The NYS Public Service Commission today issued an Order Adopting Regulatory Policy Framework and Implementation Plan (Track One) for the Reforming the Energy Vision (REV) proceeding.

NY-BEST is currently reviewing the Order for its impact on energy storage. Below is a summary of some of the notable excerpts and key elements from the Order:

- "REV will establish markets so that customers and third parties can be active participants, to achieve dynamic load management on a system-wide scale, resulting in a more efficient and secure electric system including better utilization of bulk generation and transmission resources. As a result of this market animation, distributed energy resources will become integral tools in the planning, management and operation of the electric system. The system values of distributed resources will be monetized in a market, placing DER on a competitive par with centralized options."

- "The framework developed here will define good utility practice for the new century. In response to developments in technology, markets, and the environmental, the responsibility to ensure clean and reliable service at just and reasonable prices requires changes in the way the electric system is planned and operated."

- "The reformed electric system will be driven by consumers and non-utility providers, and it will be enabled by utilities acting as Distributed System Platform (DSP) providers. Utilities are responsible for reliability, and the functions needed to enable distributed markets are integrally bound to the functions needed to ensure reliability."

- "Each utility will serve as the platform for interface among its customers, aggregators, and the distribution system. Utilities will respond to new trends by adding value, thereby retaining customer base and the ability to raise capital on reasonable terms. Simultaneously the utility will serve as a seamless interface between aggregated customers and the NYISO."

- "In the modern economy, the goals of reliable, affordable and clean electric service will not change; but the methods of achieving them must. REV is both an opportunity to improve greatly on the status quo, and a response to a convergence of trends that make business as usual unsustainable in the long run. The challenges that force us to question traditional methods and assumptions also reveal a pathway toward a more efficient, customer-friendly and sustainable"
"It is our conclusion that requiring the utilities to serve as DSPs under our regulatory authority and supervision is in the best interests of New York consumers."

"Utilities' behavior with respect to DER has been responsive to the regulatory structure under which they have operated, including financial incentives and performance expectations imposed by the Commission. Reforming the regulatory model, and by extension utility behavior, is a critical component of the REV initiative."

"By expanding the role of the utilities to include DSP functions, utilities will have the regulatory obligation, operational capability, and economic incentive to optimize the use of DER."

"As the platform provider, utilities will not participate as owners of DER where a market participant can and will provide these services. Thus, with the few exceptions discussed, DER will remain a non-utility service provided by the competitive market."

"Utility implementation filings will be required to describe how internal organization of functions will be delineated and incented to ensure achievement of REV’s objectives."

"Utility system information will be provided to the markets in two contexts. The multi-year implementation plans (DSIPs) filed by utilities and updated on an annual basis will contain system planning information sufficient to allow service providers and customers to develop products and marketing plans to meet system needs with DER services. In addition, the DSP must make available system data at a degree of granularity consistent with the market that it operates, in a manner that is timely to facilitate market participation."

"Utility ownership of DER will be the exception rather than the rule. In the limited situation that utilities will be allowed to own DER as a regulated asset, they will be restricted to recovery of their actual costs. Additionally, under the market construct we are envisioning, utilities will be paying for DER to support local reliability under pre-set tariffs approved by this Commission."

"As a general rule, utility ownership of DER will not be allowed unless markets have had an opportunity to provide a service and have failed to do so in a cost-effective manner."

"To the extent that competitive procurement does not support cost effective third party investments to meet the need, the utility can present to the Commission an alternative that will support some level of utility investment."

"We will establish exceptions to the general rule...Storage technologies integrated into grid architecture can be used for reliability and to enable the optimal deployment of other distributed resources, and we agree with Staff that this application of storage technology should be permitted without the need for a market power analysis. REV will support a greater understanding of how storage strategically used on the grid can support greater penetration of intermittent renewable resources without compromise to system reliability. It will be advantageous for utilities to gain this experience and, as part of their DSIP plans and rate plans, utilities should develop information on optimal locations and levels of storage either on the system or behind the customer’s meter."

