

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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 and Effective: January 25, 2017

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CASE 16-E-0560

Standardized Interconnection Requirements ATTACHMENT C

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on January 24, 2017

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Gregg C. Sayre
Diane X. Burman, concurring

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York State Standardized Interconnection
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(Issued and Effective January 25, 2017)

BY THE COMMISSION:

INTRODUCTION

On September 30, 2016, the New York Investor-Owned Utilities (Utilities) and various stakeholders filed a joint petition (Petition) seeking to address the backlog of Distributed Generation (DG) projects in the Utilities' interconnection queues. The Petition proposes a set of criteria for DG projects to maintain their queue position, and timeframes for advancing through the interconnection process. In addition, the Petition requests the adoption of an interim methodology for

allocating the costs of certain system upgrades that may be required to interconnect these DG projects.¹

In this order, the Commission grants the relief requested in the Petition, with modifications. As discussed below, the Commission finds that a queue management plan is necessary to clear inactive DG projects and to allow more advanced projects to progress to construction. The Commission also finds that cost sharing for certain types of system upgrades is just and reasonable and will facilitate the queue restructuring, while furthering the State's policy goals of supporting the development of DG resources.

BACKGROUND

The Commission adopted Standard Interconnection Requirements (SIRs) in 1999 to ensure that standardized technical requirements and application procedures were applied by the Utilities when interconnecting DG facilities, and in turn, to increase customer choice in energy supply.² The SIRs have been revised several times since then, including major revisions that were approved in March 2016 to reflect changes in

¹ The joint petitioners include the Utilities (i.e., Central Hudson Gas & Electric Corp., New York State Electric & Gas Corp., Rochester Gas & Electric Corp., Niagara Mohawk Power Corporation d/b/a National Grid, Consolidated Edison Company of New York, Inc. (Con Edison), and, Orange & Rockland Utilities, Inc.); New York Solar Energy Industries Association (NYSEIA); Borrego Solar Systems, Inc.; BQ Energy, LLC; Clean Energy Collective; Cypress Creek Renewables; SunEdison; Distributed Sun, LLC; EnterSolar, LLC; NRG Energy Inc.; Coalition for Community Solar Access; Monolith Solar Associates; Northeast Clean Heat and Power Initiative; Xzerta Energy Group, LLC/Delaware River Solar, LLC; and, the Interstate Renewable Energy Council (collectively, the Petitioners).

² Case 94-E-0952, Competitive Opportunities Regarding Electric Service, Opinion No. 99-13 (issued December 31, 1999).

capacity limits, procedures, and technical requirements that were intended to streamline the interconnection process.³ Most recently, the SIRs were amended to increase the rated capacity of farm waste electric generating equipment to no more than 2 MW.⁴

The SIRs lay out multiple steps in the interconnection process, including: 1) submittal of an application; 2) preliminary utility review; 3) preparation of a Coordinated Electric System Interconnection Review (CESIR) by the Utilities; 3) construction; 4) testing; and, 5) final cost reconciliation. The CESIR is a key element in the process because it evaluates the impacts a project may have on the utility's system and identifies the system modifications that are necessary to support the interconnection. The SIRs require an applicant to sign an interconnection agreement and pay the estimated costs of the system modifications identified in the CESIR prior to construction of the DG facility.⁵ Since the current interconnection process follows a first-come, first-served model, delays on the part of either an applicant or the reviewing utility can create bottlenecks in the process that can adversely impact later applicants.

³ Case 15-E-0557, In the Matter of Proposed Amendments to the New York State Interconnection Requirements, Order Modifying Standardized Interconnection Requirements (issued March 18, 2016).

⁴ Case 16-E-0497, Tariff Filings to Effectuate Amendments to Public Service Law §66-j and Conform the Standardized Interconnection Requirements, Order Directing Tariff Amendments (issued November 17, 2016).

⁵ Some projects may bypass the CESIR requirement based on the results of the utility's preliminary review. The SIRs allow these projects to proceed to construction once the developers sign the interconnection agreement.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking (Notice) with respect to the Petition was published in the State Register on October 19, 2016 [SAPA No. 16-E-0560SP1]. In addition, comments were solicited in a notice issued by the Secretary on November 9, 2016. The time for submission of comments in response to both notices expired on December 5, 2016. Several comments were received and are addressed below.

THE PETITION

The Petition asserts that changes in the Commission's policies aimed at promoting net metering, remote net metering, and Community Distributed Generation (CDG) programs have contributed to an unprecedented increase in the number of DG applications in the Utilities' interconnection queues. Among other factors, the Petitioners suggest that the significant volume and complexity of these proposals have resulted in a backlog of projects.

The Petitioners note that they are participants in the Interconnection Policy Working Group (IPWG), which was established by the Department of Public Service (Department) and the New York State Energy Research and Development Authority (NYSERDA) to address interconnection issues on the Utilities' distribution systems. The Petition presents queue management and cost sharing proposals that were developed in a collaborative effort with IPWG stakeholders.

The Queue Management Proposal

The proposed process described in Petition includes several steps. Initially, all developers with projects pending in existing queues would need to demonstrate that they have obtained the property owners' consent to develop their projects.

In particular, developers would be required to provide an executed form acknowledging that the property owner has consented to work exclusively with a particular developer, or that the property owner and developer have already signed one of several types of land use agreements.⁶ Projects that are unable to provide proof of consent would be removed from the queues, while the remaining projects would constitute the restructured queue based on the relative positions they held previously.

The Petitioners maintain that this first step would eliminate cases in the Utilities' inventories where two or more developers have filed applications seeking to interconnect projects located at the same site. They also suggest that this requirement would ensure that property owners are fully informed of activities that impact their property.⁷

All developers would be required to submit the acknowledgments as proof of property owner consent within 30 business days after Commission action. The Utilities would then have 30 business days thereafter to update and post the queue on their websites. This publication date is defined as the "reset date" and would set the starting point for the other steps in the proposed queue restructuring process.⁸

Following the reset date, the project developers remaining in the queue would face specific deadlines for moving through the interconnection process. As explained in an attachment to the Petition, the applications in the queue would

⁶ A developer that has such a land use agreement in place would have the option to submit a redacted version to the utility with the unsigned acknowledgment form.

⁷ As proposed, an acknowledgment of property owner consent would become part of the application package for new interconnection applications.

⁸ The Utilities would also be required to post updates to the queue on the 15th day of each month.

be grouped into three categories if they were filed under the SIRs that were effective prior to April 29, 2016 (referred to herein as the pre-2016 SIRs).⁹ These categories include: 1) projects that have had CESIR results for more than 60 business days as of the reset date (Group A); 2) projects that are being studied in a CESIR or who have had CESIR results for less than 60 business days as of the reset (Group B); and, 3) projects that have only had a Preliminary Review as of the reset date (Group C).

The Petition recommends that projects should be required to meet certain milestones in order to retain their position in the queue. Applicants in Group A that have had the results of their CESIRs for at least three months by the time of the reset date would be required to move forward to the construction phase. An intent to proceed would be demonstrated by paying 25% of the estimated system upgrade costs and executing a standard interconnection agreement within 30 business days of the reset date. The 25% payment requirement would not affect agreements between developers and Utilities that have previously negotiated a lower initial payment. The proposal specifies that delivery of a check that fails to clear would not count toward the applicant's compliance with the deadline.¹⁰

Group B applicants that have had their CESIR results less than 60 business days prior to the reset date would have an additional period of 60 business days to make a 25% upgrade cost payment and execute an interconnection agreement. Applicants

⁹ Case 15-E-0557, *supra*, Order Modifying Standardized Interconnection Requirements, p. 25 (requiring the updated SIRs to become effective on or before April 29, 2016).

