

August 8, 2014

Debbie Eckels  
New York Independent System Operator  
10 Krey Boulevard  
Rensselaer, New York 12144

RE: Draft Report

Dear Ms. Eckels:

On July 18, 2014, the New York Independent System Operator (“NYISO”) circulated to stakeholders a Draft Report compiled by DNV GL regarding distributed energy resources (“DER”). IGS Generation (“IGS”) commends NYISO and DNV GL for their efforts to evaluate challenges for the development and operation of DER and microgrids. These technologies represent an important step forward for competitive retail electric service and will provide additional resiliency for New York consumers.

IGS appreciates DNV GL’s efforts to compile the Draft Report. IGS largely supports the findings in the Draft Report, however, the Draft Report did not address whether utilities should have a role in owning or operating DER or microgrids. These issues are of utmost importance to the continued development of competitive markets in New York.

It is imperative that New York not sacrifice competition and market development in exchange for utility-implemented DER and microgrids. IGS recommends that the Draft Report consider and discuss the negative impact of utility ownership of DER and microgrids on third party investment in DER and the competitive market. Allowing utility control over microgrids or ownership of DER will undermine development of the competitive market and push competitors out of the market and, in the long run, stifle the development of a robust and cost-effective DER market.

Unlike the development of an electric distribution system, DER is not a “natural monopoly” market; thus regulated capital, that guarantees utilities a rate of return, should not be utilized for DER development. Any expansion of utilities’ current natural monopoly should be viewed with the utmost caution. Monopolies should be granted only when it is abundantly clear that the competitive market is unable to supply a

service. Thus, the Draft Report should reflect that DER and microgrid development would be better served through competitively neutral incentives.

Moreover, the Draft Report discusses standby tariffs and net metering tariffs but does not place sufficient discussion on the barriers that these tariffs may present to DER development. Net metering tariffs often do not provide adequate compensation to encourage DER development. Also, standby tariffs often discourage DER investment by charging customers for distribution facilities that are rarely used, while, at the same time, not providing compensation for the benefits that DER provides to the grid. Eliminating or reducing these barriers would encourage customer-driven and non-regulated capital driven development of DER. By providing appropriate incentives and a favorable regulatory landscape, DER development will be able to thrive in the state.

IGS appreciates the opportunity to file comments regarding the Draft Report and looks forward to working further with NYISO to overcome challenges facing DER and microgrid development and operation in NY.

Very truly yours,

A handwritten signature in cursive script that reads "Patrick Smith".

Patrick Smith  
Vice President  
IGS Generation