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October 27, 2015

VIA ELECTRONIC MAIL

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223
secretary@dps.ny.gov

Re: New York State Public Service Commission Matter 14-00581/14-M-0101 - Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Dear Secretary Burgess:

This firm represents The Microgrid Resources Coalition ("MRC"). The MRC is pleased to submit its enclosed Comments in response to the Department of Public Service's July 28, 2015 Staff White Paper on Ratemaking and Utility Business Models.

Please feel free to contact me directly at the telephone number above.

Very truly yours,

C. Baird Brown
Attorney for the MRC

CBB/kms
Enclosures

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission
in Regard to Reforming the Energy Vision

Case 14-M-0101

COMMENTS BY THE MICROGRID RESOURCES COALITION IN RESPONSE TO THE DEPARTMENT OF PUBLIC SERVICE'S JULY 28, 2015, STAFF WHITE PAPER ON RATEMAKING AND UTILITY BUSINESS MODELS

Dated: October 26, 2015

I. Introduction

The Microgrid Resources Coalition ("MRC")[1] is pleased to provide its comments in response to the Department of Public Service's ("DPS") July 28, 2015, Staff White Paper on Ratemaking and Utility Business Models ("Staff White Paper"). The MRC wishes to compliment the DPS and the Public Service Commission (the "Commission") for their balanced and thoughtful approach to exploring incentive ratemaking and rate design within the Reforming the Energy Vision ("REV") proceeding. The MRC strongly supports with the Commission's customer centered approach and recognition of the need to increase deployment of third-party capital with the ultimate goal of reducing the total customer bill. The MRC agrees that the goals of REV are best served by working to align utility incentives with customer goals and having utilities support and collaborate with Distributed Energy Resource ("DER") providers to better serve customer needs.

The grid is the most complex machine devised by man. It has been an engine for enormous economic progress. New DER technologies hold the promise of reducing costs while also providing a cleaner grid and a more resilient grid. The MRC believes that the distribution system itself is the critical "platform" that must accommodate an infusion of DER to meet the REV goals, and utilities will need to make appropriate investments to develop a robust DSP platform that enables effective visibility and two way power flows. DERs and microgrids, if integrated properly, can provide cost-effective alternatives to investments in central power

[1]The MRC is a consortium of leading microgrid owners, operators, developers, suppliers, and investors formed to advance microgrids through advocacy for laws, regulations and tariffs that support their access to markets, compensate them for their services, and provide a level playing field for their deployment and operations. In pursuing this objective, the MRC intends to remain neutral as to the technology deployed in microgrids and the ownership of the assets that form a microgrid. The MRC's members are currently engaged in a wide variety of Microgrid-related activities in New York.

MRC members Anbaric, Concord Engineering Group, and NRG Energy are all actively engaged in development of microgrids in New York State, as is Exelon Corporation, the parent company of MRC member Constellation Energy Resources. MRC member Icetec Energy Services is actively involved in advising New York microgrid clients on market interface. The International District Energy Association, also an MRC member entity, is an international association of owners and suppliers of distributed generation that includes a number of members owning microgrids in New York. MRC member Princeton University has no direct microgrid activities in New York, but is actively engaged in providing education on microgrids to potential microgrid owners and government official from around the country.

plants, and transmission and distribution upgrades. The new utility business model should be a new operational model for the utilities' management of the grid itself supported by a new performance-based ratemaking model that rewards utilities for enabling DER penetration and good management of distribution systems.

Customer demand and markets for DER are developing without the need for utilities to invent them. The MRC is very skeptical that launching utilities into eCommerce and competitive market services provides a solid basis for a new utility business model. This path is likely to muddy utility incentives and put utility shareholders at risk without adding substantial value for Customers. Utilities do have a crucial role to play in providing access for customers to their metering and billing data and information about where DERs can add value to the utilities' systems.

