

August 8, 2025

Via Electronic Mail

Aisha Collier
Assistant Clerk of Council
Room 1E09, City Hall
1300 Perdido St
New Orleans, LA 70112

Re: **Advisors' Report on VPP** (Docket No. **UD-24-02**)

Dear Ms. Collier,

PosiGen, PBC respectfully submits the attached filing in docket **UD-24-02** pertaining to the City's **Distributed Energy Resource Program**.

Please do not hesitate to reach out with any questions related to this filing.

Sincerely,

Kyle Wallace
PosiGen, PBC

Introduction

PosiGen appreciates this opportunity to provide comments on the Advisors' Report ("the Report") issued on July 16, 2025. Before addressing specific topics raised in the Report, PosiGen would like to express our commitment to the development of a feasible, cost-effective program that would increase energy affordability and resilience to New Orleans. We believe that some of the discussions in this Docket have helped move towards a Distributed Energy Resources ("DER") program, but we are also concerned that despite that progress, we will ultimately lose an opportunity to deliver such a program in the near future.

PosiGen believes that a workable structure for a DER program exists within this Docket and that the Council should continue to aim for a program launch in 2026. We believe that simply another pilot for battery storage is unwise and would ensure that the ratepayer and resilience benefits that DERs can provide would be underutilized for several more years. Developing a cost effective battery storage program is not new. There are examples across the country, many of which are cited within this Docket, which clearly demonstrate that there is a path to a cost-effective program. We should not continue to treat a battery storage program as something that needs to be piloted.

We are sensitive to the need to ensure that ratepayer dollars are effectively used and we understand the reticence to commit to a large program budget, but we don't believe that the answer is a small pilot. A reasonable discussion can be had regarding the appropriate size and budget for a DER program that can be rolled out in the near term with the expectation that when it is successful additional funding will occur. Approving another pilot, rather than a permanent program, sends the wrong signal to the market and will prevent manufacturers, contractors, and energy providers from being able to orient around this DER program.

Both TNO/AAE and ENO's programs assume a high number of retrofits which doesn't add increased capacity to distribution lines, as such the notion that there will be high costs for system distribution upgrades is tenuous at best. Depending on the size of the program, providing distribution system relief during peak periods you are avoiding the supposed cost increase in relation to distribution system upgrades that the Advisors and ENO are concerned about.

Incentive Levels & Cost-Benefit Analysis

PosiGen believes that the DER program should be a cost-effective program where the compensation provided to participants is commensurate with the value being provided. We acknowledge that further work is needed on both aligning stakeholders on a cost-benefit framework that properly values the contributions being provided by DERs as well as modifying the incentive levels to fit within that cost-benefit framework.

TNO/AAE and ENO take different approaches to the cost-benefit analysis in terms of what values are included as benefits, and we believe that there is room to come to an alignment on those. Clearly avoided energy and capacity costs will be the two primary drivers of value for the program, but we believe that they are not the only potential value streams that should be considered. We support TNO/AAE's inclusion of avoided transmission and distribution benefits and avoided regional network service charges in the cost benefit analysis.

The inclusion of avoided or deferred transmission and distribution value has been used in other state DER programs and should be considered for this program. Rocky Mountain Power's Wattsmart Battery Program includes value for a "transmission & distribution adder" and for "risk reduction," and the program passes all cost-benefit tests including a UCT.¹ The Wattsmart also uses the energy storage devices for frequency response, which demonstrates that there are additional ways in which the batteries could be used to provide value to grid reliability.

Likewise, the Connecticut Energy Storage Solutions cost-benefit analysis includes additional categories including avoided transmission and distribution capacity, and the demand reduction induced price effects ("DRIPE") on energy and capacity, and reduced greenhouse gas emissions value. DRIPE captures the value that is provided beyond the specific energy and capacity costs offset by the dispatch of the energy storage.² Simply put, DRIPE attempts to capture the value provided through reduced demand due to measures (typically in an energy efficiency context, but applicable to storage and behind-the-meter resources as well) that create downward pressure on electricity prices as the reduction in demand leads to a lower price point on the supply curve. While the value may not be large in terms of a \$/kWh rate, because it applies to all energy being transacted at that lower price the aggregate impact can be meaningful.

