RTO Insider

Overheard at IPPNY 2018 Fall Conference

September 17, 2018

By Michael Kuser

SARATOGA SPRINGS, N.Y. — The evolving challenges of grid resilience and the past and future of New York's Reforming the Energy Vision took center stage at the Independent Power Producers of New York's Annual Fall Conference on Friday.

Here's some of what we heard.

Since its 2014 launch, REV has fostered cultural change at both utilities and the Public Service Commission, said James Gallagher, executive director of the Smart Grid Consortium, a nonprofit group promoting the use of new technologies in New York's electric power system. "There's much more flexibility, more openness to change and more collaborating to partner with outside organizations."

The issue of resilience remains central, but letting go of command and control has not been easy for the utilities as they struggle to incorporate increasing amounts of distributed energy resources, he said.

"The commission invited utilities to come in with what they call 'Platform Service Revenue Incentives,' where they would get rewarded for facilitating local markets," Gallagher said. "No utility has yet to come forward with an incentive proposal."

Gallagher met former PSC Chair Audrey Zibelman in Australia and asked her what one thing she would change about how the commission handled REV under her leadership.

"Her one regret was that she permitted and encouraged each utility to have their own [Distributed System Platform]," he said. "She would now make one uniform DSP across the state."

IPPNY CEO Gavin J. Donohue said a key challenge in public clean energy policy is to continue prohibiting utilities from owning generation, for example, in New York's Energy Storage Roadmap now nearing final approval by the PSC.

On Sept. 10, IPPNY filed comments with the commission regarding energy storage, asserting that "private investors have a greater incentive to lower costs than utilities under cost-of-service regulation," and that transmission and distribution should be separated from generation to eliminate the potential for generation-owning utilities to exercise vertical market power "to the detriment of wholesale competitive electricity markets and consumers."

Sergej Mahnovski, director of growth and innovation for California-based Edison International, said customer demand, as well as regulation, has driven renewable energy growth.

Mahnovski, who used to work in New York, also said utilities initially dismissed REV as overly complicated, but “I always felt that if 10% of REV worked, it would make a contribution.”

Questionable Benefits

Couch White attorney Kevin M. Lang said he doesn’t think the utilities have changed much under REV, and referred to the second set of Distribution System Implementation Plans filed in June this year.

“All Con Edison reported was what they did the past two years, no cost allocation, no looking forward,” Lang said. “REV was about avoiding $30 billion in infrastructure spending, but now it’s about everything. We’re seeing tens and hundreds of millions of dollars spent for questionable benefits.”

Con Ed’s Brooklyn-Queens Demand Management project was meant to avoid the expense of building a new substation, he said, but some analysts estimate that over its 50-year lifespan, the project might cost $4 billion more than just constructing the substation.

“Consumers will use less electricity, but the reason is because they can’t afford it,” Lang said. “Reducing carbon in the atmosphere is a laudable goal, but we need a sense of balance.”

Industrial companies are leaving New York because they can buy power for a fraction of the price in other states, he said.

Laurence M. Downes, chairman and CEO of New Jersey Resources, a natural gas distributor and developer of clean energy projects, shared his positive take on decades of working with state regulators. New Jersey Gov. Phil Murphy earlier this year appointed Downes as chairman of the state’s Economic Development Authority.

“Since the 1980s, New Jersey has launched a host of public policy initiatives related to environmental stewardship … and as a mainly downstream company, we have come away stronger after every one of those,” Downes said. “If it were not for those public policy initiatives, we would not be serving customers literally in every state in the union right now, being in the solar business and being the leader in energy efficiency.”

Critical National Resource

Electricity is treated as a commodity, but it’s a critical national resource, said Sherrell Greene, president of Advanced Technology Insights.

Greene served as director of nuclear materials programs at Oak Ridge National Laboratory, where he worked for 33 years before founding ATI in 2012.

“Grid resiliency is a classic case of a tragedy of the commons; everybody’s a stakeholder but nobody owns it, nobody controls it,” Greene said. “And resilience does not apply across the

board. You may be resilient to a cyberattack, but not to an electromagnetic pulse event." (See FERC Orders Expanded Cybersecurity Reporting.)

The electric power grid is one of the largest machines ever created, so changing it is a challenge, said Arunkumar Vedhathiri, director of New Energy Solutions at National Grid.

"All of a sudden I have a swimming pool pump that can talk to the grid," Vedhathiri said. "Consumers are not sure what they want from an energy company, but if you put an interface in front of them, they suddenly have a whole different relationship to their utility."

He recounted how while on a beach in India last month he got a text message from a colleague telling him to cut energy use on a high peak day. Vedhathiri logged into his thermostat account, changed the setting, and "saved the grid from halfway around the globe."

NYISO Executive Vice President Richard J. Dewey said New York is home to the oldest power grid in the world, and therefore "has some of the oldest electric infrastructure, which is something to keep in mind as we try to modernize the grid."

Many New York generating plants also are nearing the end of their design life, he said.

The ISO is "working to establish market rules to appropriately price and value the benefits that renewable resources bring to the grid," and favors a market approach to achieve whatever resilience characteristics are needed, such as dual-fuel capability, Dewey said. (See NY Debates CO2 Charge for 'Beneficial' Load.)

Foundational Fuel Security

Marc Chupka of the Brattle Group recounted the U.S. Department of Energy issued a lauded study of the grid in August 2017, only to be followed in September by a Notice of Proposed Rulemaking to support coal and nuclear plants, which FERC rejected 5-0 in January.

Whether or not the scenario of natural gas curtailments was raised as a "stalking horse" by coal supporters, the controversy did begin the perception of fuel security as a resource attribute, Chupka said.

Fuel security is a New England winter peak issue, said Rob Gramlich, founder and president of energy consultancy Grid Strategies.

"Here we are with another hurricane and the issue is power — not generation, but the distribution and transmission infrastructure," Gramlich said. "People need to plan for that. Old reliability contingencies don't include climate change threats."

Todd Snitchler, director of market development at the American Petroleum Institute, said his group disputes the notion of natural gas being a dirty fuel.

“Brattle helped us with analysis that showed natural gas scoring very well on efficiency attributes, and natural gas is the enabling fuel for many renewable energy resources,” Snitchler said. “Natural gas is not so much a bridge fuel as a foundational fuel.”