Multiplying DERs will not by itself achieve the goals of REV. Customers can and should be the judge of whether DERs meet their needs, and, as the Staff White Paper makes clear, the regulatory treatment of interconnection and standby charges should be carefully tailored to avoid biasing those decisions. However, both the charges for grid services to DER and the compensation to DERs for providing services to the grid must take careful account of the characteristics of DERs. While the Staff White Paper discussion of DER compensation seems right in general principle, the MRC believes that it does not adequately recognize the differences among DERs and the wide range of products and services they are and will be able to provide. One of the most promising possibilities of REV is the potential for arrangements between utilities and DER providers to deliver the specific services needed by the distribution system at the locations where those services are most needed at costs below what the utility could provide – these arrangements may take the form of long-term contracts, shorter-term agreements, or tariff-based and real-time pricing and compensation mechanisms. Incorporating these distributed assets into utility planning and operations will be an important element of the new utility business model. More broadly, giving the correct market signals for the full range of services provided by DERs will be necessary to fully realize the potential of the DSPs to create a clean, resilient energy platform.

II. Utility Business Model Reforms
(Response to Staff White Paper Sections I.C.2. and III.B. – REC #1-3, 6-7)

The MRC strongly agrees that to accomplish the goals of REV a new utility business model supported by an aligned regulatory framework is clearly needed. As discussed in more detail below, however, the MRC believes that the discussion of Market Based Earnings ("MBE") depends on unfounded assumptions about energy markets and markets for DER infrastructure.

1. The Role of the Platform.

The Staff White Paper never fully defines what a Distributed System Platform ("DSP") is, what markets will exist at the distribution level, and how those markets relate to wholesale markets. In earlier Commission orders and Staff papers the DSP was characterized as a mini - ISO running a variety of auction markets.[2] Under that characterization, the MRC was concerned that most of the products that are procured in daily markets are necessarily procured by NYISO, the balancing authority for the system. The MRC is skeptical that the DSPs can play a useful or economically efficient role as an intermediary in aggregating distribution level services and supplying them to NYISO as wholesale products. Beyond access to the grid generally, we do not believe that utilities are needed as a middle man (and certainly not an exclusive middleman) between customers and NYISO. Where customers can provide products to NYISO, they should have direct market access. This is not to say that DSP's should be barred from the business of DER product acquisition. Rather, DSP's should be acquiring DER products that directly support their distribution systems through competitive or open-access mechanisms. Our last filing in response to Commission questions on microgrids, detailed how DERs can provide distribution support solutions (e.g. substation, circuit and critical facilities support), to DSPs.[3] The rise of DERs necessitates that DSPs develop tools for greater visibility and management (or local self-management) of distribution system conditions. DSPs can competitively acquire new DER products to manage growing distribution system complexity in addition to, not instead of, providing DERs direct wholesale market access.

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[2] *See, e.g.*, DPS, REV Staff Report and Proposal, April 24, 2104 at 11-24; Commission, Order Adopting Regulatory Policy Framework and Implementation Plan, February 26, 2015, ("REV Order") at 31-35; *See also* MRC Comments in Response to the Commission's Order Adopting Regulatory Policy Framework and Implementation Plan and Notice Soliciting Comments on Microgrids, May 1, 2015, ("MRC Microgrid Comments") at 12, citing Commission February 26, 2015, Order Adopting Regulatory Policy Framework and Implementation Plan at 67.
[3] MRC Microgrid Comments at 13-15.

In the Staff White Paper, however, the prior model of the DSP as a mini-ISO appears to have receded, while another model having the utility serve as the provider of a platform marketplace has emerged.[4] The energy services "Platform" contemplated in the Staff White Paper sounds more like an internet marketplace that will facilitate transactions between DER providers and customers.[5] The MRC believes this model is likely to be unnecessary and unwise in several respects. First, utilities generally have no background in eCommerce and there is no evidence to suggest that utilities are situated to be successful in providing such a platform. If there is money to be made in a transactional platform,[6] other more experienced operators will likely outcompete the utilities unless the Commission uses access to customer information as a way to give the utility-run Platform a monopoly. While management of the distribution system is a natural monopoly, controlling commercial interactions between DER providers and customers is not. Creating a new, artificial monopoly to solve the problems caused by an old monopoly is bad public policy.

DSP's should serve to make customer information easily available to customers and DER or other service providers on the request of a customer. Though the Staff White Paper does not make explicit mention of this, there is some suggestion that DER providers will have to join the platform and pay for its services to get access to customers and their information. This would simply impose DER transaction barriers and distract DSPs from the improvement and management of complex distribution systems.