We believe that further evaluation and inclusion of value streams into the cost benefit analysis will be important for the long-term sustainability of the program. Similarly, setting the appropriate upfront and ongoing performance payments is dependent on the value being derived from the program. This is an iterative process as the cost-benefit analysis is refined and would likely result in changes to the proposed upfront and performance payment levels proposed by both ENO and TNO/AAE. That process has started with the initial proposals and the subsequent cost-benefit analyses provided by both parties and it should continue towards a final cost-benefit analysis and payment levels that are appropriate.

¹ 2024 Utah Energy Efficiency and Peak Reduction Annual Report, issued May 27, 2025, Rocky Mountain Power, pg. 20. Report available at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/utah/UT_Energy_Efficiency_and_Peak_Reduction_Report_2024.pdf.

² Connecticut Energy Storage Solutions - Final Evaluation Report 2022-2024 Program Cycle, pg. 57, available at: [https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/e4d7e4d486a5de2785258b3f006843af/\\$FILE/Attachment%201.pdf](https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/e4d7e4d486a5de2785258b3f006843af/$FILE/Attachment%201.pdf).

Use of SERI Credits & Funding Source

PosiGen supports TNO/AAE's posture regarding The Council's discretion, and not ENO's, to utilize the SERI credits to fund this program. The Advisors note that The Council should rely on "the long-standing practice of the Council to presuppose that refunds like the SERI Credits should directly benefit the ratepayers by keeping rates and bills as low as possible, especially in times when everything seems to coincide to increase both."³ We argue that the deployment of a substantial DER program in New Orleans would provide direct benefit to ratepayers. Studies show that both participants and non-participants benefit from the addition of DERs on the grid in terms of reduced energy bills and added resilience which, if incentivized correctly through a program such as the one proposed by TNO/AAE, curb rate spikes during times of high energy demand or outages. At a time when utilities are seeking to increase the resiliency and reliability of their electricity grids, while minimizing ratepayer impact, the establishment of a DER program would be directly in line with utilization of the SERI funds as described by The Advisors.

The use of SERI credits was used by the Council in the notice of the Docket and that is why that was the only funding source identified by parties. If there are other avenues in which the Council would like to take in funding this program we would support those alternatives because we ultimately want a successful DER program regardless of the funding source. We urge the Council to evaluate and offer other alternative funding sources for the establishment of a permanent DER program.

Federal Incentives

The passage of H.R. 1 has radically reshaped the federal energy policy. Despite significant changes to long-standing policies for technologies including wind and solar, the bill extended the 30% tax credit for energy storage facilities through 2034. This demonstrates that energy storage is a critical part of our energy future as we address rising electricity demand, potential capacity shortfalls, and continue to reduce system peaks to provide savings for all ratepayers. With this federal certainty for the foreseeable future on energy storage, now is the time to ensure that New Orleans develops programs that ensure that the deployment of energy storage is done in a way that provides benefits beyond host-customer resilience.

Vendor Neutrality

We agree with the Advisor's recommendation that the DER program be vendor neutral to promote program participation and an objective approval process for third-party vendors who are seeking to participate in the program. However, establishing another pilot program would not provide adequate market signals or incentives to potential battery manufacturers or installers. As such, in order to have diversified vendor participation in the program, the Council must move forward with an expanded and adequately incentivized DER program.

³ Advisor's Report to The City Council of New Orleans, pg. 7- dated 7/16/25

**Before
The Council of the City of New Orleans**

Re: Advisors' Report on VPP

(Docket No. UD-24-02)

CERTIFICATE OF SERVICE

I do hereby certify that I have, this August 8, 2025, served the foregoing correspondence upon all other known parties of this proceeding by electronic mail.

Ruthie DeWit
PosiGen, PBC