on the electric system and generation were encouraged to respond to the RFI.

<sup>2</sup> Con Edison’s pending campus energy system standby tariff blurs the BTM distinction substantially.

By excluding categorically electrons generated near the end-use meter (either Behind TM and Before TM), the RFI would treat otherwise identical projects for purposes of “advanc[ing] one or more of the Task Force's specific objectives” differently because one was located near the meter and the other was remote. Generation Before TM and/or Behind TM should be part of the State’s smarter grid strategy, if for no other reason than the substantial reduction in electricity losses during the peak season’s higher usage hours, including at the time of coincident peaks in the New York Independent System Operator, the transmission zone, subzones and the distribution systems.

## **PROJECT JUSTIFICATION**

### *Reliability And Ratepayer Benefits Provided By CHP Owned By Customers And Third Parties.*

Reductions in energy demand during periods of coincident and non-coincident peak demand is one of the most critical benefits provided by CHP and electricity storage. By curtailing the hours of operation of the most expensive generation assets on the existing electric power system, CHP located behind or in front of the meter significantly enhances the efficiency of the electric power grid and reduces line loading at times of stress and/or congestion. Additional benefits provided by CHP’s proximity to loads include:

- Economic savings
  - Reduced generation capacity costs for end-users.
  - Avoided or deferred capital expenditures on T&D infrastructure
  - Reduced fuel costs resulting from higher efficiency systems
- Improved power quality
- Reduced greenhouse-gas emissions
- Business continuity

These and similar benefits provided by CHP are commonly more cost effective than conventional T&D solutions. In 2009, the New York City Economic Development Corporation concluded that new in-City generation was one of the most economically attractive transmission alternatives for consumers in New York City.<sup>3</sup>

### *All stakeholders deserve an equal opportunity to participate in the RFI process.*

The RFI should not exclude a subset of supply-side stakeholders from participating in the process based on any other criteria than a proposal’s impact on “one or more of the Task Force's specific objectives.”

Although the costs and benefits of an electron produced Before TM and/or Behind TM may be identical to those of an electron produced remotely, those costs and benefit will likely accrue to different

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<sup>3</sup> New York City Economic Development Corporation, *A Master Electrical Transmission Plan for New York City* 2009.

stakeholders. In particular, customers who invest in onsite power generation may be adversely affected if "Behind TM" generation is excluded categorically from the RFI process.

Like independent power producers ("IPPs") who invest in large-scale centralized and largely remote from load power plants (even if in the same transmission zone, e.g. zone J), customers who invest in onsite or nearby power generation have a stake in the future of New York State's electric power system. The Task Force should weigh proposals based on the economic, environmental and reliability benefits of producing electrons under the totality of the circumstances rather than who produces them or where they produce them.

One of the major justifications for the EHI is to produce new revenues to obtain more efficient use of the supply and transmission resources. Capacity revenue for generators is key to their upgrading and many thousands of MW of generation in New York State will soon require repowering and/or retrofitting to meet new environmental standards.<sup>4</sup> Capacity revenue paid to CHP or capacity need deferred by CHP can often be deployed more effectively to leverage other investment by customers and third parties. The NYSERDA CHP program over the past ten years calculates that for every dollar awarded to a project five dollars were leveraged from other sources.<sup>5</sup> Few IPP or transmission investments ostensibly considered by the EHI initiative can provide that leverage.

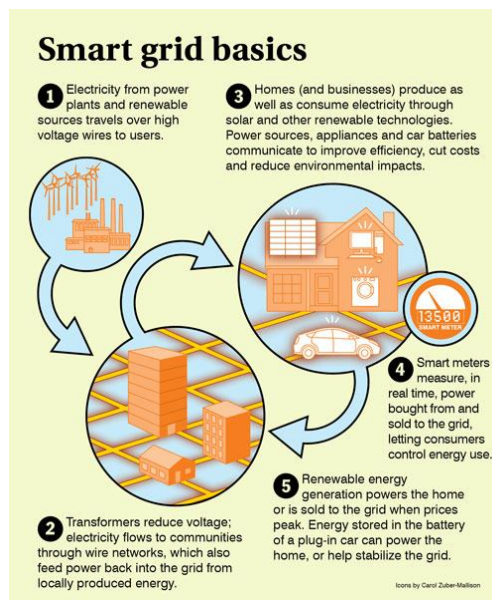
Separate programs support is not a justifiable basis for excluding Behind TM from the RFI.

Although customer-sited generation from renewable energy and high-efficiency natural gas systems have received support from programs administered by the New York State Energy and Research Development Authority, non-customer sited clean energy projects have similarly received support from those programs.

By analogy, the RFI should not exclude supply-side resources from the process based on current or past programmatic support. On the contrary, the Task Force should consider this as one of many issues to be weighed in evaluating the merits of proposals submitted in response to the RFI.

Customers are central to the smart grid.

The Electricity Advisory Committee ("EAC"), which provides advice to the U.S. Department of Energy on grid modernization, has explained customers as dynamic stakeholders in the smart grid.



<sup>4</sup> [http://www.nyiso.com/public/webdocs/newsroom/power\\_trends/power\\_trends\\_2012\\_final.pdf](http://www.nyiso.com/public/webdocs/newsroom/power_trends/power_trends_2012_final.pdf)

Figure 23. Summary of Environmental Regulations Affecting New York State, at p 43.

<sup>5</sup> Examine multiple NYSERDA submissions in the Case 10-M-0457.

In “Smart Grid: Enabler of the New Energy Economy,” the EAC concluded:

*“The new energy paradigm does not just empower utility consumers to better manage their consumption, reduce demand, and help the environment; through distributed generation, it can enable them to become energy producers. Distributed generation assets are typically consumer owned and rely on a range of generation technologies that deliver electricity directly to the consumer. Onsite photovoltaic panels and small-scale wind turbines are familiar examples. Emerging distributed generation resources include geothermal, biomass, carbon-free hydrogen fuel cells, PHEVs, and batteries for energy storage.”*

The Energy Highway Task Force should recognize the interests of customers as key stakeholders in the electric power system.

#### **FINANCIAL**

NECHPI is not proposing a specific project and is thus not providing financial information.

#### **PERMITTING/APPROVALS**

The customer-owned clean energy projects excluded from the RFI process are subject to various permitting requirements, but none of them are insurmountable.

#### **CONCLUSION**

The customer and CHP providers are legitimate stakeholders in the future of the New York State electric power system and should not be excluded from participating in the RFI process.