STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on July 15, 2021

COMMISSIONERS PRESENT:

John B. Howard, Chair
Diane X. Burman
Tracey A. Edwards
David J. Valesky
John B. Maggiore
Rory M. Christian

CASE 20-E-0543 - Petition of Interconnection Policy Working Group Seeking a Cost-Sharing Amendment to the New York State Standardized Interconnection Requirements.

CASE 19-E-0566 - Joint Petition for Certain Amendments to the New York State Standardized Interconnection Requirements (SIR) for New Distributed Generators and Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems.

ORDER APPROVING COST-SHARING MECHANISM AND MAKING OTHER FINDINGS

(Issued and Effective July 16, 2021)

BY THE COMMISSION:

INTRODUCTION

On October 29, 2020, the Interconnection Policy Working Group (IPWG), consisting of the Joint Utilities, associations representing renewable energy interests, and clean energy developers and finance companies (collectively, the Petitioners), filed a petition requesting amendments to New York State Standardized Interconnection Requirements (SIR) for New

Distributed Generators and Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems (the Petition).[1] The Petition requested that the Commission replace aspects of the cost-sharing rules adopted in the January 2017 Queue Interconnection Management Plan and Cost Allocation Order with new rules developed by the IPWG.[2] The Petition initially addressed only substation and distribution/sub transmission line upgrades.

On January 19, 2021, the Joint Utilities filed a Supplement to the Petition (Supplemental Filing) to extend the IPWG proposal to underground secondary networks. The proposals included in the Petition and Supplemental Filing are referred to here as the "Cost-Sharing 2.0 Proposal." The Petition asserts that the new rules will remove barriers to the interconnection of distributed generation (DG) and energy storage systems (ESS), consistent with the goals of the Climate Leadership and Community Protection Act (CLCPA).[3]

On March 18, 2021, the Public Service Commission (Commission) issued an Order Directing Interim Modifications to the New York State Standardized Interconnection Requirements (Interim Modification Order), in which it authorized temporary measures to ensure interconnection applications that would benefit from a more equitable cost-sharing methodology can

---

[1] A list of each of the Petitioners is included as Appendix A to this Order.

[2] Case 16-E-0560, Joint Petition for Modifications to the New York State Standardized Interconnection Requirements and Application Process For New Distributed Generators 5 MW or Less Connected in Parallel with Utility Distribution Systems, Order Adopting Interconnection Management Plan and Cost Allocation Mechanism, and Making Other Findings (issued January 25, 2017) (Interconnection Queue Management Plan and Cost Allocation Order).

[3] Chapter 106 of the laws of 2019.

remain in the interconnection queue until final Commission action could be taken on the Petition.[4] Specifically, the Commission adopted measures to allow advanced projects to share the upgrade costs and proceed to interconnect, while preserving the queue positions of all impacted applications. At the same time, the Commission declined to fully adopt the Cost-Sharing 2.0 Proposal so that certain provisions, particularly those related to the possibility of ratepayers bearing the unrecovered costs of system upgrades, could be examined further.

Having now undertaken that further analysis, the Commission adopts the Cost-Sharing 2.0 Proposal, subject to the modifications discussed herein, and directs the Joint Utilities to file the amendments to the SIR required to implement the same within 90 days of issuance of this Order.

THE PETITION

The Petition and the Supplemental Filing propose to modify the cost-sharing mechanism that was adopted in the Interconnection Queue Management Plan and Cost Allocation Order by changing the first-mover requirement. As detailed in the Interim Modification Order, the first mover rule requires the developer of the first interconnection project that triggers a need for a system modification to bear 100 percent of the upgrade cost, subject to potential reimbursement by other projects that interconnect later and benefit from the upgrade. By contrast, the Cost-Sharing 2.0 Proposal utilizes a pro rata concept under which a project pays only for the specific distribution hosting capacity assigned to it, as opposed to the

[4] Case 20-E-0543 et al., Order Directing Interim Modifications to the New York State Standardized Interconnection Requirements (issued March 18, 2021) (Interim Modification Order).

entire cost of the upgrade. Thus, Petitioners assert, the cost of distribution system upgrades would be equitably allocated to each DG and/or ESS project interconnected on the same substation, and applicants would have greater certainty regarding their upgrade cost obligations. The types of upgrades that would be subject to the revised rules, and other limitations on cost-sharing, are listed in Exhibit A to the Petition.