2. Market Based Earnings

The Staff White Paper contemplates that utilities, in their capacity as DSP providers, will earn MBE by providing services that compete with those offered by other participants on the Platform. A partial list of the suggestions identified in the Staff White Paper includes: data analysis; co-branding; optimization or scheduling services that add value to DER; advertising; energy services financing; engineering services for micro-grids; and enhanced power quality

[4]*See, e.g.,* Staff White Paper at 24-27.
[5]*Id.* at 9, 24-27.
[6]For instance, the Staff White Paper suggests that utilities will charge for customer originations from the Platform. Staff White Paper at 29.

services.[7] The MRC generally supports the ability of unregulated (or differently regulated) utility affiliates or subsidiaries of utility holding companies to engage in any of these activities without jeopardizing utility shareholders or the openness of the market so long as Commission rules are used to prevent differential access to information and tied sales. However, the MRC is concerned that some activities in this list have the potential to create significant hindrances to the goals of REV if undertaken by the utility directly.

For instance, “data analysis,” “optimization and scheduling,” and “engineering services for microgrids” (or otherwise) are competitive services. If a utility is offering them it distorts the incentive for evenhanded management of the distribution system. In addition, “advertising activities” raise questions as to what sort of data portal the DSP will be. Would it function like a trusted independent advisor for which one might pay for access along the lines of a Consumer Reports or Angie’s List? Or, would it function like a search engine where the results are skewed by advertising dollars and the DSP’s own offerings? As to “co-branding” activities, the MRC is concerned that this is a reference to the potential for the utility’s brand to be applied to the services of a particular affiliate or other DER provider. We feel this would be extremely problematic and could lead to consumer confusion. Utility participation in “energy services finance” would put utilities into a new, highly regulated business with capital adequacy requirements that may conflict with other regulatory goals.[8] The reference to “enhanced power quality services” suggests that utilities could abandon their obligation to serve all customers equally and would instead use ratepayer-funded assets and capabilities to discriminate against customers unable to afford additional services.

3. Allocation of Revenues from Third Party Sales (Response to Section III.B.3., REC # 3)

The Staff White Paper recognizes that ratepayer funded infrastructure may be used to provide many of the MBE revenue enhancements that they suggest. Recognizing that this may be unfair to ratepayers, The Staff White Paper calls for formulas for sharing Platform revenues between utility shareholders and ratepayers, with attention to the extent of shareholder

[7] Staff White Paper at 29-30.
[8] This does not apply to on-bill collection services for third party lenders which serve to provide credit support for lower income consumers and small businesses.

risk and use of regulated resources, and market alternatives.[9] In particular, the suggestion is that if an activity is made possible by a combination of ratepayer-funded infrastructure investment and at-risk operating expenses, a suitable allocation method should be developed to address the sharing of Platform revenue between utility shareholders and customers.[10] The cited examples make clear that this is an inexact science.

The MRC agrees that if preexisting, ratepayer-funded infrastructure can provide additional services without material additional costs, that some or all of the revenue should benefit the ratepayers. However, we strongly suggest that because such ratemaking compromises can be made doesn't support a conclusion that they are a wise expedient to adopt more widely. Especially in circumstances where investments are more thoroughly blended, this will invite ratemaking mischief. Moreover, it is not only the balance between ratepayers and utilities that will be affected, but also the balance between utilities and third-party DER and service providers. There is a strong risk that utilities will use ratepayer subsidized investment to compete with unregulated businesses to the detriment of competitive markets. Elsewhere in the REV Proceeding, the Commission has wisely decided that moving to a new business model does not support abandonment of its prohibition on utility ownership of DERs.[11] The same principle should apply equally here.

4. DER Equipment and Services Markets

As the MRC has discussed in prior filings,[12] the most important market for achievement of REV goals is not any particular DSP market, but the markets for DER equipment and services behind the meter. These include markets for DER equipment such as building controls, lighting and HVAC improvements and geothermal, solar, storage or CHP equipment (the "DER Infrastructure Markets"). While installation of some of this equipment is appropriately regulated as to interconnection standards, and may be further regulated if electricity sales beyond the meter are involved, the relationship between the customer and the DER provider behind the meter is appropriately unregulated. The articulated REV goal of having grid services provided by DER

[9] Staff White Paper at 35, and REC #3.
[10] Staff White Paper at 35.
[11] REV Order at 66-72.
[12] *See* MRC Comments to DPS Staff Proposal on Track One Issues, September 22, 2014, at 4; MRC Microgrid Comments at 24-15.

wherever cost effective can only be achieved by assuring that the DER Infrastructure Markets remain open and competitive.