¹⁰ This clearing requirement applies to all developer payments referenced in the Petition.

whose CESIR studies are in progress at the reset date would have 60 business days from the delivery of the results to make the required payment and execute the agreement. Alternate payment arrangements would be acceptable, similar to those noted for Group A projects.

Group C applicants would be subjected to a series of decision rounds in which subgroups of these projects would need to decide whether or not to proceed to the CESIR. The initial group would include the first applicants on each substation transformer in each Utility's service territory. The second group would consist of applicants in the second position on each substation, while additional groups would be established in a similar manner. Starting five business days after the reset date, the Utilities would begin the process by contacting the initial group. The developers in the first round would have 15 business days to commit to starting the CESIR process by paying the study fee and providing any other information required at this stage under the pre-2016 SIRs. At the end of this period, the Utilities would start the next decision round by contacting the second group, and the process would continue until all developers have either moved on towards interconnection or been withdrawn from the queue.

As developers in Group C commit to starting the CESIR, the Utilities would schedule studies based on the dates when payments are received and checks cleared, up to the limits of their study resource capabilities. As studies are completed or additional study resources become available, the Utilities would add later-round projects to the study schedule. The Utilities would also identify opportunities for a single developer to cluster multiple applications involving one circuit or one substation, so that the developer may opt to study such projects

together. As with the CESIR decision rounds, the study process would continue until all CESIRs are completed.

The proposal would allow a Group C developer up to 60 business days after receiving the CESIR results to sign the interconnection agreement and to provide payment of 25% of the estimated system upgrade costs. An applicant that does not meet this requirement would be removed from the queue. Failure to pay the balance of the cost estimate within 120 business days after the date of the initial payment would also result in removal.¹¹

The Petition also includes provisions for increasing the transparency of queue information and clarifying how the Utilities would communicate with applicants. For instance, the Utilities would publish schedules for the CESIR studies as part of their monthly queue reporting. The schedules would show the anticipated start and completion date for each CESIR so that developers can track the status of their projects. In addition, the Utilities would make every reasonable effort to complete the scheduled CESIRs within a 60 business day period. Construction schedules would be sent to developers within 30 business days of receipt of system upgrade payments. Further, the Utilities would develop a means for Group C developers to view the results of prior decision rounds in order to inform their decisions on whether or not to proceed to the CESIR phase.

The Petitioners assert that these timeframes are based on the deadlines established in the currently-effective SIRs, with some modifications to expedite decisions and provide as much transparency as possible. They further state that the rationale for the proposed timelines is to allow projects to

¹¹ This 120 business day deadline for paying the balance of system upgrade costs would presumably apply to all projects in Groups A, B, and C.

move through the queue at a pace that gives them enough time to develop their projects, but does not unfairly delay or burden later projects. Petitioners also point out that enforcing these timelines will help ensure that the published queue functions as an accurate gauge of market activity and actual DG penetration.

In addition, the Petition proposes that new projects proposed under the SIRs would require a developer to demonstrate site control prior to proceeding to a CESIR study.¹² The Petitioners explain that a site control requirement would ensure that projects are appropriately matured to continue in the queue and that utility resources are allocated efficiently. They propose to use a standard form, to be signed by the landowner, acknowledging that a land lease or purchase contract or other qualifying land use agreement has been executed.

The Cost Sharing Proposal

The Petition also seeks to address the issue of substation upgrade costs, which may pose an obstacle for many projects. Petitioners describe this proposal as an interim measure and maintain that the cost sharing mechanism, coupled with the queue restructuring, will foster continued market momentum while a more comprehensive cost causation and cost allocation methodology is developed.

The Petitioners propose a limited mandatory cost sharing rule that would apply to applicants who pay for future system modifications. As described in the attachment to the Petition, the first project triggering an eligible upgrade would initially bear 100% of the cost, as required under both the

¹² Petitioners state that this requirement is common in other jurisdictions, including North Carolina, California, Massachusetts, and in the Federal Energy Regulatory Commission's Small Generator Interconnection Procedure.

SIRs, while subsequent projects benefitting from those upgrade would reimburse the first project developer.

The share of the costs paid by subsequent developers would be calculated as the ratio of the total upgrade cost compared to the total AC watts the upgrade serves. If a third project uses the upgrade, the utility would perform a new calculation based on the new number of total watts served; the third project would pay its share and the utility would divide the third project's contribution among the first two projects. Sharing would continue according to this formula until the capacity of the upgrade is used up or the net costs to the participating projects falls to \$100,000 or lower, whichever comes first. The Petition proposes that the Utilities administer the allocation process and track the payments among contributing projects. The Utilities would be authorized to collect a \$750 administrative fee from developers for processing each reimbursement.

The proposed cost sharing approach is limited in several ways. First, cost sharing would only apply to substation 3V0 protection, substation transformer upgrades, and other substation-level shared upgrades. Second, only those upgrades that cost in excess of \$250,000 would be subject to sharing. Third, projects below 200 kW AC in size would not be required to participate.¹³ Fourth, the proposal sets outside limits on future developers' obligations to contribute to upgrades installed for an earlier project. Finally, this approach would expire after December 31, 2020, so that system upgrades identified after that date will not be subject to cost sharing.

¹³ The Petitioners note that aggregations of smaller projects sponsored by one developer may be required to participate in some circumstances.

Local Moratoria

The Petition also addresses the impact of local moratoria on project development. Petitioners note that these restrictions have caused, and will continue to cause, delays for some projects in the development process. Petitioners explain that one effect of local permitting moratoria is that developers cannot obtain financing for projects in those localities. Without financing, these developers may be unable to make timely payments for system modifications required to maintain their queue position. The Petitioners propose to solve this problem by allowing additional time for a project that has successfully navigated the interconnection process to the point of completing its CESIR study, but cannot start construction because of a permitting moratorium.

The Petitioners suggest that if the applicant pays the required 25% share of the estimated upgrade cost on time and submits proof of the local permitting moratorium, along with an attestation that the developer will notify the utility when the moratorium is lifted, the balance of the upgrade costs would not be due until 120 business days after the moratorium ends. The proposal includes an overall limit on this extension to no more than 12 months from the date of the initial 25% payment. At the end of the extension or the 12-month period, the project would be removed from the queue if it does not pay the remaining construction balance. The Utilities would refund any unused portion of the initial payment if the project is withdrawn.

COMMENTS

Namaste Solar

Namaste Solar expresses support for the queue management proposal and characterizes it as offering a practical approach to queue management and cost sharing.

Coalition for Community Solar Access (CCSA)

CCSA, a signatory to the Petition, asserts that by resolving the Petition and approving the proposed modifications as soon as possible, the Commission will provide much needed procedural certainty to facilitate decision-making and enable progress for solar development in New York. CCSA notes the Petition has wide support and was recognized by Department Staff in the Value of Distributed Energy Resources (Value of DER) proceeding as "an important tool for awarding tranche position in an orderly and deliberate manner."¹⁴

NYSEIA

NYSEIA, along with various industry members (collectively, Solar Developers), support for the Petition, which they argue will address the existing backlog of DG applications and will provide tools in the SIRs that will improve the interconnection process going forward.¹⁵ Solar Developers also supports the proposed interim cost sharing mechanism as a first step towards spreading the costs of

¹⁴ Case 15-E-0751, In the Matter of the Value of Distributed Energy Resources, Staff Report and Recommendations in the Value of Distributed Energy Resources Proceeding (filed October 27, 2016) p. 56. CCSA suggests that the Petition should ideally be addressed before the Commission renders a decision in the Value of DER proceeding.

