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Executive Vice President



September 30, 2022

Honorable Michelle L. Phillips, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Tariff Proposal to Preclude Dual Market Participants from Receiving Duplicative Compensation in both Wholesale and Retail Markets Concurrently and Other Conforming Changes in Connection with the New York Independent System Operator's Implementation of FERC Order No. 2222 and No. 841

Dear Secretary Phillips:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company"), hereby files the amended tariff leaves listed below to become effective July 1, 2023.

P.S.C. No. 15 – Electric

3rd Revised Leaf No. 18.2
1st Revised Leaf No. 106.1.1
9th Revised Leaf No. 163.5.11
6th Revised Leaf No. 163.9.1
3rd Revised Leaf No. 163.9.8
1st Revised Leaf No. 163.9.16
Original Leaf No. 163.9.17
6th Revised Leaf No. 228
5th Revised Leaf No. 272

As described in more detail below, the purpose of this filing is to 1) modify existing provisions of the Company's electric tariff to avoid duplicative compensation for distributed energy resources ("DER") participating in both the wholesale and retail markets, 2) implement a Wholesale Value Stack ("WVS") provision to allow DERs receiving wholesale compensation for certain services to continue to receive compensation from the Company for the non-energy and non-capacity components of the Value Stack as applicable, 3) allow for recovery of WVS through the existing Value Stack cost recovery mechanism, and 4) specify that Standby Service customers with stand-alone storage systems charging for wholesale participation purposes will take Wholesale Distribution Service.

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Background

On September 17, 2020, FERC issued Order No. 2222, that aimed to remove barriers for DER to participate in wholesale markets regulated by FERC.¹ To address these barriers, Order No. 2222 required each regional transmission organization (“RTO”) and independent system operator (“ISO”) under FERC’s jurisdiction to revise its tariff to establish DER aggregators as a type of market participant that can register under one or more participation models contained in the RTO/ISO tariff that accommodates the physical and operational characteristics of each DER aggregation.² Of particular relevance to this filing, Order No. 2222 allows DERs to simultaneously participate in RTO/ISO markets and retail programs (i.e., dual participation) but also allows RTOs and ISOs to exclude participation of DER that are receiving compensation for the same services as part of another program.³ Similarly, FERC Order No. 841 directed RTOs and ISOs to remove barriers to the participation of electric storage resources, including those interconnected to distribution facilities, in wholesale markets.⁴ Importantly, FERC found that wholesale purchases and sales by electric storage resources (i.e., for charging and discharging) must be at the applicable wholesale rate regardless of which participation model the electric storage resource uses to participate.⁵

One of the overarching principles of FERC Order No. 2222 is that dual participating customers must not receive compensation concurrently for the same service, such as compensation received for the sale of energy and capacity, in the retail markets that they are receiving in the wholesale markets. Order No. 2222 specifically prohibits double counting or double compensation of services provided by DERs.⁶ In compliance with Order No. 2222 directives, the New York Independent System Operator (“NYISO”) proposed revisions to its Market Administration and Control Area Services Tariff (“Services Tariff”) and Open Access Transmission Tariff, which FERC accepted subject to a further compliance filing on June 17, 2022.⁷ On the topic of dual participation and the potential for double counting of services, NYISO proposed in its first compliance filing to revise Section 4.1.10.6 of its Services Tariff to prohibit an aggregator from enrolling a new DER that “provides the same or substantially similar service in a retail market or program” that it provides in the NYISO-administered markets.⁸ Subsequently, FERC accepted NYISO’s proposed revisions on double counting but directed NYISO to delete the wording “or substantially similar” in a

¹ *Participation of Distributed Energy Res. Aggregations in Mkts. Operated by Reg’l Transmission Orgs. & Indep. Sys. Operators*, Order No. 2222, 172 FERC ¶ 61,247 (2020), *order on reh’g*, Order No. 2222-A, 174 FERC ¶ 61,197, *order on reh’g*, Order No. 2222-B, 175 FERC ¶ 61,227 (2021). FERC defined DER as “any resource located on the distribution system, any subsystem thereof or behind a customer meter.” Order No. 2222 at P 114.

² Order No. 2222 at P 6.

³ Order No. 2222 at P 160.

⁴ *Elec. Storage Participation in Mkts. Operated by Reg’l Transmission Orgs. & Indep. Sys. Operators*, Order No. 841, 162 FERC ¶ 61,127 (2018), *order on reh’g*, Order No. 841-A, 167 FERC ¶ 61,154 (2019), *aff’d sub nom. Nat’l Ass’n of Regulatory Util. Comm’rs v. FERC*, 964 F.3d 1177 (D.C. Cir. 2020).

⁵ *Id.* P 289.

⁶ Order No. 2222 at PP 159-164.

⁷ *New York Indep. Sys. Operator, Inc.*, 179 FERC ¶ 61,198 (2022) (“Order on Compliance Filing”).

⁸ NYISO, Compliance Filing, Docket No. ER21-2460-000, Transmittal at 41 (filed July 19, 2021) (“Compliance Filing”).

further compliance filing.⁹ Importantly, however, NYISO's Services Tariff only requires the DER aggregator, as part of the registration process, to affirm through an attestation that the DER is not providing the same service to a retail market or program.