The proposal would apply to two categories of distribution system modifications: utility-initiated upgrades and market-initiated upgrades. Utility-initiated upgrades consist of 3V0 installations[5] and modifications to planned substation transformer bank installations and replacements included in a utility's Capital Investment Plan as asset maintenance or reliability projects. For substation transformer bank installations/replacements, the modification would provide for greater hosting capacity than the replacement-in-kind project that the utility would otherwise install. These projects, where a planned upgrade may be enhanced to provide additional hosting capacity, are referred to as Multi-value Distribution (MVD) projects. The Petitioners assert that coordinating the expansion of DG capacity with work that is already being planned to address asset maintenance or reliability issues is a cost-effective approach to increasing hosting capacity.

In the case of MVD projects, the utility would bear the cost of the in-kind replacements, and the Participating Projects would pay pro rata shares of the costs of the

[5] 3V0 is neutral over-voltage protection that is required to protect against reverse power flow from distribution generation sources through substation transformers on the distribution system.

incremental DER-related upgrade. To facilitate the process, each of the Joint Utilities would post a list of the substations scheduled for major upgrades on their respective system data portals and include an estimate of the funding required to accommodate additional DER interconnections. Any pending applications at a listed location would automatically be placed into the MVD project process. The posting would identify the utility's cost estimate for upgrading substations to create additional hosting capacity and a deadline for additional DG and/or ESS projects to submit interconnection applications at those substations. After the established deadline, the utility would determine a cost per kilowatt (kW) for the upgrade at each relevant substation. The utility would have the discretion to move ahead with the upgrade based on DER applicants' payments of their assigned shares.

In addition to MVD projects, the category of utility-initiated upgrades also includes proactive 3V0 installations. This proposal contemplates the utility undertaking 3V0 upgrades at designated substations, as determined by the utility. The Petitioners explain that the utility would make locations at which these 3V0 installations are planned known in advance to developers through its system data portal. Developers would apply for interconnection by following the application process in the SIR.

With the Supplemental Filing, the Petitioners grouped the eligible market-driven upgrades into four categories: 1) substation upgrades (other than transformer installations/upgrades); 2) substation transformer installations/upgrades; 3) distribution/sub-transmission line upgrades; and, 4) underground secondary network upgrades (together, Qualifying Upgrades). The utility would identify Qualifying Upgrades in the course of the interconnection process as proposed projects trigger the need to modify utility equipment, just as they do under current rules. Cost sharing for such market-initiated upgrades would be limited to upgrades with a gross cost above $250,000.[6]

The Petition describes two approaches to the mechanics of allocating the costs of market-initiated Qualifying Upgrades. In the case of most substation-level upgrades, the utility would estimate the cost of the upgrade and inform the developers in the queue of their estimated cost obligations. Under the proposed pro rata approach, the first project or portion of the first project to exceed the capacity rating of the existing bank (i.e., the Triggering Project) and the projects with later queue positions (i.e., Sharing Projects) that would also require the upgrade enabled by the Triggering Project would be charged for the specific distribution hosting capacity associated with their portion of the Qualifying Upgrades.[7] Applicants would be required to pay their shares prior to interconnecting, as is the current rule under the SIR. However, for distribution/sub-transmission line upgrades and underground secondary network upgrades, the Triggering Project would be charged the full cost of the Qualifying Upgrade subject to refund if additional Sharing Projects use the enabled capacity within a designated period of five years from the date the first project interconnects.

The Petitioners propose that the unrecovered costs of any Qualifying Upgrade (i.e., the costs not recovered from the Participating Projects) be deferred until rates are re-established in the utility’s next base rate proceeding. Under

---

[6] Thus, the Triggering Project would be responsible for the full cost of upgrades below this cost level.

[7] The Triggering Project and Sharing Projects are collectively referred to here as the Participating Projects.

this approach, any unrecovered costs associated with a Qualifying Upgrade would be borne by utility ratepayers.[8] To mitigate the risk to utility ratepayers, the Petitioners propose that unrecovered costs be capped at no more than two percent of a utility's distribution/sub-transmission electric capital investment budget per fiscal year, after which any Qualifying Upgrades would require full (i.e., 100 percent) funding from Triggering Projects and Sharing Projects prior to utility mobilization for such projects' construction work. Under this Cost-Sharing 2.0 Proposal, the cap would be updated annually and calculated as a rolling five-year average of each utility's forecasted distribution/sub-transmission electric capital investment for the impacted year and the next four years according to each utility's current capital plan.