5. Data Access Portal.
(Response to III.C.3.a.i. – EIMs) – REC #7

The Staff White Paper invites comment regarding its proposed EIM categories.[13] As to the proposed "Customer Engagement and Information Access" EIM category, the MRC strongly supports a utility portal that provides prompt, convenient access to customer to view its usage data and the ability for the customer to share that data with DER vendors at the customer's request.[14] The second major utility information function is to catalog the locations on their systems where DERs can make a contribution. The CA PUC has required this of all their jurisdictional utilities as a part of distributed resource planning.[15] This should be a planning function not a "value added service" that DER providers must pay for. Any payment requirement by DER providers over and above clerical and electronic document transmission fees would just raise barriers to entry. We would also support, if the utility desires, a neutral registry of DER providers. The MRC does not expect that a utility-provided data access portal would serve as a transaction platform, and, indeed, such a function would be compromised if the utility were to be providing competing services.

III. The Platform Enables Services to the Grid from DER
(Response to Section III, RECs 4)

The Staff White Paper contains almost no discussion of the distribution system and the growing management challenge it presents. As discussed in the Introduction, the MRC believes that the distribution system itself is the critical Platform that must serve as the heart of the new business model. The new utility business model should not rely on an uncertain set of bolt-on MBE revenue enhancements that arise from competing with unregulated businesses. Instead, utilities must focus on the grid as a common-carrier platform that incorporates DERs as an integral part of utilities' mission to reliably and efficiently serve not only the energy consumption, but also the production and transactional, needs of their customers. To accomplish

[13] Staff White Paper at 55.
[14] *Id*. at 56-57, 61.
[15] *See,* California Public Utilities Commission Distribution Resources Plan, Docket no. R.14-08-013.

this, it is critical to have a clear-eyed view of what services DERs can provide, how they benefit "the grid," and how each of them affects the utility business model.

1. The Benefits of DER are Local and Specific.

The Staff White Paper speaks broadly of "network services" and asserts that "the value of a DER market will grow with penetration."[16] This isn't at all obvious, and the comparison to wireless communication or internet searching and shopping is inapposite. In a network such as Twitter, the more folks who join, the more folks any member of the network can communicate with. There is no direct analogy to DER penetration. Many customers will choose to install DER primarily to meet their own needs and any benefit to the grid will be incidental.

Providing demand response services "to the grid" (assuming that demand response is reducing peak load) will reduce the price paid by all consumers. There is a public good aspect of this in the sense that no one customer can capture the price benefit of his or her participation. That is why demand response needs to be appropriately compensated through prices that reflect the value of price reductions to consumers as a group. But the value does not arise from the presence of or access to other DER providers as the Staff White Paper's analogy suggests it does. Further, in the current world the value of the demand response product is captured at the wholesale market level. No DSP platform is required to make it happen. Indeed, giving utilities a monopoly on customer access to the wholesale demand response markets is likely to depress the functioning of that market.[17]

2. DER Benefits can be Captured by Long Term Contracts.

Much of the support that DERs can provide to the grid is local and specific. Behind-the-meter resources, or even local distribution-connected resources, can support a substation and avoid the requirement for distribution system upgrades. While such support can be obtained through tariff mechanisms, the MRC has previously provided extensive discussion of the ways that DSPs can procure DER services through RFPs or through unsolicited proposals

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[16] Staff White Paper at p. 26.
[17] To the extent that the outcome of EPSA v. FERC affects the structural feasibility of that possibility, we suggest that it is still possible to achieve substantially the same result. *See* MRC Microgrid Comments, at pp. 16-17.

from DER providers.[18] These are direct purchases by the utility through long-term "DSP3" contracts. These processes are not especially suited to electronic platforms (they are not simple commodity purchases). As a major potential source of value from DER at the distribution level, DSP3 contracts need to be given a high priority.

The MRC suggests utilities must be made financially indifferent between physical upgrades to the distribution system and long term contracts that avoid or reduce the cost of system upgrades. One way to accomplish this is to treat these contracts as capital assets on a similar basis to the treatment of physical upgrades.[19] The underlying physical asset may be producing value for particular customers as well (which is why the utility can get attractively priced services from the DER provider), but there is no need to make any artificial allocation, as the utility values the regulatory asset based on its cost to acquire (the contract payments) not the underlying asset value.

