Office of Consumer Counsel Presentation

For 26-06-04 Technical Meeting

October 22, 2026

Presenters: Tim Woolf, Erin Malone, Jack Green, Kayla Cherry, Alex Wang (OCC)

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Topics for Discussion

1. **Time-differentiated Compensation**
2. **Designs to facilitate comparisons of competitive solicitations**
   a) Percent discount bidding
   b) Bidding tranches
   c) Multipart Payment Framework (MPF) proposed by Eversource

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Time Differentiated Compensation

Time-differentiation promotes equity and provides incentives

Customer Equity

Charge and compensate customers at the value to the system in each hour

Host Operating Incentive

Provide host customers incentives to consume during the lowest cost hours, promoting system efficiency

For PV-only systems: the main reason for time differentiation is to achieve customer equity, because the generation profile cannot be modified by the host customers thus operating incentives are not necessary.

- This means that a weighted average proxy of the hourly system values can be used if needed.

For any system with storage: time differentiation is necessary for both customer equity and operating incentives, because the storage operating profile is flexible.

Time-differentiation can be achieved in two forms:

1. TOU rates – these affect behind the meter consumption patterns. (These tend to be limited to 2-3 tiers of rates.)
2. Program compensation rates – these affect generation and storage patterns

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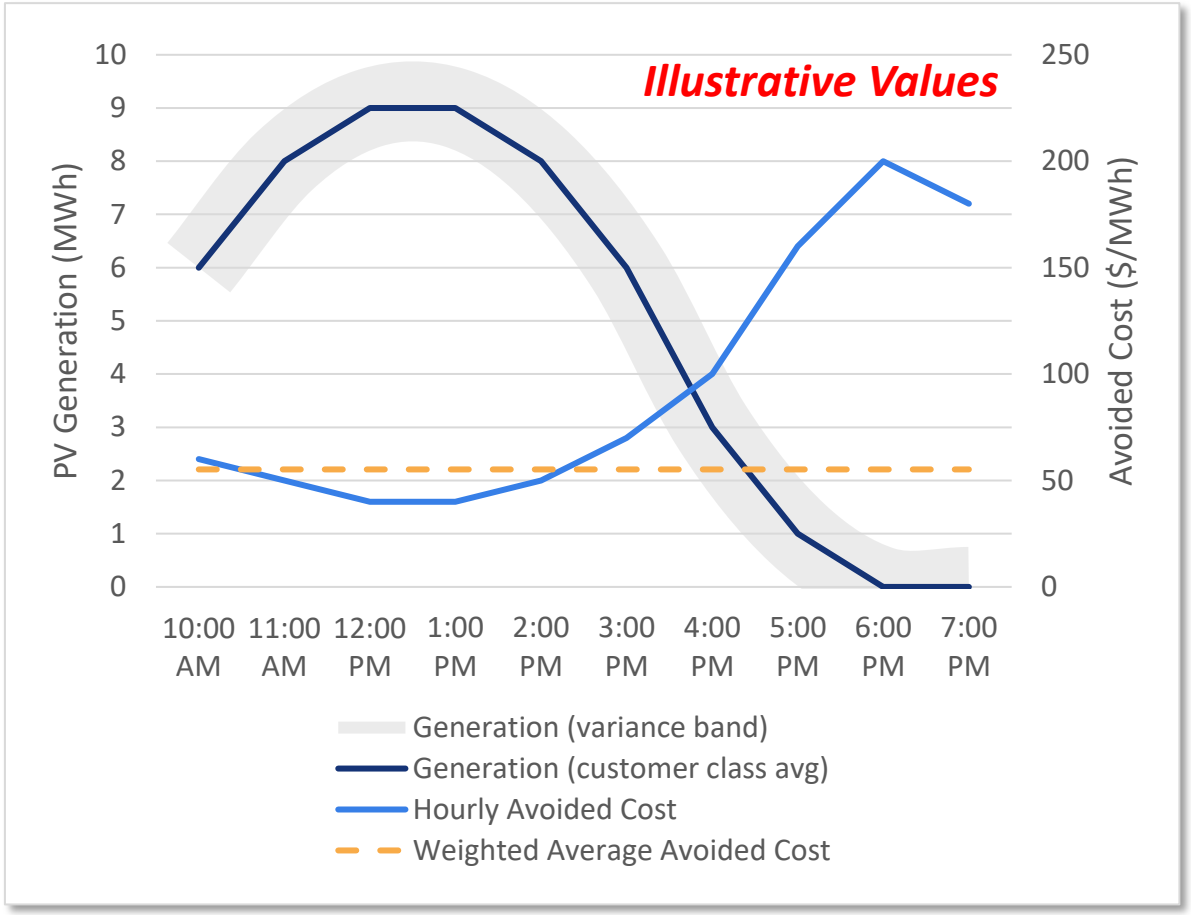
Flat proxies support time-differentiation for solar-only systems