The Petition acknowledges that the Cost-Sharing 2.0 proposal would have impacts on the interconnection process. In particular, the Petition provides that a utility planning a capital upgrade would create a Capital Project Queue at the substation or feeder level. With the interconnecting customers' consent, any then-pending DG applications would be placed in the Capital Project Queue.[9] Additionally, new DER applications benefiting from the upgrade would be placed in the Capital Project Queue at the preliminary analysis stage of the SIR. The

[8] The utilities propose that the return on investment associated with the unsubscribed project costs (e.g., carrying cost) and return of investment associated with the unsubscribed project costs (e.g., depreciation expense), as well as operations and maintenance related to capital work, removal costs, and property taxes be deferred for future recovery from ratepayers.

[9] According to the Petition, if the interconnecting customer does not agree to enter the Capital Project Queue, the utility would remove the interconnection application from the general interconnection queue.

utility would note the existence of the Capital Project Queue on its Hosting Capacity map and reflect the Hosting Capacity for that location as zero. Petitioners explain that standard SIR deadlines would be suspended for applications in the Capital Project Queue until 18 months before the expected completion date for the capital upgrade. At that time, all Participating Projects would advance through the remaining SIR steps, including payment of the Interconnection Fee.[10]

Finally, Petitioners point out that no mechanism currently exists for the utility to reimburse an applicant who has paid for a line upgrade or secondary network upgrade when a subsequent project interconnects and pays its share, prior to completion of the construction and the full reconciliation process. Petitioners propose to begin developing a mechanism providing for reimbursements before actual costs are determined to the Triggering Project and other Sharing Projects within four months of an order adopting Cost-Sharing 2.0.

Petitioners propose that, should the Commission adopt the Cost-Sharing 2.0 Proposal, interconnection applications in the SIR queue at that time be treated as follows:

- For interconnection applications that have not yet advanced to the Coordinated Electric System Interconnection Review (CESIR) process, Cost-Sharing 2.0 would apply.

[10] For substation upgrades and transformer upgrades the Interconnection Fee is the Capacity Increase Shared Cost (per AC-Watt) times the capacity of the interconnecting project. For distribution/sub-transmission line upgrades and underground secondary network upgrades the Interconnection Fee is the full cost of the Qualifying Upgrade.

- For interconnection applications in the CESIR process, Cost-Sharing 2.0 would apply.[11]
- For interconnection applications that have completed the CESIR process, regardless of whether the initial 25 percent payment has been made or not, the interconnecting customer could request an evaluation of the completed CESIR to determine the applicability of the Cost-Sharing 2.0 mechanism.
- For interconnection applications that have made full payment, the interconnecting customer would not be eligible for Cost-Sharing 2.0.

Petitioners conclude that the Cost-Sharing 2.0 Proposal should be implemented to materially improve the existing cost-sharing mechanism and stimulate the continued deployment of DG and/or ESS projects in furtherance of the State's CLCPA goals.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on November 18, 2020 [SAPA No. 20-E-0543SP1]. The time for submission of comments pursuant to the Notice expired on January 18, 2021. The Secretary to the Commission subsequently issued a Notice of Reply Comment Period, allowing reply comments to be submitted by February 2, 2021.

[11] Petitioners clarify that if there are 15 business days or less left in the CESIR timeline, the utility has an additional 15 business days to integrate the Cost-Sharing 2.0 mechanism into the CESIR.

COMMENTS

Ecogy Energy (Ecogy)

Ecogy generally supports the Petition but strongly recommends that the Commission adopt two modifications to the Cost-Sharing 2.0 Proposal. Ecogy suggests that, without these modifications the proposal's application and value for DG projects in Con Edison's service territory, specifically in New York City, would be severely undermined by unfairly restricting most projects located within New York City from benefitting from the proposed cost-sharing mechanism.

First, Ecogy points out that the Cost-Sharing 2.0 Proposal specifically excludes interconnection upgrades on the utility's secondary network system as Qualifying Upgrades. Ecogy argues that this aspect of the proposal disproportionally restricts the application of the proposal to projects located in New York City, as a dominant majority of electric customers in New York City are served off a secondary network system. Ecogy explains that three-phase lines on a network system would require upgrading for DG interconnection just as they would on a radial system, making the exclusion of secondary network upgrades an arbitrary and unfair one.