¹⁵ The following organizations are signatories to NYSEIAs letter in support: Encore Renewable Energy; AES Distributed Energy; Ameresco, Inc.; EnterSolar; Empire Clean Energy Supply; ETM Solar Works; BQ; groSolar; Borrego; CEC; High Peaks Solar, LLC; Horizon Solar; Built Well Solar; DEMCO New York Corp.; OneEnergy Renewables; District Sun; Namaste Solar; Dynamic Energy; Hudson Valley Clean Energy, Inc.; NRG; SunPower; Long Island Power Solutions, Inc.; SunPower by EmPower Solar; Sustainable Energy Developments,; Taitem Engineering, PC; Miller Brothers; YSG Solar; New Energy Equity, LLC; OMG Roofing Products; Qwiksolar, LLC; Renovus Solar; RER Energy Group; Sol Systems, LLC; and, SunBlue Energy.

adapting the distribution system to integrate Distributed Energy Resources.

Solar Developers, however, suggests certain changes to the queue restructuring plan. First, Solar Developers recommends that a requirement to demonstrate site control at the point when a project initiates the CESIR should apply to all applications in the queue, and not only to those submitted after April 29, 2016. Solar Developers state that extending this requirement to older applications will meet the objectives of the queue restructuring by ensuring that only well-developed projects proceed to this step in the interconnection process. Second, Solar Developers point out that the proposed extension for projects that are subject to a local permitting moratorium should be available to projects that can be interconnected without system modifications. Since these projects do not make upgrade payments, Solar Developers propose that the extension be available for these projects upon signing the standard interconnection contract. In addition, Solar Developers urge the Commission to coordinate action on the Petition and the ongoing Value of DER proceeding.

High Peaks Solar (High Peaks)

High Peaks raises concerns about the effects of emerging changes in technical standards. High Peaks points out that interested stakeholders and the Utilities have recently determined that utility anti-islanding requirements, including Direct Trip Transfer, may be changed. High Peaks questions whether the Utilities will review CESIR studies under these revised anti-islanding guidelines for projects that have not begun construction. High Peaks explains that there may not be enough time for the Utilities to re-evaluate CESIRS by the reset date, after which strict decision deadlines will apply to projects that want to stay in the queue. High Peaks argues it

would be unfair to remove existing projects from the queue before those projects are reviewed under the new anti-islanding guidelines. High Peaks suggests that any projects for which a developer seeks an updated CESIR study should be granted a stay within the Utility queue, and be exempted from the strict payment deadlines.

The City of New York (City)

The City generally supports the Petition, but raises concerns with the proposal to sunset the cost sharing mechanism at the end of 2020. The City submits that it is premature to place a definitive end point on this cost sharing mechanism, particularly if it serves its intended purpose and promotes the deployment of Distributed Energy Resources. The City suggest that there is no reason to discontinue this mechanism once the backlog is cleared, particularly since developers are required to absorb any utility-related overhead costs through payment of a \$750 processing fee for each cost sharing request.

Rather than placing a hard stop on cost sharing, the City recommends establishing an ongoing sharing mechanism, subject to an annual stakeholder review process to monitor its effectiveness and propose any changes, as warranted. Alternatively, the City states that if an expiration date is established, the cost sharing mechanism should expire no earlier than December 31, 2020, and then only upon Commission action following a petition from an interested party to remove the mechanism.

The City also notes that despite recommending a standardized form for demonstrating a property owners' consent, the Petition did not include such a form. While the City expects the Department to publish a final form based on the suggested draft circulated in the IPWG, the City identifies two concerns with the draft form. First, the City contends that the

form should explicitly state that any consent provided by the property owner is revocable by the property owner at any time. The City advises that this modification would ensure that property owners can extricate themselves from relationships with projects or developers at will. Additionally, the City continues, it would avoid confusion with the Utilities if a property owner decides against pursuing a particular project and submits a new form for a subsequent project.

Second, the City urges the Commission to direct the Utilities to file the form as part of a compliance filing. The City favors the Utilities utilizing a Commission-approved standardized form to avoid conflicting treatment across utility service territories and to eliminate arbitrary modifications to the form.

Regarding municipal Distributed Energy Resource projects, the City requests relief from certain timeline requirements under the SIRs. The City requests that the Commission include a general provision allowing additional time for municipal applicants to complete any SIRs step where the municipality is required to remit payment to the Utility, or agree to studies or system upgrades that carry a financial commitment. According to the City, this flexibility will ensure that municipal applicants are not unfairly penalized due to municipal payment processing timeframes.

Cypress Creek Renewables (Cypress)

Cypress commends the work of the IPWG and states that the Petition offers a much-needed solution to managing the queue as well as process improvements that will facilitate DG market development in New York. It urges the Commission to adopt the Petitioners' proposals at its January 2017 session in order to align the timelines in the queue restructuring with

implementation of the Commission's decision in the Value of DER proceeding, which Cypress also expects in January.

In addition, Cypress recommends modifications to the queue management process to address the possible burden of CESIR studies that will fall on the Utilities as projects in the backlog move to the CESIR phase. Cypress suggests that requiring projects in Group C to demonstrate site control prior to starting a CESIR would help ensure the Utilities only study appropriately mature projects and that the queue cleanup does not take an unreasonable amount of time. Cypress believes the Petition gives these developers enough time to secure site control before they are compelled to make their decisions.

Cypress also suggests that the Utilities should monitor and track the number of studies that are in process, the level of utility resources that are employed in CESIR studies, and the expected study timelines. Cypress states that this information should be made available to Staff on a monthly basis and provided to the IPWG and other entities in case any implementation problems arise in the future. Cypress explains that adequate tracking would allow stakeholders to be proactive in developing responses to emerging issues.

Hudson Solar

Hudson Solar, a signatory to the Petition, suggests an improvement to the queue management proposal. They assert that new projects filed since April 29, 2016 in the 50 kW to 200 kW range are being held up by larger CDG projects in the queue, and that the Utilities will not allow them to proceed under the expedited SIRs process applicable to small projects. Hudson Solar asserts that the presence of the CDG projects drives up the cost of the CESIR study and increases the risk of incurring a large system upgrade cost. Hudson Solar states that it withdrew at least one project rather than pay for a CESIR study

under these circumstances. Hudson Solar asks the Commission to resolve this problem and allow small projects to use the expedited process under the New SIRs.

SolarCity

SolarCity opposes the Petition's interim approach to cost sharing for substation upgrades and recommends that the Commission reject these provisions. SolarCity asserts that adopting the proposal will unreasonably delay the creation of a more comprehensive and equitable tariff, with no benefit to any queue projects.