- Systems should be compensated based on the time-differentiated value of their services to the grid
- Solar-only systems (without storage) have relatively fixed, predictable generation profiles
  - Generation profiles can vary somewhat by shading, clouds, and tracking capabilities
  - *Export* profiles vary with behind-the-meter loads, but do not change the system value of the generation
- Because the generation profiles are similar, a flat payment rate based on the generation-weighted average avoided cost is a reasonable proxy for time-differentiated compensation
  - This means that customers with existing (non-interval) meters could be compensated based on the grid-value of their generation without a new interval meter



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Instantaneous Netting

Time differentiation depends on (a) metering & billing, and (b) whether operational incentives are needed

		Current Meters		Future Meters
Meter and Billing Capabilities	Meter Capabilities	Simple Meters (ES Residential)	Interval Meters (Select UI and ES)	Interval Meters (All Customers)
	Time Differentiated Export Payments	Time differentiated export payments are not feasible	Time differentiated export payments are feasible	
	Time Differentiated Rates (TOU)	TOU not feasible	Current TOU Rates	New TOU Rates
DER Technologies	PV only: (operational incentives are not necessary because PV generation profile is inflexible)	• Flat proxy for export payments is sufficient. • TOU rates are not feasible and not relevant.	• Flat proxy for export payment is sufficient but time differentiated payments are better. • TOU rates are feasible but not relevant.	
	PV + Storage: (operational incentives are necessary because storage dispatch profile is flexible)	• Flat proxy is not sufficient because storage discharging profiles are flexible. • TOU rates are not feasible but are necessary.	• Time differentiated export payments are necessary. • TOU rates are necessary. But current TOU rates are out of date.	• Time differentiated export payments are necessary. • TOU rates are up to date.

Buy-All and SCEF

Time differentiation depends on (a) metering & billing, and (b) whether operational incentives are needed

<table>
<tr><td rowspan="3">Meter and Billing Capabilities</td><td rowspan="2">Meter Capabilities</td><td colspan="2">Current Meters</td><td>Future Meters</td></tr>
<tr><td>Simple Meters
(ES Residential)</td><td>Interval Meters
(Select UI and ES)</td><td>Interval Meters
(All Customers)</td></tr>
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(operational incentives are necessary because storage dispatch profile is flexible)</td><td colspan="3">• Time differentiated generation payments are necessary.
• TOU rates are not relevant.</td></tr>
</table>

Summary takeaways

PV-Only Systems

Instantaneous Netting

- Flat proxies are sufficiently time-differentiated.
- TOU rates are not relevant.
- Therefore, all types of metering and billing capabilities can support sufficient time differentiation.

Buy-All and SCEF

- Same as above.

PV + Storage Systems

Instantaneous Netting:

- Time differentiated export payments are necessary.
- TOU rates are necessary.
  - Ideally, TOU rates would be updated.
- Therefore, interval meters and TOU rates are necessary to support time differentiation.