Second, Ecogy requests that the Commission lower the proposed qualifying cost threshold from $250,000 to $50,000. Ecogy contends that the $250,000 threshold would effectively prohibit a dominant majority of New York City-based DG projects from benefitting from the Cost-Share 2.0 Proposal. According to Ecogy, DG and ESS projects in New York City are generally smaller in scale compared with projects sited upstate, and almost all of Ecogy's projects previously interconnected in New York City had total upgrade costs well below $250,000. Ecogy posits that any distribution-level upgrade that is needed by and benefits multiple interconnecting projects, regardless of its cost, should be open to cost-sharing.

Bright Power

Bright Power generally supports the Cost-Sharing 2.0 Proposal but strongly recommends that the Commission adopt the two modifications proposed by Ecogy. Bright Power requests that the Commission include upgrades on the utility's secondary network system as Qualifying Upgrades and lower the proposed qualifying cost threshold from $250,000 to $50,000.

UGE USA Inc. (UGE USA)

UGE USA generally supports the Cost-Sharing 2.0 Proposal but strongly recommends that the Commission adopt the two modifications proposed by Ecogy and Bright Power. UGE USA requests that the Commission include upgrades on the utility's secondary network system as Qualifying Upgrades and lower the proposed qualifying cost threshold from $250,000 to $50,000.

The City of New York (the City)

The City generally supports the Cost-Sharing 2.0 Proposal, but requests that the Commission adopt the two modifications proposed by Ecogy, Bright Power, and UGE USA. In reply comments, the City notes its strong support for the Supplemental Filing and urges the Commission to accept the modification to extend the Proposal's coverage to the underground secondary network system.

The City also recommends that the Commission adopt NYPA's recommendation to periodically assess any program adopted by the Commission based on the Cost-Sharing 2.0 Proposal. The City explains that its initial comments acknowledged the obstacles that first-mover projects are traditionally forced to shoulder and encouraged alleviating this burden. According to the City, the Commission should adopt NYPA's recommendation to revisit the first-mover burden for line upgrades and underground secondary network upgrades after its first year of implementation.

The New York Power Authority (NYPA)

NYPA supports the Petition, including the Supplemental Filing, but suggests that the Commission direct additional future process to continue improving New York's interconnection cost methodology. NYPA asserts that the Commission should require the IPWG to report on the effectiveness of the Cost-Sharing 2.0 Proposal one year after implementation. NYPA explains that the Cost-Sharing 2.0 Proposal is only a first step in an ongoing process of continuous improvement of New York's interconnection cost allocation policy. NYPA suggests that the report contain proposals to address any challenges or opportunities for improvement.

Additionally, NYPA suggests that the Joint Utilities be able to test new cost-sharing mechanisms or other strategies to promote DER interconnection before the report is completed. NYPA explains that such flexibility will provide multiple pathways to develop and refine programs that support DER interconnection.

NYPA notes that two elements of the Cost-Sharing 2.0 Proposal may require refinement, and the report should consider both. First, NYPA suggests that the report consider whether the $250,000 threshold is appropriate or if it has presented a barrier to project development. Second, NYPA advises that the report should evaluate whether interconnection queue data illuminate opportunities to coordinate interconnection and cost allocation of projects that would mutually benefit from either distribution/sub-transmission line upgrades or underground secondary network upgrades. NYPA asserts that, if utility interconnection queue data indicate that there could be opportunities to coordinate projects benefitting from these upgrades, then the SIR should be amended to allow multiple projects to share interconnection costs and avoid relying on uncertain reimbursement from future Sharing Projects.

LEGAL AUTHORITY

The Commission has broad authority over the manufacture, conveyance, sale, or distribution of electricity, supervision of electric corporations, and the responsibility to ensure that all service, instrumentalities, and facilities furnished shall be safe and adequate and all charges made by such corporation for any service rendered shall be just and reasonable.[12] Additionally, the Commission has the authority to direct the treatment of DG and ESS by electric corporations.[13]

DISCUSSION

The Commission appreciates the collaborative effort of the IPWG in developing an alternative to the "first mover" rule. The Commission also notes that, while the Petitioners' proposals may significantly support achievement of the State's goals for distributed system resources, they also raise concerns about utility cost recovery that justify a cautious approach. With this Order, the Commission directs the Joint Utilities to work with Department of Public Service Staff (Staff) and the IPWG to develop and file revisions to the SIR to implement the Cost Sharing 2.0 Proposal described in the Petition and Supplemental Filing, with modifications as discussed in the body of this Order. The Commission finds some modifications and clarifications are necessary to improve the proposal and provide adequate protections to developers, utilities, and ratepayers

[12] Public Service Law (PSL) §§5, 65, and 66.