SolarCity advises that the high cost of interconnection upgrades poses a substantial barrier to entry for potentially hundreds of MWs of commercial projects. SolarCity cites its own experience developing projects in New York; it states that over 40% of its applications received upgrade cost allocations ranging between \$500,000 and \$800,000 per project. SolarCity notes that a fair cost sharing mechanism that recognizes all the beneficiaries of these system upgrades would contribute to achieving the Commission's goals for a robust market, the CDG program, customer choice, a more distributed grid, and the integration of renewable power sources. However, without such a mechanism, SolarCity claims that Distributed Energy Resource providers will seek more rational markets that do not impose such large barriers to entry.

SolarCity urges the Commission to require the Utilities to make tariff filings within 60 days to incorporate proactive substation upgrades within their territories and a new cost sharing model. SolarCity's proposal would require the Utilities to identify priority substations and install the upgrades needed to accommodate DG interconnections. The utility's upgrade costs would then be allocated to, and

recovered, from a broader class of beneficiaries than the SIRs currently recognize. SolarCity recommends that all beneficiaries, such as DG, Distributed Energy Resource providers, and end use customers, should be assigned responsibility for these infrastructure costs under the proposed tariff. SolarCity also suggests that payers should have an opportunity to amortize these costs over time.

SolarCity admits that data to inform the tariffs is lacking, but suggests forecasting and using a cost recovery true-up mechanism. SolarCity recognizes that only a small subset of the State's substations can initially be upgraded, and recommends that each utility pick a set of priority substations with the greatest demand for interconnections, or where interconnections benefit the grid.

Finally, SolarCity advocates for the Commission to adopt a policy under Section 65(1) of the Public Service Law (PSL) whereby the concept of "adequate service" includes reasonable access to DG projects, regardless of the state of the substation from which service is provided. SolarCity argues that the Commission's objectives under the Reforming the Energy Vision (REV) proceedings are identical to the telecommunications goals of bringing new and better services to ratepayers, and points out that what was considered adequate service in the 1970s evolved as communications technology advanced.

Distributed Sun

Distributed Sun is a signatory to the Petition and recommends that the Commission adopt the recommendations contained therein. However, Distributed Sun notes a concern with the proposed requirement to demonstrate landowner consent. The company states that requiring developers to go back to property owners to obtain signatures could result in renegotiations of already concluded agreements, which could have

a negative impact on a project's economics. Distributed Sun believes the requirement to show consent should be waived if the developer and property owner have already signed an agreement or option to lease or purchase the relevant property.

Distributed Sun also filed reply comments after the comment deadline in order to respond to various comments submitted by the City, Cypress Creek, and SolarCity. Distributed Sun notes its agreement with the City that cost-sharing provisions should not terminate at the end of 2020 because they would help establish a level playing field for CDG developers. Distributed Sun believes the Commission should reject SolarCity's alternative cost sharing proposal because implementing it now might disrupt the queue cleanup process. However, the company also supports examining the SolarCity alternative and encourages the Commission to consider it before the proposed sunset date incorporated with the Petitioners' interim proposal.

Solar Liberty Energy Systems

Solar Liberty supports the queue management proposal with one exception. It asserts that the 60 business day time period provided for making the advance payment for system upgrades after receipt of CESIR results is too short. Solar Liberty says that this does not provide enough time for its finance partners to conduct their technical due diligence on a project and advocates for an expanded window of 120 business days. Solar Liberty notes that both developers and customers have made substantial investments once a project reaches this stage, and that imposing a 60 business day deadline jeopardizes those investments.¹⁶

¹⁶ Solar Liberty asserts that the proposed 60 business day time period is a "new" deadline that does not exist under the current rules.

DISCUSSION

The Commission recognizes that its efforts to expand opportunities for non-residential DG have resulted in a backlog of projects seeking to interconnect. During the period from October 2015 through late April 2016, the upstate Utilities (i.e., those except Con Edison),¹⁷ experienced an unprecedented surge in applications for projects sized between 50 kW and 2 MW. The timing of this surge suggests that many of the applications represented responses to the Commission's 2015 orders opening the market to CDG.¹⁸ Data provided by the Utilities shows that the surge of applications submitted through the end of April 2016 amounts to above 2,078 projects across the State. As a direct result, the upstate Utilities were challenged through the first half of 2016 to meet SIRs deadlines for reviewing and processing these applications. This caused delays and uncertainty, particularly with respect to interconnection costs, for many projects.

The Commission also acknowledges that developer choices have also contributed to the growing problem of managing interconnection requests. The applications submitted during the surge period were governed by the pre-2016 SIRs, which did not include specific deadlines for applicants to move through the interconnection process. As a consequence, without a mechanism allowing the Utilities to clear inactive projects, many applicants were slow to progress, while many others did not take any steps beyond the initial application stage. The

¹⁷ Con Edison did not experience the same influx of CDG projects as the upstate Utilities did over this period.

¹⁸ Case 15-E-0082, Community Net Metering Programs, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015); Case 15-E-0082, supra, Order Granting Reconsideration in Part (issued October 16, 2015).

interconnection queue quickly became jammed, and developers who were prepared to start the CESIR process were reluctant to proceed due to the uncertain status of inactive projects ahead of them in the queue.

In addition, projects that had completed the CESIR study and were approved for interconnection were not obligated under the applicable SIRs to start construction, and thus remained dormant in the queue for long periods after receiving their study results. This situation created uncertainty for developers and the Utilities, which were unable to determine those projects that were actually going to proceed with construction.

The interconnection queue backlog presents a serious challenge to the Commission's goals for increased solar installations, renewable power, and creating efficient markets for Distributed Energy Resources (DERs), as contemplated in the REV proceeding. This situation also makes it difficult for the Utilities and the Commission to accurately gauge the level of DG penetration that can be expected under incentive and rate making policies, since it has made it impossible to determine which applications now in the queue are likely to be constructed.

The Department took several steps in 2016 to address the impacts of the surge in applications. First, anticipating that the influx of new and more complex DG projects would raise technical issues, the Department established an Interconnection Technical Working Group (ITWG), in partnership with NYSERDA, to bring industry experts together to identify innovative technical solutions and emerging best practices for DG integration. Second, the Department and NYSERDA appointed ombudsmen to assist developers and Utilities in resolving project-level delays and

disputes arising in the interconnection process.¹⁹ Third, the Department and NYSERDA initiated the IPWG along with the Utilities and DG developers in order to address the logjam in the queue.

The IPWG held its first meeting on July 18, 2016. At that time, the Utilities had largely caught up with their inventory of CESIR studies. However, the large influx of applications dating from the October 2015 to April 2016 period remained frozen in place. As of November 2016, approximately 1,500 of the 2,078 applications filed during the surge were still in the queue.

The Petition is the result of the IPWG's efforts to address the significant backlog in the Utilities' interconnection queues. The proposed solutions were developed by a number of solar industry participants and the Utilities working collaboratively. As discussed below, the Commission adopts the queue management proposal and interim cost sharing mechanism described in the Petition, subject to various clarification and modifications reflected in Attachment A to this Order.²⁰ Further, we adopt a modified version of the proposed landowner acknowledgement of consent form as illustrated in Attachment B.

Interconnection Management Plan

At the outset, the Commission applauds the collaborative work of the stakeholders in the IPWG. The filing

¹⁹ The utilities also appointed interconnection ombudsmen to assist developers with project-specific concerns.

