AVANGRID

Alex DeBoissiere
Senior Vice President
Government Relations

September 2, 2016

Mr. Chris Villarreal
Staff Subcommittee on Rate Design
National Association of Regulatory Commissioners (NARUC)
1101 Vermont Avenue, N.W., #200
Washington, D.C. 20005
(responses@naruc.org)

RE: Comments on Draft NARUC Distributed Energy Resources Compensation Manual

Dear Mr. Villarreal:

AVANGRID offers these comments in response to the draft of the NARUC Distributed Energy Resources Compensation Manual (Manual) prepared by its Executive Committee's Staff Subcommittee on Rate Design.

AVANGRID commends NARUC and its Executive Committee's Staff Subcommittee on Rate Design on the preparation of the draft Manual, as well as its Town Hall meeting on July 23, 2016 and its solicitation of these comments.

A new retail rate design to accommodate increased adoption of Distributed Energy Resources (DER) is critical to meet consumers' desire for clean, affordable energy, over which they have greater control. The new rate design should balance the needs of consumers who have a self-consumption option with those consumers that do not. While net metering has provided an initial incentive to DER it does not send a correct price signal and should be replaced with a more accurate rate if DER is to grow.

AVANGRID believes that the proper rate design to foster continued DER growth should:

- Define the roles and responsibilities of the distribution company in the increasingly integrated distribution system, particularly its need to have real time situational awareness of the system and respond to stresses caused by extreme weather, natural disasters, or physical or cybersecurity events.

- Promote new technologies and modernization of the distribution system and recognize the role that utilities continue to perform in improving reliability, resiliency and efficiency that make the platform for DER possible.

- Define the roles and responsibilities of DER to self-supply consumers, nonself-supply consumer users of the system and those receiving DER not needed for self-supply consumption.

- Ensure DER is located where it provides maximum value to the distribution system.

- Provide fairness to all users of the system and avoid cost shifting to those consumers who do not utilize DER.

To assess the proper value of DER, the costs and benefits to the system based on the location of the DER should be considered. DER should be valued on an equal footing, with centralized energy resources. All services provided by distribution companies to DER should be considered. To quantify the actual value that the grid provides to its users, EPRI has recently developed a comprehensive study to evaluate the actual cost that "off-grid" systems have in comparison with a grid connected service.[1]

Until storage becomes more mature, the distribution system must provide back up to DER in times of low or no contribution to the system. Moreover as a general matter, the system cannot plan to dispatch DER. MIT is currently working on a comprehensive and detailed study on the future of electricity provision. This study will be published this fall. More information and related working papers are available at MIT's web site[2] calculating these impacts on electricity markets. Of note, MIT has also published a Future of Solar Energy Report[3] discussing the costs and benefits and system impacts of distributed solar generation.

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[1] EPRI, *Residential Off-Grid Solar + Storage Systems: A Case Study Comparison of On-Grid and Off-Grid Power for Residential Consumers* (Aug. 2016), http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002009150

[2] http://mitei.mit.edu/research/utility-future-study

[3] Massachusetts Institute of Technology (MIT), *The Future of Solar an Interdisciplinary MIT Study*, (May 2015), http://energy.mit.edu/research/future-solar-energy/.

The actual value of DER is being discussed in many parts of the world. At an energy symposium in Bilbao, Spain, the University of the Basque Country presented a report showing that depending on where on the system DER is located that it could in fact have a negative impact on network losses.[4]

AVANGRID thanks NARUC for the continued opportunity to be a part of the process to develop this Manual. Working together we can put in place a predictable regulatory regime that allows innovations in the areas that consumers want including DER and renewable generation as well as ensuring that the system maintains adequate reliability and the financial ability to meet its obligations.

Sincerely,

Alex DeBoissiere
Senior Vice President Government Relations
AVANGRID

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