[13] PSL §§5(2), 66(1), 66(2), 66(3), 66-c, 66-j, and 74.

alike. Those modifications and the Commission's responses to the comments are detailed below.

Appropriate Cost Thresholds

As noted above, the Petition proposes that Qualifying Upgrades with a gross cost of less than $250,000 be excluded from Cost-Sharing 2.0. The same threshold was carried over into the Supplemental Filing, to extend the proposal to underground secondary networks, which are predominant in Con Edison's territory.

Ecogy, Bright Power, and UGE USA propose to lower the qualifying upgrade cost threshold for projects in Con Edison territory from $250,000 to $50,000. The parties state that the $250,000 qualifying threshold will effectively prohibit many New York City-based distributed generation projects from being able to benefit from the proposal. They explain that distributed solar and energy storage projects sited in New York City are generally smaller in scale compared to projects sited upstate, and that most of their previously interconnected projects have incurred total upgrade costs well below $250,000.

The Commission notes that the $250,000 minimum cost threshold was first introduced by the Interconnection Queue Management Plan and Cost Allocation Order and has served as an appropriate threshold, balancing the reasonableness of the costs to developers and the administrative burdens on utilities. Thus, the Commission finds that this threshold should continue to apply. While the Commission is willing to consider the possibility of an alternative threshold for projects in Con Edison's territory, as the commentators request, the record does not provide enough information for the Commission to determine whether the existing threshold is actually a barrier to development in New York City, or what the appropriate threshold should be. Thus, the Commission declines to implement the commenters' suggestion to lower the qualifying cost threshold at this time. To address the parties' concerns, however, the Commission directs Con Edison to confer with developers and Staff and to file a proposal for adjusting the threshold that would apply to in-City projects, or a rationale for retaining the existing threshold, within 90 days of this Order.

Reimbursement of Estimated Shares

The Commission has considered the proposal concerning the need to establish a reimbursement mechanism that operates in advance of the final cost reconciliation process. The Commission finds that fair implementation of the interconnection process should minimize the capital burden on developers to the maximum extent possible, and rejects the Petitioners' proposal to begin addressing this issue four months from now. The Commission directs the Joint Utilities to make a proposal to Staff and the IPWG within 90 days of the date of this order, and to file a reimbursement mechanism for Commission review as soon as possible thereafter.

Unrecovered Cost of Qualifying Upgrades and Subscription Thresholds

Under the Cost-Sharing 2.0 proposal, Participating Projects would only pay their pro rata share of the upgrade costs for substation upgrades and substation transformer installations/upgrades; thus, there may be costs associated with Qualifying Upgrades that are not assigned to a Participating Project. This would occur if the capacity of the Participating Projects is less than the enabled capacity of the substation upgrades and/or substation transformer installations/upgrades. The Petitioners propose that these unsubscribed project costs, referred to in the Petition as unrecovered costs, be deferred until the utility's rates are re-established by the Commission in a base rate proceeding.

Further, the Petitioners propose that when rates are re-established, the Qualifying Upgrades be included in the utility's rate base and the costs associated with the unassigned capacity be borne by utility ratepayers, as would the unrecovered costs associated with unsubscribed capacity that utilities defer for the period between when the Qualifying Upgrade is placed in to service and when it is included in base rates. To mitigate the risk to utility ratepayers, the Petitioners propose that the unrecovered project costs be capped at no more than two percent of a utility's distribution/sub-transmission electric capital investment budget per fiscal year. After the two percent cap has been triggered, in any fiscal year, Triggering Projects and Sharing Projects would be required to provide full funding for Qualifying Upgrades prior to utility mobilization for such projects' construction work.[14]

The Petitioners' proposal to limit the unrecovered project costs associated with the unassigned capacity to no more than two percent of each utility's distribution/sub-transmission electric capital investment budget per fiscal year is reasonable at this stage of implementing Cost-Sharing 2.0. The two percent limit provides each of the utilities with ample funding to develop upgrades, while limiting the exposure to ratepayers. Utilities will be allowed to defer the revenue requirement impact associated with the unsubscribed project costs until such time the costs are included in base rates. The revenue requirement impact that utilities will be allowed to defer is limited to the return of investment (i.e., depreciation expense, utilizing the Company's authorized depreciation rates) and

[14] This mirrors the interim cost-sharing rules established in the Commission's March Interim Modification Order.

return on investment (i.e., carrying costs at the respective utility's authorized pre-tax rate of return).