²⁰ The Commission notes a gap in the proposal for sorting Group C, which fails to recognize that some applications in this group may not require a CESIR. The Commission therefore supplements the Petitioners' proposal by requiring that any such applications shall also move forward to construction or be removed from the queue. See Attachment A § 4.3.3.

that resulted from their deliberations reflects compromises reached by the DG industry and utility sectors in an effort to advance important State policy goals. The Commission agrees with Petitioners that the pre-2016 SIRs governing the applications in the backlog does not include adequate tools for sorting construction-ready projects from those that are not, and therefore may never be developed.

The queue management proposal addresses this complex problem and provides deadlines for developers to make decisions that will encourage projects to move forward in a reasonable time frame. It further allows the Utilities to enforce these decision-making timelines by authorizing them to remove non-compliant applications from the queue. The proposal would further the need to provide some flexibility for the Utilities in scheduling the engineering study work that is essential to ensuring the safety and reliability of the distribution system, while providing developers additional visibility into the Utilities' schedules and workloads. These provisions are expected to provide more certainty about the process. For these reasons, the Commission accepts the framework set forth in Attachment A as a reasonable path for the Utilities, DG developers, and customers to move forward.

To meet the deadlines under the interconnection management process, Solar Liberty takes issue with the 60 business day period for developers to make decisions on funding system upgrades. In support of its view, Solar Liberty asserts that this time is too short for it to obtain financing. However, the Commission rejects these claims because the deadline is the same as the one currently in place under the SIRs. The Commission previously found that the 60 business day time frame was reasonable, and Solar Liberty does not offer any

basis as to why the Commission should treat projects in the backlog differently.

Similarly, the City asserts that it has difficulty due to conflicting and extended procurement procedures in meeting SIRs deadlines for projects that it funds. It states that under government procurement rules, municipal applicants may require additional time to complete SIRs steps that involve a commitment of financial resources, such as the payment for a CESIR study or the advance payment for system upgrades. The City urges the Commission to allow additional time, equal to the amount of time needed under municipal procurement rules, with an extension option available if the municipality can demonstrate that further time is needed to process the requisite authorizations. The Commission rejects the City's suggestion, at this time, given that the record here is insufficient to determine what accommodations for municipalities are necessary and how they will impact other customers and developers. However, the City remains free to seek relief, as necessary, in the future. The Commission also notes that there is an ongoing interconnection collaborative involving Con Edison in which the City participates, along with several DG developers working in the New York City area.²¹ This collaborative should provide a forum to develop a change to the SIRs tailored to the specific circumstances impacting the City's ability to bring DG projects on-line.

A. Site Control

The Petitioners note that evidence of site control is an important indicator of the maturity of a project, and that it is not efficient to spend utility resources on projects that

²¹ See Case 16-E-0060, et al., Consolidated Edison Company of New York, Inc. - Electric and Gas Rates, Joint Proposal (filed September 19, 2016), p. 107.

have not reached this milestone. The Commission agrees with this observation and finds that project developers should be required to provide proof of site control at the point when an applicant pays the CESIR study fee. This requirement will apply to all applications filed after the date of this order as a condition to starting the CESIR process.

Several commenters suggest that a site control requirement should also be imposed on projects being reviewed under the pre-2016 SIRs. While site control is an important benchmark, we note that the Group A and B projects have already undergone the CESIR review or are actively being studied. The next step for these developers will be to make payment for potentially substantial system upgrades, which developers will be unlikely to remit if site control has not been accomplished. Thus, if there are projects in Groups A and B, or among the new projects that do not have site control at the point when the construction payments are due, they will quickly be identified and removed from the queue. The Commission sees no practical benefit to be gained by requiring evidence of site control for projects that have already completed or started the CESIR process in accordance with the applicable SIRs. Therefore, Commission rejects the suggestion that the applicants in either Group A or B should be required to prove site control at this point.

However, the Commission believes the projects in Group C, which have not yet reached the deadline for starting a CESIR, should be subject to the site control requirement in order to move forward in the interconnection process. While this may impose some burden on the project developers, the Commission finds that the possible burden is slight and in any case is outweighed by the Utilities' interest in focusing their resources on projects that can demonstrate this level of

maturity and are most likely to proceed to construction. For this reason, the Commission will require proof of site control for developers in Group C and for new projects that have not progressed to CESIR at the time of this order.

Developers required to demonstrate site control under the terms of this order may comply by providing the applicable utility with any of the types of documents listed in Attachment A (i.e., a signed option agreement to lease or purchase the land, an executed lease, an executed purchase contract, or a license or other document giving the applicant the exclusive right to use the land for purposes of constructing and operating the DG facility). Developers may redact from these documents any commercially sensitive information, such as price terms. In order to simplify the future administration of this requirement by the Utilities, the Commission directs Department Staff to work with IPWG stakeholders to develop a standard statewide site control form, as contemplated in the Petition. The Utilities may utilize this form to ensure satisfactory proof of site control and should bring this form to the Commission for review, as warranted.

B. Property Owner Consent

As part of the queue management plan, the Commission will also adopt a standardized form, as the City suggests, for obtaining an acknowledgment of property owner consent. This "Acknowledgement of Property Owner Consent Form" (Acknowledgment) is contained in Attachment B and may be utilized prospectively by developers to demonstrate to the Utilities that adequate consent has been obtained. However, the Commission does not intend to be overly-prescriptive and will allow Utilities to accept alternate forms that have been used by developers prior to the issuance of this Order to the extent

that those forms satisfy the Utilities' interests in ensuring the property owners' consent has been obtained.

The Commission, however, rejects the City's suggestion that the Acknowledgement should expressly state that it is revocable by the property owner at any time. Although the City is concerned that property owners should be free to terminate relationships with project developers, the Acknowledgment serves a very limited function. The queue management plan requires a developer to produce a signed form to show the Utility that the developer has the owner's consent to develop the project that is in the Utility's queue. It serves only to provide information, and is not intended to create any relationship between a property owner and a developer. To the extent the parties have a pre-existing legal relationship, the owner's right to terminate it or to take any other action would not be governed by the Acknowledgment. Under these circumstances, adding the language requested by the City would only cause confusion about the effect of the Acknowledgment itself, by incorrectly implying that the form creates an enforceable legal obligation.

The City is also concerned that the Utilities may be confused if a landowner stops pursuing a project with one developer and submits a new Acknowledgment form in support of a different project. The Commission believes the chance of confusion on the part of the Utilities is small. Under the rules proposed in the Petition and adopted herein, neither developer will be able to initiate the CESIR without proof of site control, which is a more exacting requirement than the requirement to provide evidence of consent at the time an application is filed. A developer that does not have site control will not be able to proceed to the CESIR process and the utility will drop the underlying project from the queue. The Commission expects that any confusion will be resolved by the

time the first project reaches the deadline for paying the CESIR study fee.

With regard to Distributed Sun's suggestion to waive the Acknowledgment form requirement if the developer and property owner have already entered into a land use agreement, the Commission will not require a developer that has already entered into a land use agreement to obtain the owner's signature on the standard form. Rather, these developers are instructed to provide a copy of the Acknowledgment, signed by the developer, along with the relevant agreement attached to the form.

Cost Sharing

The Petitioners suggest an interim approach that could be implemented in tandem with the queue restructuring. The Petition recognizes that the proposal is limited in scope and does not provide a perfectly equitable allocation of cost responsibility for all possible types of shared upgrades. Nevertheless, Petitioners urge the Commission to accept the limited mechanism while efforts continue to develop "a more comprehensive" methodology. SolarCity, on the other hand, asserts that the Petitioners' proposal will not provide any benefit in terms of reducing the queue backlog and suggests that the Commission should reject the filing parties' proposal because it is both temporary and inadequate.