The MRC, accordingly, agrees with the Staff White Paper's conclusions about claw back rules, but believes that they don't go far enough.[20] The utility should be able to earn a return on an investment in a DSP3 contract. This makes the utility truly indifferent as whether the solution is a DER contract or a "hard wired" solution, without the need for the Commission to attempt to balance incentive ratemaking payments (EIFs) against a direct return. Payments under DSP3 contracts cannot be subject to reopening in subsequent ratemaking proceedings, or they will fail to serve as a basis for financing DER.[21]

3. Other Benefits of DERs

Another potential function for DER investments is to reduce congestion on transmission system nodes. Currently RTO markets "price" congestion, but a DER provider who adds generation at a congested node cannot capture the value of reduced congestion. Since a reduction in wholesale price at a node within a utility's distribution system will reduce price to customers served by that node, a DSP can acquire DER capacity to serve that node as an

[18]*See*, MRC Microgrid Comments, pp. 3-4.
[19]This could be done in a similar fashion to a utility's power purchase agreement with an independent power producer in the ratemaking process before retail deregulation – the asset in the resource base is the DSP3 contract and the stream of services that it will produce.
[20]Staff White Paper at p. 40.
[21]*Id.*, at p. 72.

alternative to construction of transmission. Here the tradeoff would be between the utility's revenue requirement for an (often impractical) transmission upgrade and the DSP3 contract asset that solves the same problem.[22]

In the longer run, extensive penetration of DERs can help to move to a distribution grid that is self-healing at the local level. Instead of cascading failure, a failure at one location will trigger local generation that stops failure in its tracks either at the source, or though the islanding of surrounding areas to prevent spread. DSPs will play a critical direct role in procuring DER contracts and in building out both the physical distribution system and the local, semi-autonomous control systems that make the eventual configuration possible. Utilities should have opportunities to earn revenues in both roles. This is a most appropriate goal for REV, but it is actually still just the sum of local resiliency with some neighborhood effects, not a system wide cumulative effect. The primary public good aspect resides in the utility's own infrastructure, and that infrastructure should <u>be</u> the Platform.

IV. Rate Design and DER Compensation (Response to Section IV, RECs 14-22)

All DER are not created equal. Some produce MWh on an intermittent basis, and some can respond with finely tuned output. Some are prepared to bid into day-ahead and real-time markets and some operate for their owners' benefit against tariff constraints with no communication with the control area. Some ancillary services are about MWhs and some, such as regulation, are hardly about MWh at all. The ancillary services that are needed by the grid today may not be the ones needed tomorrow. Customers increasingly will be capable of delivering a particular load profile for a day or particular hours providing the DSP with predictability as an alternative to dispatchability. This is not to suggest that dispatchability, DSP3 and NYISO bound DER products can be done away with, but greater predictability reduces the need for dispatchable resources. The tariffs of the utility of the future, and the markets in which they operate, will need to be able to differentiate among these products and services in ways that reflect the value to the system. The best results will come when the utility and its customers, assisted by DER providers, work together in new ways.

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[22] *See* Staff White Paper, n. 42 at 42. *See also,* Staff White Paper at p. 41, discussing long term v. short term earnings.

1. One-Size Compensation Does Not Fit All DER Services.

The Staff White Paper generally lumps all DER together and provides a somewhat confusing discussion of their treatment for ratemaking purposes. On the one hand DER are expected to compensate the utility for its services [23] in a way (unspecified) that varies with the level of services received. On the other hand DER services to the grid should be valued at locational marginal pricing (LMP) plus D (where D is the value of services other than energy).[24] The Staff White Paper concludes (without saying so exactly) that Net Energy Metering (NEM) is a good compromise (at least at the residential customer level) that trades off payments for services from the grid for payments for services to the grid (i.e. the value of utility services is roughly equal to D plus any excess of LMP over the actual tariff rate. However, service charge development[25] may conflict with incentive ratemaking,[26] and balance may not result.