In addition, the Petitioners recommend a 75 percent subscription threshold for substation transformer bank upgrades identified in the market-driven process, which tend to be the costliest type of upgrade, thus requiring developers to fund at least that portion of the cost before the utility proceeds with the work. This subscription threshold protects ratepayers from unassigned transformer bank upgrade costs. However, the Petitioners did not recommend subscription thresholds for other types of substation upgrade projects. Even though these are less costly, there is a risk that ratepayers may be exposed to unsubscribed costs. The Commission finds that threshold subscription levels will help limit development of system upgrades with low subscription levels and increase the alignment of the utilities with market development. Therefore, the Commission will require that all other market-driven substation upgrades also have a minimum subscription threshold. At the onset, the minimum subscription threshold will be established at 25 percent of the enabled hosting capacity. Thus, the utility must receive at least 25 percent of the upgrade cost from interconnecting projects before proceeding with the upgrade.

Further, the Commission finds that implementation of the thresholds should be flexible enough to allow the Triggering Project and any other projects in the queue to their payments to provide the threshold funding necessary for the utility to move ahead with a Qualifying Upgrade. The Commission will require the SIR to adopt this level of flexibility.

The Commission also notes that the Petitioners' proposal does not address a "free rider" problem, in that the Petition would allow additional developers to use any unsubscribed capacity without contributing to the cost once an upgrade is placed into service. To avoid this possibility, the Commission finds a protection mechanism is necessary and will benefit Participating Projects and other utility ratepayers alike.[15] The utilities are directed to include a mechanism in the revised SIR that forecloses free ridership for substation upgrades and substation transformer installations/upgrades, whether identified through utility planning or initiated in response to the market. At a minimum, this mechanism must preclude developers from interconnecting without paying their allocated shares of the cost of upgrades developed under Cost Sharing 2.0. Further, the mechanism must also ensure equitable compensation to Triggering Projects, Sharing Projects, and ratepayers and should remain in place for a sufficient period of time, such as the five years suggested in the Petition. The Commission offers the following principles that should apply in addressing free ridership issues.

1. Scenario 1 – The hosting capacity needs of the Triggering Project and initial Sharing Project(s) are at or beyond the minimum subscription threshold but below the hosting capacity of the Qualifying Upgrade. In this scenario Triggering Projects and initial Sharing Project(s) will have paid the Capacity Increase Shared Cost multiplied by their hosting capacity in their respective SIR. Under this scenario the cost of unassigned capacity is being borne solely by ratepayers (either through the establishment of a deferred regulatory assets or in base rates).

[15] It should be noted that the Petitioners did recommend such protection for Participating Projects that enable distribution/sub-transmission line upgrades and underground secondary network upgrades.

a. Therefore, if additional Sharing Projects connect to the upgrade, they will be required to fund their pro rata share (at the Capacity Increase Shared Cost rate multiplied by their respective hosting capacity needs) prior to interconnection and ratepayers shall receive the benefit provided by those Sharing Projects. At the time additional Sharing Project(s) provide contributions for Qualifying Upgrades for this scenario the following rate payers protections shall apply:

   i. For Qualifying Upgrades that are in service but NOT included in base rates the utility shall cease deferring the return on and return of investment associated with contributions from subsequent Sharing Projects. Additionally, the Qualifying Upgrade is to be excluded from the utility's net plant, or capital expenditure, tracking mechanism[16] until it is included in base rates.

   ii. For Qualifying Upgrades that are in service AND included in base rates the utility is required to reduce plant in service by the funds provided by additional Sharing Project(s). The utility's net plant, or capital expenditure, tracking mechanism will provide ratepayers with the benefit of funds received from the additional Sharing Project(s) all else being equal.