While it is not possible to predict how many queued projects will proceed under the interim cost sharing mechanism, the Commission finds that it is reasonable to expect that it will facilitate construction of some projects in the short term. If the Commission were to reject the interim proposal, as SolarCity suggests, projects that might otherwise be feasible are likely to be abandoned. In addition, developers compelled to bear the full costs of certain upgrades that provide broader

benefits for other developers could raise complaints and thus cause further system-wide delays. This outcome would be contrary to the interests of consumers and the public. The Commission, therefore, finds that the lack of a method for allocating the costs of substation upgrades among DG projects presents a barrier to the fulfillment of REV policies.

The Utilities currently allocate the full cost of upgrades to the first developer that triggers the need. However, certain types of system modifications create capacity on the distribution system that can serve more than just one project.²² In such cases, the current method is both economically inefficient and unfair because the Utilities have no method to assign costs among developers with later queue positions that benefit from the upgrades. The Commission agrees with Petitioners that a cost-sharing method should be a component of the queue restructuring plan. The Commission also concurs with the City and Distributed Sun that an effective cost-sharing mechanism should not "sunset" at a fixed date. Thus, the Commission accepts the cost allocation proposal as a just and reasonable approach until such time that stakeholders have demonstrated that a superior solution should supplant this provision.

However, the Commission recognizes that a long term approach to this issue is needed to provide further certainty to the markets. For this reason, the Commission directs Staff to work with SolarCity and other IPWG stakeholders to discuss refinements and improvements to the cost allocation mechanism. The IPWG has successfully collaborated so far on the difficult issues underlying the queue management problem and provides a forum for the Utilities and the developer community to work

²² As SolarCity argues, the lack of a cost sharing formula creates a free rider problem.

though the details of a comprehensive approach to cost allocation. There is no reason to believe IPWG participants could not undertake this effort as the queue restructuring and interim cost sharing rules are implemented over the next several months. If there is consensus on a better approach, the Utilities' future filings will be better informed through the process, and the likelihood of significant objections will be reduced.

Other Issues

A. Relationship to Value of DER Proceeding

Several commentators raise the correlation between the queue restructuring matter in this proceeding and the Commission's initiative to address the Value of DER in Case 15-E-0751. As part of the Value of DER, the Commission is considering the development of more accurate pricing for DERs in order to reflect the actual value that these resources create. This pricing structure should offer compensation mechanisms and accurate signals to encourage utilities and DER developers to design, site, and operate projects in a manner that optimizes their economic, environmental, and reliability value to the integrated system. As a result, the outcome of the Value of DER proceeding will likely shape developers' decisions on proceeding through the interconnection process.

The Commission recognizes the close relationship between restructuring the interconnection queues and the Value of DER. While the Commission has not yet made a determination in the Value of DER proceeding, the Commission finds that initiating the queue management program at this time is warranted. The Commission notes that the initial steps in the queue restructuring plan will require several months to complete before developers are required to commit significant capital towards the construction of their projects. Therefore, the

Commission expects that developers will have adequate information regarding pricing structures to inform decisions by that time.

B. Local Permitting Moratoria

Solar Developers request that the extension provided for projects that face local moratoria should become available once a developer has paid its initial 25% of the cost of system upgrades identified in a CESIR. Solar Developers point out that some projects, however, do not require such upgrades. In that case, Solar Developers propose that the project should be entitled to the extension upon signing the standard interconnection contract. The Commission agrees that this extension is reasonable should be available to those developers.

C. Tracking Progress

Cypress asserts that "active" tracking of the Utilities' performance under the queue management plan would help avoid implementation problems. The Commission notes that the Petition would requires the Utilities to provide a high level of transparency about their workloads, study schedules, and the status of projects still in the queue, and thus much of the information Cypress seeks will be available. However, the Commission rejects Cypress' request for the publication of internal utility study resource information. The Commission expects that the Utilities will monitor the levels and effectiveness of their CESIR study resources. The Commission considers and reviews these types of staffing issues in the course of its regulatory oversight functions and will do so in evaluating the pace of the queue restructuring. Stakeholders will have adequate information from the queue postings and schedules to identify potential implementation problems.

D. Impact on Small Projects

Hudson Solar states that small projects that might expect to be interconnected through the expedited process under the SIRs may be held up by the presence of large projects ahead of them in the queue. Hudson Solar asserts that small projects may be forced to withdraw and wait until the queue restructuring process solves this problem, or to pay for CESIR studies and possibly become responsible for significant system upgrade costs.

With respect to Hudson Solar's concerns, we note that all new projects face this issue; they are under short deadlines with great uncertainty about the status of older projects ahead in the queue seeking to use the same feeders and substations. The current SIRs require the Utilities to study these newer entrants on the assumption that the older applications stay in the queue, leading to potentially inaccurate system impact assessments. The interconnection management plan adopted herein is intended to clear the queue of older projects and provide certainty for the later applicants, although the restructuring will not be accomplished in a time frame that will allow Hudson Solar's new applications to meet their decision deadlines.

The Commission is sympathetic to these developers; ideally, small projects should not be forced out of the process because of the backlog in the queue. However, the Commission does not believe a generic rule allowing them to jump the queue, as Hudson Solar suggests, would have no system impact or effect on the larger projects with earlier queue positions. Attempting to craft a rule here, without the benefit of the potentially affected parties' comments and deliberation, runs the risk of introducing uncertainty and confusion in the process, with consequences that are difficult to predict. Therefore, the Commission rejects Hudson Solar's request at this time.

E. Process for Revising CESIRs

High Peaks points to recent progress in the ITWG on new guidelines for anti-islanding and suggests that the Commission should extend the payment deadlines for all projects that request a CESIR review under the new guidelines. High Peaks does not provide any information on how many projects with completed CESIRs (backlog Group A and some in Group B) could be impacted by a change in anti-islanding protection schemes or what impact delaying their payment deadlines would have on other projects in the queue.

High Peaks raises complex questions as to whether and how completed CESIRs should be revisited as technical solutions to system protection issues mature. The Commission understands that changes in technical standards may make some projects economic that otherwise would be withdrawn from the queue. At the same time, the prospect of technical advances should not be the basis for slowing down the interconnection process, which would be the result of High Peaks' suggestion.

The Commission is aware industry anti-islanding best practice standards are being developed in the ITWG. Furthermore, the Commission notes that the IPWG stakeholders have recently taken up this issue, and the Utilities have contemplated an approach to performing re-studies of completed CESIRs.²³ The Commission is confident that the IPWG provides a forum for the parties to identify a fair way forward that does not add delays to the process, or unduly burden projects that are not impacted by anti-islanding issues. Allowing completed CESIRs to be re-done in light of evolving technical issues, as

²³ See IPWG Meeting Information and Documents, meeting held January 11, 2017, <http://www3.dps.ny.gov/W/PSCWeb.nsf/All/0D7596DBBEF0380885257FD90048ADFA>.

High Peaks requests, would require any project reviews to take place in a timeframe that does not interfere with the queue restructuring. Given the limited time between the start of the queue management plan and the first round of CESIR studies for Group C applications, it is the developers' duty to signal their desire for a review well in advance of the reset date. To the extent the Utilities can apply the industry best practices being developed in the ITWG and revise this limited number of CESIRs before they incur significant study obligations with respect to these Group C applications, the Commission urges the Utilities to do so within 60 days of a timely developer request to re-assess the project's CESIR.

