



Community Solar Compensation on Long Island: Challenges and Solutions

1. Community Solar: Importance and Benefits

- a. Community Solar (CS) is a crucially important market segment to both Long Island and New York State at large, both in terms of achieving its climate, decarbonization, and distributed solar goals, as well as providing access to clean energy for individuals, communities and organizations that do not have adequate/feasible siting space or cannot afford to own their own solar systems.
- b. The CS model enables an alternative to monopoly control of utility bills and can provide ratepayers an immediate discount immediately on their bills without risk or predatory terms.
- c. Be it individuals from LMI communities, seniors living on fixed income, churches and their parishioners, or small businesses such as dry cleaners, community solar can potentially provide access to solar for ALL 1.1 million electric customers on Long Island.

2. Community Solar on Long Island

- a. Historically, Long Island has been the backbone of the New York solar market, with almost 30% of installed solar capacity in the state located in LI. However, with the expiration of NYSEIDA incentives for LI solar, growth has slowed, with 2018 installations 17% below 2017 levels and more than 40% below 2016 levels. Community Solar, therefore, is the primary engine for future solar market growth in LI.
- b. Long Island currently lags the rest of the state with regard to CS development and installation activity, with only 14 systems installed or in development, compared to 394 in the rest of the state and 55 in Con Edison as of August 2019. This shows that CS in Long Island needs more, not less support going forward, particularly during these crucial initial years as it is getting off the ground.

3. Compensation Issues and Challenges with LIPA

- a. Currently, compensation for CS systems in LIPA is based on net energy metering (NEM) – essentially the retail rate for electricity. However, in keeping with the rest of the state and the NY PSC, non-residential systems greater than 750 kW are transitioning away from NEM towards a value-based approach to compensation (VDER). However, the “core” elements of the VDER “stack” do not result in compensation sufficient to drive minimally viable project economics for CS systems, given the initially high costs of permitting, interconnecting to the grid, marketing and financing these projects. To bridge this gap, the PSC has introduced a component of the value stack specific to CS systems, namely the “Community Credit” (CC). This credit was set by the PSC at 2.25 cents/kWh for upstate territories and 12 cents/kWh for Con Ed, in keeping with high development costs and retail electricity rates in NYC.
- b. LIPA, being able to set the CC at its own discretion, initially set a value of 1.2 cents/kWh, lower than all other territories. After much engagement with LIPA by the industry, this was revised to be in keeping with upstate territories at 2.25 c/kWh.
- c. LIPA claims that in setting the CC at the same level as upstate, it is being “more than accommodating”. This is highly misleading at many levels: (i) Solar development costs and retail electricity rates in LI are much closer to NYC than upstate; (ii) Every other territory outside LI still receives significant incentives in the form of rebates from NYSEIDA. Industry analysis shows that in order to support minimally viable project economics for CS in LI, the CC needs to be at least 10 c/kWh.

- d. Elaborating further on (d), LI non-residential projects get ZERO dollars in NY-Sun incentives, compared to \$0.20/W upstate and \$0.60/W in NYC, plus an additional \$0.30/W for carports. Further, LI receives a battery incentive of \$250/kWh compared to \$300/kWh. All this means that project economics for CS in LI are MUCH more challenging than the rest of the state. In this context, the LI CC needs to be significantly higher to drive similar returns to projects in the rest of the state.
- e. LIPA CEO Tom Falcone has gone on record in the press stating that if CS projects under LIPA's offering are not feasible, they should not be built, and claims there are "lots and lots of options for us to get clean power", noting the state's recent offshore wind procurement programs.
- f. The LI solar industry applauds the state's commitment to off-shore wind and understands that it is a key component to achieving our climate and decarbonization goals. However, LIPA's indifference and lack of support for continuing growth in solar, particularly community solar because "wind will get us there" is highly troubling, as it ignores several important issues, namely: (i) the referenced wind projects will take several years to build, with significant risk of them being built at all, since they are "first-of-a-kind" projects, while DG solar can be built here and now; (ii) it is still unclear if the wind initiatives are financially feasible, when solar is, and de-valuing kwh's produced by solar compared to other forms of produced or purchased energy makes no sense; (iii) ratepayers and communities want and deserve to generate their own clean energy; (iv) DG and CS solar projects create both blue and white-collar jobs for local firms, compared to out-of-region, out-of-state and foreign enterprises developing offshore wind; (v) off-takers of both DG and CS projects reinvest those dollars into the local LI market through local spend.
- g. Without a compensation level that results in minimally viable project economics/returns: (i) community solar will simply not get off the ground in Long Island; (ii) millions of residents will be prevented from accessing clean energy, along with thousands of organizations and businesses; (iii) the overall solar market in LI will almost certainly stagnate; (iv) NYS will risk missing its 6 GW goal for DG solar by 2025; (v) LI risks being left out of the state's overall march towards a zero-emission economy.

4. Proposals for Solutions

- a. In keeping with industry analysis looking at required compensation levels that result in minimally viable projects, we advocate for the CC in LI to be brought to a fair level from the current 2.25 c/kWh to 10 c/kWh. The overall impact from this increased credit will be a plus to ratepayers on LI enabling everyone (especially low-income residents) to "go solar". The recent bump LI residents have seen in their bills due to record high July temperatures could be the new norm; ratepayers need an alternative that grants a discount on their electricity bills from clean solar projects.
- b. We also believe that allowing CS systems under 750 kW-AC the option to stay on NEM, as is the case for on-site systems <750 kW-AC, would further bolster the market and allow for simplicity of selling and marketing solar to potential CS customers.