2. Scenario 2 - The Triggering Project and initial Sharing Project(s) hosting capacity needs are below the minimum subscription threshold. The Triggering Project, or the Triggering and initial Sharing Projects, agree to fund shares

[16] Each utility has a mechanism to reconcile imbalances between the actual and the forecasted level of capital expenditures included in base rates.

beyond their capacity needs so that the minimum subscription threshold criterion is met. The Triggering and initial Sharing Projects have provided contributions in excess of the Capacity Increase Shared Cost rate multiplied by their respective hosting capacity. Under this scenario the cost of unsubscribed capacity is being borne by the Triggering Project, previously paid Sharing Projects (if any), and ratepayers.

a. Additional Sharing Projects that connect to the upgrade will be required to contribute such that the Triggering Project, previously paid Sharing Projects (if any), and additional Sharing Projects have provided funding at equal dollar per kilowatt of hosting capacity levels. Triggering and previously paid Sharing Projects are to be provided refunds (from the utility) as a result of the additional Sharing Project's contribution. Refunds shall be provided to Triggering and previously paid Sharing Projects until the Participating Projects have provided funding at a level that is equivalent to their Capacity Increase Shared Cost multiplied by their respective hosting capacity level. If additional Sharing Projects provide funding, the ratepayer protections described in Scenario 1 (sections i. and ii.) shall apply.

<u>Hosting Capacity Maps</u>

The Petition provides that each utility would create a Capital Project Queue at the substation or feeder level for those DG or ESS projects that require a pending upgrade. In addition, the Petitioners explain that each utility would note this by reflecting the hosting capacity for that location as zero. The Commission finds this proposal deficient, as developers would have limited insight into the planned capital project and may easily mistake the meaning of the zero designation. To be more useful to developers, and to facilitate development of DERs in alignment with utility planning, hosting capacity maps should show a planned upgrade's location, its anticipated impact in terms of capacity availability, the in-service date of the upgrade, and the known or estimated costs of that capacity. Such an approach is likely to encourage more MVD projects, as a developer would not mistake "zero" for an unavailable location, and would reduce the likelihood of unsubscribed upgrade costs.

The Commission understands that modifications to the hosting capacity maps are not simple to undertake. The Commission also recognizes that any changes, in order to achieve the objectives, should consider DER developers' information needs in addition to what is listed here. Therefore, the Commission directs the Joint Utilities to consult with Staff and DG and ESS developers through the IPWG to determine the scope and details of the information that is to be added to the maps and to file the proposed adjustments within 90 days of the effective date of this Order for the Commission's review.

Cost-Sharing 2.0 Alternatives

As noted above, NYPA argues that utilities "should be able to test new cost sharing mechanisms or other strategies to promote DER interconnection…" during the period over which Cost-Sharing 2.0 is being evaluated. The Commission disagrees with NYPA's suggestion to permit the Joint Utilities to test new cost-sharing mechanisms while Cost-Sharing 2.0 is being implemented. The SIR was developed as a statewide standardized framework to reduce complexity, confusion, and soft costs, and those goals remain applicable. The Commission is not persuaded that offering more than one interconnection upgrade cost-sharing methodology would promote New York's DER penetration levels. Additionally, since Cost-Sharing 2.0 impacts other utility ratepayers, the Commission must evaluate modified approaches prior to their authorization. The SIR shall remain the only pathway through which to interconnect and determine cost-sharing of DG and ESS 5 MW or less connected in parallel with utility distribution systems.

The Joint Utilities may deploy other Commission-approved strategies to promote DER interconnection, such as through updated and improved hosting capacity maps, or providing useful access to useful data through the Integrated Energy Data Resource and Data Access Framework.[17]

Sunset Date

While the Commission anticipates that the Cost-Sharing 2.0 Proposal, as modified by this Order, will advance New York's clean energy goals, the proposal exposes ratepayers to the risk that there will likely be hosting capacity developed that is not fully subscribed. For this reason, some caution in embarking on this new program is reasonable. To encourage full utilization of unsubscribed capacity, the Cost-Sharing 2.0 mechanism as detailed in this Order shall sunset, unless otherwise ordered by the Commission, five years from the date when the Commission approves the implementing SIR amendments that are to be developed and submitted pursuant to this Order.[18] Upon sunset, unless otherwise modified by the Commission, cost sharing associated with substation (including 3V0 upgrades) and substation transformer bank installations/replacements shall

[17] Case 20-M-0082, Order Adopting a Data Access Framework and Establishing Further Process (issued April 15, 2021).