F. Adequate Service

Finally, SolarCity urges the Commission to adopt a policy under the PSL that the concept of "adequate service" includes reasonable system access for DG projects, regardless of the state of the substation from which service is provided. The Commission interprets SolarCity's request as a means of forcing the Utilities to undertake broad system upgrades, thereby allowing SolarCity and other developers to avoid paying certain costs to interconnect their projects. Solar City's request will not be adopted because it is well beyond the scope of issues presented in the Petition. The Commission may consider, at a later time, the potentially significant economic impacts on ratepayers attending such a broad change in policy.

G. Dispute Resolution

Finally, the Commission recognizes that despite the best efforts of project developers and the utilities to complete the necessary steps under the CESIR and SIR, disputes inevitably arise. The Commission encourages developers and utilities to identify and resolve such issues cooperatively in the first instance. However, to the extent a resolution cannot be

reached, the parties may avail themselves of Staff's resources to provide an informal and non-binding dispute resolution process. Many developers have already approached Staff for assistance with disputes ranging from administrative to technical issues. The Commission encourages all parties - developers, customers, and utilities - to access this process, on a first-come, first-serve basis, for an expedited resolution of interconnection concerns.

CONCLUSION

The Commission finds that the backlog of projects in the interconnection queue poses a risk to the achievement of the Commission's policies, including goals for DG installations. Moreover, the high cost of certain substation-level system upgrades may act as a barrier to the expansion of markets for DG in the State. The Commission concludes that the proposals for restructuring the queue and establishing an interim mechanism for sharing system upgrade costs, as presented in the Petition and modified herein, are in the public interest and will contribute to resolving these issues. Accordingly, the Petition is approved, subject to these modifications.

The Commission orders:

1. The Petition filed on September 30, 2016, on behalf of the petitioners indicated therein, is approved, subject to the modifications set forth in the body of this Order and reflected in Attachment A to this Order.

2. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a/ National Grid, Orange & Rockland Utilities, Inc., and Rochester Gas & Electric Corporation shall file, on not less

than two days' notice, to become effective on March 1, 2017, tariff amendments necessary to be consistent with the modifications set forth in the body of this Order and reflected in Attachment A to this Order, and to eliminate any inconsistent provisions.

3. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a/ National Grid, Orange & Rockland Utilities, Inc., and Rochester Gas & Electric Corporation shall file, on not less than two days' notice, to become effective on March 1, 2017, updated Standardized Interconnection Requirements as addenda to their tariffs, in conformance with the discussion in the body of this Order and Attachment C.

4. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1, as to newspaper publication with respect to the tariff amendments directed in Ordering Clauses Nos. 2 and 3, are waived.

5. 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 one day prior to the affected deadline.

6. This proceeding shall be closed upon compliance with Order Clause Nos. 2 and 3 above.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

CASES 16-E-0560

Commissioner Diane X. Burman, concurring:

As reflected in my comments made at the January 24, 2017 session, I concur in limited fashion on this item.

Queue Management Plan**1.0 Applicability of the SIR.**

This plan applies to interconnection applications submitted under the Standardized Interconnection Requirements (SIRs) that were in effect through April 29, 2016 (referred to herein as pre-2016 SIRs) and applications filed under the SIRs in effect after that date (SIRs). Unless modified by this queue management plan, the requirements of the pre-2016 SIRs continue to apply to applications submitted prior to that date.

2.0 Preparatory Activities.

Utilities, solar industry representatives, and the State Ombudsmen will continue their efforts to clear the queue of stalled pre-2016 project applications through voluntary withdrawals and application of the 12-month inactivity limit of final acceptance as set forth in Step six of the pre-2016 SIRs. The "start date" of this queue management process is February 22, 2017. The "reset date" of this queue management process is April 19, 2017.

3.0 Queue Reset for Pre-4/29 Applications.

At the start date, the queue of pre-2016 interconnection applications must meet the applicable requirements and timeframes described below, unless the applicant and utility have already executed a New York State Standardized Interconnection Contract (Interconnection Contract) and at least the first construction payment has been received. Projects that fail to meet the requirements defined in each step will be removed from the queue with no further action required by the utility.

The queue management reset process will be accomplished by taking the following steps:

3.1 Property Owner Acknowledgement of Consent Verification.

All applications without an executed Interconnection Contract and delivered construction payments are required to provide the utilities with proof of acknowledgement of property owner consent by March 8, 2017. To demonstrate property owner acknowledgement of consent, developers must demonstrate that either: 1) the property owner acknowledges that they are working exclusively with that developer so only one application for the physical space for siting the project can be submitted at any one time; or, 2) that there is a signed option agreement to lease

or purchase the land, an executed land lease, or an executed purchase contract. If the developer already has an agreement or contract signed by the property owner, in lieu of the property owner's signature, the developer may attach the redacted document to the acknowledgement of consent form. Applications that do not meet this requirement will be withdrawn from the queue with no further required action by the utility.

3.2 Queue Reset.

The utilities must update their interconnection queues and publish their revised queues no later than April 19, 2017. Thereafter, the utilities will provide the updated queue on the 15th of each month.

4.0 Decision Periods Following the Reset.

The remaining applications shall be processed as follows:

4.1 Group A. Projects with CESIRs that have been completed for more than 60 business days as of April 19, 2017

Any project applicants in this category who decide to move forward have until June 1, 2017 to pay 25% of the expected upgrade cost and execute the Interconnection Contract with the utility. Making upgrade payment means proof of check or electronic transfer delivery. Checks must clear for this delivery to count as timely. If, prior to February 22, 2017, a developer and utility already negotiated an initial payment of less than 25%, that arrangement shall not be affected by this requirement. Any project applicants that do not remit 25% of the upgrade costs and execute the Interconnection Contract with the interconnecting utility by the June 1, 2017 deadline will be withdrawn from the queue with no further action required from the utility. See section on Study and Construction Schedule for further details.

4.2 Group B. Projects with CESIRs that are incomplete or completed for less than 60 business days as of April 19, 2017

Project applicants with CESIRs completed after February 20, 2017 have until July 12, 2017 to pay 25% of the expected upgrade costs and execute the Interconnection Contracts with the interconnecting utility. All other

projects in this category will have 60 business days after completion of their CESIR to decide whether to move forward. Project applicants that intend to progress must pay 25% of the expected upgrade cost and execute the Interconnection Contract by the end of the 60 business day period. Proof of check or electronic transfer delivery is required to constitute remittance of payment; checks must clear for this delivery to count as timely. If a developer and utility negotiated an initial payment for less than 25%, prior to February 22, 2017, that arrangement shall not be affected by this requirement. Any project applicants that do not remit 25% of the upgrade costs and execute the Interconnection Contract with the interconnecting utility by the end of this applicable 60 business day period will be withdrawn from the queue with no further action required from the utility. See section on Study and Construction Schedule for further details.

4.3 Group C. Projects for which a developer has only received a Preliminary Review as of April 19, 2017

4.3.1 No later than April 26, 2017, Utilities must contact, via e-mail, the initial grouping of projects and notify applicants of their obligation to make a decision whether to move to forward. The initial grouping of projects shall consist of the first application on each substation transformer in each utility territory.