The Staff White Paper does strongly suggest, and the MRC strongly supports, a move to or in the direction of Time of Use (TOU) rates for all customers. This would tend to reduce differences in the relationship between LMP and the tariff rate to line up with stress on the system, so that customers have the incentive to reduce their usage at times when the system (especially distribution) is stressed and in need of relief. However, the value of services to and from a DER-equipped customer will vary substantially with the degree of self-balancing and aggregate demand control that the customer deploys.[27] A customer with a typical unmodulated solar array provides a benefit by producing the most energy somewhat near system peak, but relies on the grid for balancing. The same customer with three hours of associated storage capacity can smooth its own minor variability, match its output to actual peak, and potentially provide other services. Aggregators of multiple DERs that employ control systems and/or storage capabilities, will also be able to 'smooth' the interactions of their customer base with the grid, and provide additional grid support when needed.

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[23] *See, e.g., Id*. at pp. 27 and 32.
[24] *Id.* at p. 75.
[25] *Id.* at p. 34.
[26] *Id. at p. 38.*
[27] This is consistent with the Staff White Paper discussion at p. 83 which contemplates unbundling rate attributes. While there may be appropriate concerns about rate complexity, there is a long way to go before that balance becomes a concern.

As the MRC has pointed out in the MRC Microgrid Comments,[28] a sophisticated microgrid can deploy co-generation, renewable generation, thermal and electric storage, fuel arbitrage for thermal loads, and advanced controls, both internal building controls and grid facing controls, to control its load shape. It is capable of providing its own internal balancing (as it must be able to do in island mode) and providing a wide array of services to the grid. These capabilities reduce the reliance of the DER on the grid and increase its potential value to the grid.[29]The potential value may be delivered by simply responding to tariff structures, by committing the DER to respond to dispatch in short-term markets, or by entering into long-term contracts. Such DSP3 contracts can provide for specific predictable services or for dispatchable services. DSP3 contracts allow for tailoring compensation to the services provided. Tariffs and markets must be designed to provide accurate value for services. Net metering may remain effective for small residential installations, but it is critical that more accurate values be established for larger and more sophisticated installations.

DER markets for sophisticated levels of grid support, and DSP3 contracts, must provide for a specified level of capability or dispatchable capacity that serves as the baseline for the services to be provided. A DSP3 DER provider may well build additional capacity above its customer's baseload needs to deliver additional grid support services pursuant to its contract or in response to market signals. The efficiency of adding that marginal capacity is the basis for providing low cost capital assets that benefit the grid. Currently rules for determining baseline for DR and rules preventing registration of a single DER asset to provide more than one service inappropriately restrict DER from providing and receiving full value from the grid. The more sophisticated the DER internal controls, the more elusive and less meaningful the notion of a "baseline". Measuring on the basis of bid or contracted capacity, or of actual services provided, provides a way to compensate accurately.

2. Utility Services to DER.

[28]MRC Microgrid Comments at pp. 3-4.
[29]*Id.*

The MRC strongly supports the Staff White Paper discussion of standby charges.[30] DERs with sophisticated ability to modulate their demand/production , especially microgrids with self-balancing islanding capability, pose a reduced likelihood of need to call on the system for standby services. The Commission should consider permitting these resources to choose their own level of standby service subject to appropriate penalties if they exceed their chosen limit.

The Staff White Paper suggests that utilities should face rate incentives for prompt interconnection procedures. The MRC supports that suggestion but would go further. In addition to process improvements, there are needed improvements in standards and infrastructure. The utility should build its system in anticipation of widespread interconnection of DER that meet specified standards for internal controls. DER meeting those standards should be charged standard rates, not rates based on individual cost causation, and the last DER to interconnect should not be treated differently than the first. Utilities should be compensated for upgrading the grid to this standard.[31]

V. Conclusion.

The MRC believes that the Distributed System Platform the Commission seeks is the distribution system itself. The role of the utilities is to upgrade the system to accommodate widespread interconnection of DERs, visibility of DERs to the DSP, and two way flows of energy and related services, to provide a portal that provides customer and DSP information supporting the DER Infrastructure Markets, and to take advantage of DER to provide needed upgrades to the grid. The role of DERs is to provide services desired by customers and, where it is mutually beneficial, to provide services to the grid. Payments to DERs should reflect the actual delivered services, whether contracted or dispatched, and charges to DERs should reflect the extent to which they provide such services internally rather than depending on the grid.

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[30] *See* Staff White Paper at pp. 103-106
[31] *See* Staff White Paper, at p. 58.

Respectfully submitted,

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Dated: October 26, 2015