[18] The Cost-Sharing 2.0 mechanism approved in this Order will span six fiscal years for each of the utilities. The cap on unrecovered project costs, which is two percent of sub transmission and distribution capital budget per fiscal year, could be triggered up to six times, barring extension by the Commission.

default to require full pre-funding of any Qualifying Upgrade by the Triggering Project, or by Participating Projects where more than one application benefits from the planned upgrade.

Implementation

Cost-Sharing 2.0 must be integrated into the SIR and each utility's tariff must be updated to remove the first-mover rule and other inconsistent provisions. However, Petitioners did not propose implementing SIR amendments with the Petition. The Joint Utilities are directed to work with Staff and the IPWG to develop revisions to the SIR implementing the new rules, consistent with the requirements of this order, and to file those revisions within 90 days of this Order's issuance. Until the Commission acts on the SIR revisions that implement Cost-Sharing 2.0, the Interim Order shall remain in effect.

CONCLUSION

As the Commission noted in the Interim Order, the "first mover rule" was a conservative first step in addressing expensive distribution upgrades needed to increase DER penetration. The approach to cost-sharing directed by this Order should more equitably distribute the costs of distribution upgrades, thus encouraging continued development of distribution-level resources, while appropriately protecting ratepayers from bearing the unrecovered costs of system upgrades that are never fully subscribed.

The Commission orders:

1. Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; New York State Electric and Gas Corporation; Niagara Mohawk Power Corporation d/b/a National Grid; Orange and Rockland Utilities, Inc.; and Rochester Gas & Electric Corporation shall consult with other

participants in the Interconnection Policy Working Group and file revisions to the Standardized Interconnection Requirements to incorporate and implement the Cost Sharing 2.0 proposal, as modified by this Order, within 90 days of the date of this Order's issuance, which shall be subject to the Commission's approval.

2. Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; New York State Electric and Gas Corporation; Niagara Mohawk Power Corporation d/b/a National Grid; Orange and Rockland Utilities, Inc.; and Rochester Gas & Electric Corporation shall consult with the Department of Public Service Staff and distributed energy resource developers through the Interconnection Policy Working Group to determine the scope and details of the information that is to be added to the hosting capacity maps, and to file the proposed adjustments for Commission review within 90 days of the issuance of this Order.

3. Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; New York State Electric and Gas Corporation; Niagara Mohawk Power Corporation d/b/a National Grid; Orange and Rockland Utilities, Inc.; and Rochester Gas & Electric Corporation shall file a proposal for a reimbursement mechanism, as described in the body of this Order, within 90 days of this Order's issuance.

4. Consolidated Edison Company of New York, Inc. shall confer with developers and Staff and file a proposal for adjusting the upgrade threshold that would apply to in-City projects, or a rationale for retaining the existing threshold, within 90 days of this Order's issuance.

5. Five years after the effective date of the SIR amendments implementing Cost Sharing 2.0, as modified by this Order, the Cost-Sharing 2.0 provisions shall sunset unless

extended by the Commission, as described in the body of the Order.

6. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

7. These proceedings are continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary

The Petitioners include the following entities:

- The Joint Utilities, consisting of (i) Consolidated Edison Company of New York, Inc. (Con Edison), Orange and Rockland Utilities, Inc., Central Hudson Gas and Electric Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric & Gas Corporation, and Rochester Gas and Electric Corporation
- New York Solar Energy Industries Association
- New York Battery and Energy Storage Technology Consortium
- BQ Energy, LLC
- Borrego Solar Systems, Inc.
- Cypress Creek Renewables, LLC
- CleanChoice Energy
- Oya Solar Inc.
- SunCommon
- GreenSpark Solar
- Distributed Sun, LLC
- Clearway Energy Group LLC
- Sol Systems
- Omni Navitas
- Ameresco
- Nexamp, Inc.
- Blueprint Power
- US Light Energy
- Delaware River Solar
- Dynamic Energy
- EDF Renewables North America
- NextEra Energy Resources, LLC
- Novis Renewables, LLC
- Con Edison Clean Energy Businesses, Inc.
- Boralex Inc.
- GEM Energy
- East Light Partners
- Horizon Power
- Dimension Energy LLC
- ETM Solar Works
- Ric Energy
- AES Distributed Energy
- Summit Ridge Energy