Buy-All and SCEF:

- Time differentiated generation payments are necessary
- TOU rates are not necessary.
  - Because there is no BTM consumption.
- Interval meters will be installed for the combined PV + storage generation

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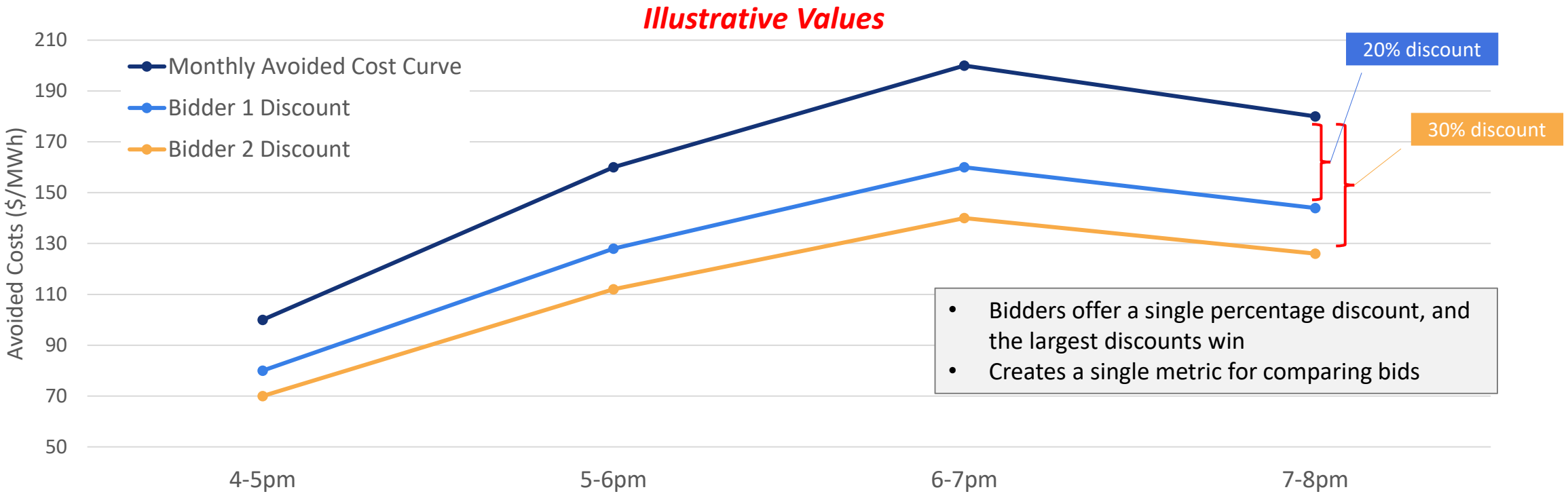
Designs to facilitate comparison of competitive solicitations

Percent-discount bidding off hourly avoided cost caps



PROS

- Enables administratively-set time-of-day values to coexist with competitive bids; grid-value shape stays fixed
- Avoided cost is a hard cap which protects ratepayers from overcompensating

CONS

- This has not been done in other states since other states do not use competitive solicitations for solar + storage
- EDCs must develop avoided cost profiles that vary seasonally, at minimum

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Separate tranches for PV-only vs PV+storage

SOLAR + STORAGE TRANCHE

Developer A	Bid A
Developer B	Bid B
Developer C	Bid C
Developer D	Bid D

SOLAR TRANCHE

Developer E	Bid E
Developer F	Bid F
Developer G	Bid G
Developer H	Bid H

Potential Methods for Down-Selection

Predetermine a budget cap for each tranche and select in parallel.

Prioritize Solar + Storage until budget cap is reached, selecting from Solar tranche with any remaining budget.

Have no budget cap and select all available projects that pass a cost-effectiveness and rate impact test.

SHOULD THERE BE TRANCHES?

Tranches increase **transparency** regarding the price paid for different technologies, and they preserve **project diversity.**

The decision to have tranches depends on policy goals. Tranches could prioritize **increased storage**. If the **lowest priced** projects are preferred, then tranches may not be necessary.

