New York State’s Transition in Distributed Energy Compensation

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New York’s Transition from Net Energy Metering

- Under net metering, all kWh receive the same compensation, regardless of the time or location where they are generated. NY is gradually transitioning from net metering to a more precise structure.

- Multi-year roll-out with robust stakeholder engagement.

- Under Value of Distributed Energy Resources (VDER), project revenue is based on value it provides to the grid. Energy produced during high-demand periods in congested parts of the grid receive richer compensation.

- Goal is to encourage development where and when it maximizes grid benefits, as well as encouraging beneficial technologies like battery energy storage and tracking arrays.
The “Value Stack” equals:

- Wholesale energy price
- Wholesale capacity price
- Deferred cost of distribution grid upgrades (*Demand Reduction Value*)
- Environmental value
- Locational adder if on congested substations
- Subsidy for community solar
Lessons Learned

> Gradual transitions with well-communicated tariff changes
> Engage stakeholders, but limit timeframe for discussion
> Balance precision with practicality: projects can’t get developed if the tariff is too complex!
> Willingness to adjust market rules. The first tariff won’t be perfect.