To summarize, utility ownership of DER will only be allowed under the following circumstances:
- Procurement of DER has been solicited to meet a system need, and a utility has demonstrated that competitive alternatives proposed by non-utility parties are clearly inadequate or more costly than a traditional utility infrastructure alternative;
- A project consists of energy storage integrated into distribution system architecture;
- A project will enable low or moderate income residential customers to benefit from DER.
where markets are not likely to satisfy the need; or
  o a project is being sponsored for demonstration purposes.

• "In order for distributed generation to compete on an equal footing, interconnection with the grid must be enabled through technical rules and processes that are not only safe but also efficient and expeditious."

• "The threshold for the Standardized Interconnection Requirements should be increased to 5 MW. We direct Staff to initiate a process to implement that change, in consultation with utilities and interested parties."

• "Though DER providers are electric corporations to the extent they “furnish” electricity, the Commission will not regulate all transactions involving DER providers. The Commission has long recognized that not every action taken by every electric corporation is subject to its jurisdiction. The Commission will determine what transactions by DER providers will be subject to Commission oversight based on their engagement with DSP markets."

• "The focus of our BCA framework development will be on four categories of utility expenditures: (i) utility investments to build DSP capabilities; (ii) procurements of DER via selective processes; (iii) procurement of DER via tariffs; and (iv) energy efficiency programs. The extent to which BCA can be formulaically applied will depend on the type of activity and the range and time frame of potential benefits and costs."

• "Staff identified a variety of ways in which benefits and costs of DER have been analyzed, and proposed principles as well as an outline of 22 factors that it considers to be the most relevant and useful. With few exceptions, parties did not object to the factors identified by Staff in Table 4 of the Straw Proposal, and we adopt them as the basis for further development of a framework."

• "We direct Staff to issue a BCA White Paper by May 1, 2015. Staff will then conduct a comment process, with the objective of proposing to the Commission a common framework that can be applied consistent with the above discussion."

• With respect to microgrids, PSC provides a broad approach and invites comment from parties regarding the framework described until May 1, 2015

• With respect to demonstration projects, PSC directed each utility to engage third parties and develop concepts for demonstration projects, and file initial demonstration projects consistent with the guidelines developed in the December Resolution, not later than July 1, 2015.

• "A central component of REV implementation is the Distributed System Implementation Plan or DSIP. The DSIP will serve numerous purposes. It will serve as a source of public information regarding DSP plans and objectives, including specific system needs allowing market participants to identify opportunities. It will also serve as the template for utilities to develop and articulate an integrated approach to planning, investment and operations. And it will enable the Commission to supervise the implementation of REV in the context of system operations."

• Initial DSIPs will be filed by each utility not later than December 15, 2015; the PSC Secretary will then establish a period for review and comment by interested parties.

• "Implementation of REV will take years and will involve substantial party participation...This policy order is not an end point; it is a decision to move forward into more detailed phases of the process. The implementation period will include both rate cases and REV-specific filings, which will come before the Commission for further decision prior to substantial investment commitments"
The following schedule was adopted by PSC:

- March 26, 2015: The Market Design Platform Technology group files its work plan.
- April 1, 2015: Staff initiates process to refine utility codes of conduct.
- May 1, 2015: Each utility identifies one or more potential non-wires-alternative projects.
- May 1, 2015: Parties file comments related to microgrids.
- May 1, 2015: Staff files guidance for ETIPs.
- May 1, 2015: Staff issues a proposed Benefit Cost framework.
- June 1, 2015: Staff issues a Straw Proposal related to Track Two ratemaking issues.
- June 1, 2015: Staff issues large scale renewable options paper.
- July 1, 2015: Each utility files a status report regarding interconnection process improvements.
- July 1, 2015: Each utility files a demonstration project.
- July 1, 2015: The Market Design Platform Technology group reports.
- July 15, 2015: Each utility files an ETIP.
- August 3, 2015: Staff issues guidance for Distributed System Implementation Plans.
- September 1, 2015: Staff reports to the Commission regarding distributed generation emission rules.
- September 1, 2015: Staff reports to the Commission regarding billing initiatives.
- December 15, 2015: Each utility files an initial Distributed System Implementation Plan.

NY-BEST will continue to keep you apprised throughout the REV Proceeding.