Recommendation: *Consider applying tranches for the beginning round(s) of solicitations and phase out over time.*

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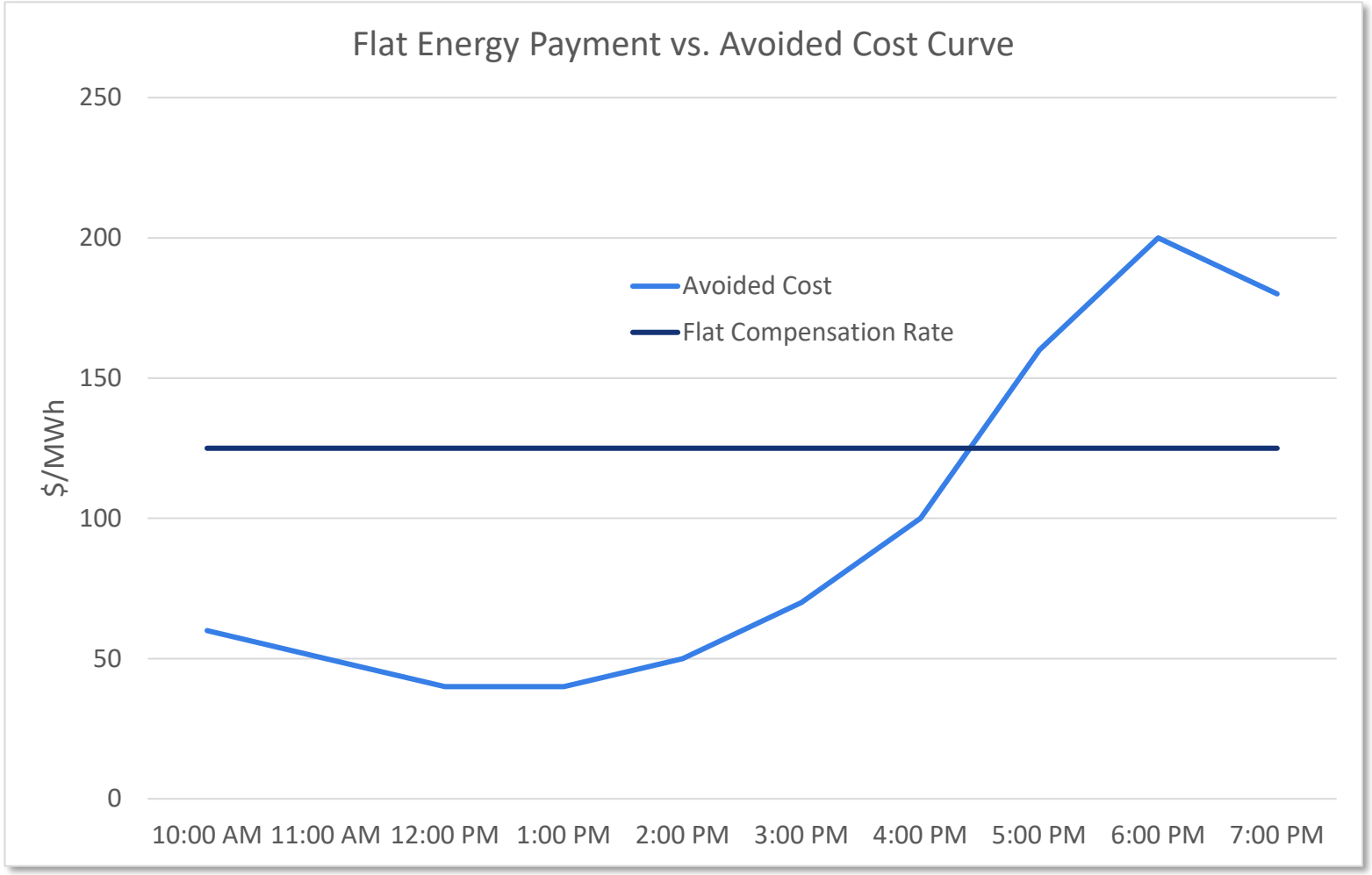
MPF: A flat energy payment does not optimize battery performance