Similar to the intent of NYISO's provision to prevent double counting of services, the proposed revisions filed herein clarify customer eligibility to participate in the Company's DER retail programs when such DER also participate in the NYISO markets to prevent duplicative compensation from the Company and NYISO for the same service. In addition to avoiding duplicative compensation issues, the Company seeks to maximize dual participation opportunities for customers by proposing a new option for Value Stack Customers to receive payment for the energy and capacity from NYISO but continue to be eligible to receive the applicable non-energy and non-capacity compensation from the Company (i.e., the Environmental Component Credit, Market Transition Credit ("MTC") Component, Demand Reduction Value ("DRV") Component, Locational System Relief Value ("LSRV") Component, and the Value Stack Community Credit Component). This new option, the Wholesale Value Stack ("WVS"), is identical to the Value Stack except, unlike Value Stack Customer-generators, WVS Customer-generators will receive energy payments and capacity payments, as applicable, from the NYISO either directly or through an aggregation in lieu of payment from the Company, thus, preventing duplicative compensation. Value Stack customers are not forced into a decision under an all or nothing approach that they otherwise would have been faced with absent the proposed amendments that create the new WVS tariff.

Proposed Tariff Changes

The Company is proposing several changes to its Electric Tariff to allow dual participation and deter duplicative compensation. Specifically, the Company proposes the following amendments to its programs that compensate DERs for exporting:

- A new Wholesale Value Stack section was added to General Information Section 48 – Value of Distributed Energy Resources. New WVS customers must still meet all the eligibility requirements applicable to Value Stack customers and may still receive the non-energy and non-capacity compensation they would have received under the Value Stack but will receive energy and capacity payments from NYISO in lieu of the Value Stack Energy and Capacity components from the Company. The Company included timing restrictions regarding switching between retail and wholesale service tariffs to accommodate NYISO's capability planning year processes.
- In addition, clarifying language was added to explain the rules for customers returning to the Value Stack after having been on WVS versus customers not previously enrolled in the Value Stack who are switching from WVS to the Value Stack, as far as compensation election and eligibility lock-in dates, rates, and terms.
- The existing description of Value Stack Components in General Information Section 48.B. has been modified to specify that WVS customers do not receive compensation for the energy or capacity components that Value Stack customers receive.

⁹ Order on Compliance Filing at PP 133, 135.

- Grandfathered NEM and Phase 1 NEM customers cannot dual participate. Any type of NEM customer wishing to participate in wholesale markets must give up its NEM status and opt into WVS.
- SC 10 Buyback Customer-generators cannot dual participate. Any Buyback Customer-generators must forgo the SC 10 Buyback tariff and take Wholesale Distribution Service. The Company included timing restrictions regarding switching between retail and wholesale service tariffs to accommodate NYISO's capability planning year processes

The Company also proposes other tariff changes as follows:

- The Company added the definition for Wholesale Distribution Service.
- Costs for WVS will be recovered in the same manner as costs are recovered for Value Stack customers, which is detailed in General Information Section 29.
- SC 14 Standby Service was updated to state that customers with stand-alone Electric Energy Storage systems charging for wholesale participation purposes will take Wholesale Distribution Service.¹⁰

Requested Effective Date and Commission Action

NYISO has stated it expects DER aggregator registration to begin the second quarter of 2023 but that aggregators are not expected to transact in the NYISO markets until approximately August 2023. Accordingly, the Company is respectively requesting that the Commission accept the proposed modifications to its Electric Tariff with an effective date of July 1, 2023 to ensure that these tariff provisions are in effect prior to the date that customers may commence transacting in the NYISO markets pursuant to Order No. 2222. Further, the Company respectfully requests that the Commission issue an order on the merits of this filing in the first quarter of 2023 but no later than April 1, 2023 in order to ensure the Company has sufficient time to file the necessary Wholesale Distribution Service tariff with FERC.

To provide Wholesale Distribution Service and appropriately charge customer-generators for this delivery service when DER may commence transacting in the NYISO markets, the necessary tariff must be in place. In accordance with FERC's 60-day prior notice requirement,¹¹ the Company must submit this filing to FERC by May 1, 2023, absent having sufficient grounds for waiver.

Disposition of this filing by the Commission in advance of submitting the necessary tariff at FERC will ensure that there is no disconnect between the Company's Electric Tariff provisions and its proposed WDS tariff that it will file at FERC. For this reason and to permit sufficient time for the Company to finalize its FERC filing in light of the Commission's order in this proceeding, the Company is respectfully requesting that the Commission issue an order on the merits of this filing in the first quarter of 2023 but no later than April 1, 2023.

¹⁰ Order No. 841 at P 289.

¹¹ 18 C.F.R. § 35.3(a)(1).

The Company respectfully requests the requirements of 66(12)(b) of the Public Service Law and 16 NYCRR §720-8.1 as to newspaper publication be waived as these changes may be communicated to customers through program information to be posted to the Company's website.

Questions related to this filing should be directed to Darlene Clay at (845) 486-5466 or dclay@cenhud.com.

Yours very truly,
Christopher M. Capone

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