A flat $/MWh payment does not address hourly variation in the value of energy

There is no incentive for generators to target exports at peak hours, for batteries to discharge at peak hours, or for batteries to charge during lower-price periods



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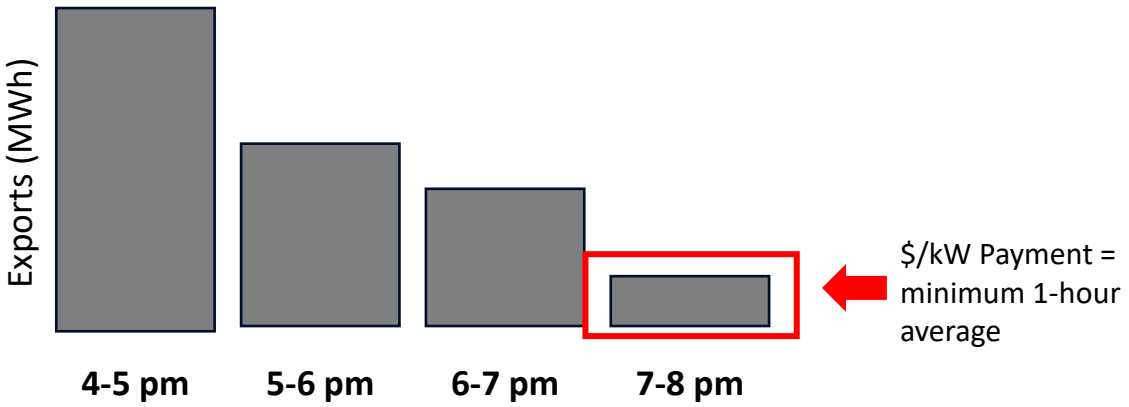
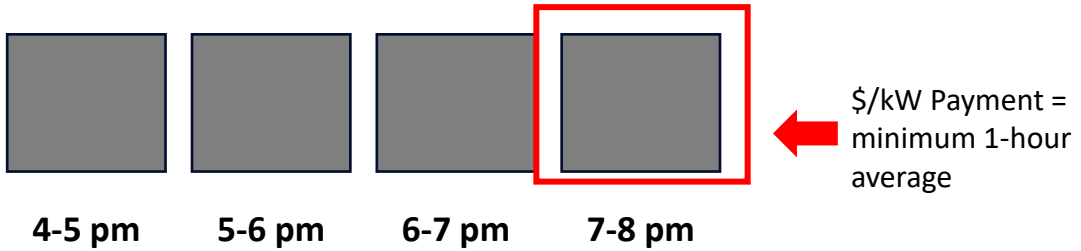
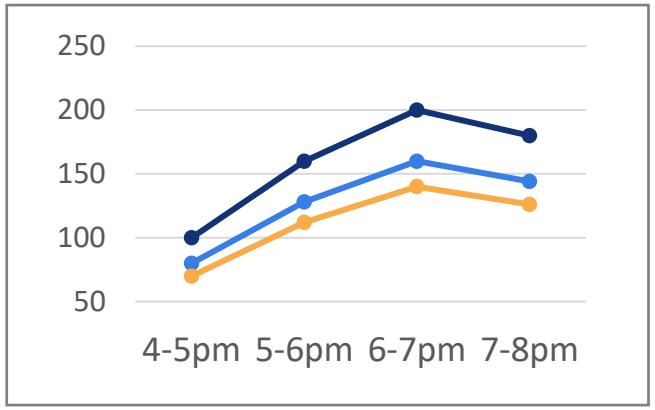
MPF: A minimum capacity payment does not incent optimal exports

Under compensation based on a minimum one-hour average, a battery's lower performance in the final hour of discharge would disproportionately penalize its otherwise valuable exports…



…which would incent uniform discharge across hours, which ignores variance in the value of energy by hour.





An hourly avoided cost curve obviates the need for a $/kW payment on top of the energy payment because it inherently reflects time-differentiated energy and capacity values

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