4.3.2 Developers whose projects require a full CESIR have until May 17, 2017, to notify the utility of their desire to proceed with the CESIR. The developers' notification to proceed must be accompanied by proof of site control in accordance with Section 7.2 and full payment for the study prior to expiration of this 15 business day period. If a developer decides to proceed and remits payment prior to the end of the 15 business day period, to ensure an orderly process, the interconnecting utility shall still wait until May 17, 2017 before repeating this process for the next application on the substation transformer. Proof of check or electronic transfer

is required to constitute remittance of payment; checks must clear for electronic transfer to count as timely. Projects must also meet all requirements of the pre-2016 SIRs (e.g. completed design package) prior to May 17, 2017. Any project in this initial grouping, or a subsequent group, which fails to make a payment or meet all other requirements described above within this 15 business day timeframe will be withdrawn from the queue with no further action required by the utility.

4.3.3 At the time of the notice given under Section 4.3.1 (April 26, 2017) the utilities will offer Interconnection Contracts to any projects that do not require a CESIR. The developer of such a project will then have until May 17, 2017, to sign and return the Interconnection Contract and submit proof of site control in accordance with Section 7.2. Any project that does not meet these requirements within this 15 business day timeframe will be withdrawn from the queue with no further action required by the utility.

4.3.4 The process will continue in order of developers' positions on the utilities' substation transformers. All first position applications on substation transformers are required to progress or be cleared first, then all second position applications, etc. until the entire queue progresses or is cleared. All pre-2016 SIR project applicants in the queue will be required to make their decision about moving forward with a CESIR or an Interconnection Contract. Five business days after the first position applications must proceed to CESIR or be cleared, on May 24, 2017, the utilities will notify the second position applicants of their obligation to notify the interconnecting utility of their decision to proceed within 15 business days. Developers with second position applications must notify the utility of their desire to proceed with the CESIR, accompanied by proof of site control in accordance with Section 7.2 and full payment for the study prior to June 15, 2017. For each round of applications,

the utilities will have 5 business days from the end of the previous 15 business day period to contact, via e-mail, the next grouping of projects, and notify developers of their need to make a decision. Developers in each group have 15 business days from the utility e-mail to notify the utility of their desire to move to full CESIR and to make payment or to return the executed Interconnection Contract.

4.3.5 CESIRs shall be scheduled in the order that payments are received; payments made by check will be deemed received when the checks clear. As utility capability to perform additional CESIRs becomes available (i.e. additional capability added, or CESIRs completed) the utilities will begin the next CESIR in the queue. CESIRs will be completed sequentially, but utilities will identify the ability to cluster studies on the same circuit and/or substation for a single developer. Developers have the option to cluster, but a developer decision to cluster CESIRs on the same circuit is final.

4.3.6 Applicants in Group C will have 60 business days from receipt of the CESIR results to provide an advance payment of 25% of the estimated costs of any upgrades and to sign the Interconnection Contract. Any projects for which the 25% payment has not been received or for which an Interconnection Contract has not been executed by the end of the 60 business day period will be removed from the queue with no further action required from the utility.

5.0 Study and Construction Schedule.

5.1 A CESIR completion schedule shall accompany each utility' updated queue report (published on the 15th of each month), which will be updated monthly. The schedule must show, at a minimum, the anticipated start and completion dates for each study. The utilities will make every reasonable effort to continue to meet the 60 business day timeline from applicant payment to CESIR completion imposed in the SIRs. However, to ensure the success of

the queue management cleanup, each CESIR shall be completed within 60 business days of the start date established in the utility schedule. Construction schedules shall be provided to developers within 30 business days of utility receipt of the 25% of expected upgrade payment. Construction schedules will be good faith estimates, recognizing that easements and permits that may be required for construction can be outside of the utility's control. Developers and utilities may arrange additional payments to cover the costs of long lead-time items.

5.2 Applicants have a total of 120 business days to provide full payment to the utility from the time of the executed Interconnection Contract. Projects that do not meet this requirement will be removed from the queue with no further action required from the utility.

6.0 Confirmation and Tracking.

The utilities will provide e-mail confirmation to developers upon receipt of: proof of property owner acknowledgement, site control, an executed Interconnection Contract, payments, and any other documentation required for the timelines in Section 4 above.

6.1 Utilities will also provide some mechanism for developers to see the results of the staggered decision and payment making process in Section 4.3.4 above, so that developers can see the status of the applications in front of them on the substation transformer before the 15 day decision and payment making period begins.

6.2 In all cases, the developer is responsible for checking the status of their project applications and meeting required action dates. Applications that do not meet any of their required action dates will be withdrawn from the queue with no further action required by the utility.

7.0 Queue Management Provisions Applicable to post-April 29, 2016 Applications

7.1 Property Owner Consent Verification.

In addition to complying with all of the timelines of the post-April 29, 2016 SIRs, all applications already

submitted under the post-April 29, 2016 SIRs must be supplemented with a property owner acknowledgement of consent form by March 8, 2017. Existing project applications that do not provide the property owner acknowledgement of consent form by March 8, 2017, will be withdrawn from the queue with no further action required by the utility.

7.2 Site Control.

Applications filed after April 29, 2016, which have not moved to the CESIR phase as of January 25, 2017, must be supplemented with proof of site control to start the CESIR. This proof will take the form of a signed statewide standard form by which the property owner acknowledges that there is a signed option agreement to lease or purchase the land, an executed land lease, an executed purchase contract, or a license or other exclusive right to use the site for the purposes of constructing and operating the distributed generation facility granted to the applicant, if the applicant has not provided such evidence of site control at an earlier step in the interconnection process.

7.2.1 Project applications filed after January 25, 2017, shall submit proof of site control at Step 5 in the SIR process, when an applicant commits to the completion of the CESIR.

7.2.2 Until the standard form described in Section 7.2 is published, the utilities may accept a signed option agreement to lease or purchase the land, an executed lease or purchase agreement, or a license or other document giving the applicant the exclusive right to use the land for purposes of constructing and operating the project as proof of site control.

7.3 CESIR Studies.

Post-April 29, 2016 applications that meet the property owner acknowledgement of consent and site control requirements, and proceed to the CESIR phase, will be scheduled based on available utility resources. Once the CESIR for a project is completed the developer will have 60 business days to make 25% payment of proposed upgrade costs or be removed from the queue as defined in the SIRs. Projects that do not meet these

requirements or any of the other required timelines in the SIRs will be removed from the queue with no further action required by the utility.

8.0 Permitting Moratorium Accommodation.

Where an existing permitting moratorium will prevent compliance with the above timelines, the utilities may grant project applicants an extension. To be granted an extension of the required timelines, after receiving its CESIR, the applicant must pay 25% of the expected upgrade costs if applicable, execute the Interconnection Contract, and submit proof of the existing moratorium to the utility along with an attestation, using a standard state-wide form, that the developer will notify the utility when the moratorium is lifted. Upon utility receipt of 25% of required upgrade costs, the executed Interconnection Contract, and proof of the existing moratorium, the deadline for paying the remainder of the total upgrade payment shall be adjusted to 120 business days from the end of the moratorium. The project will retain its exact position in the interconnection queue, because the 25% construction cost commitment has been paid. If the project does not move forward after receiving an extension, due to a continued permitting moratorium, the utility will refund the unused portion of the 25% payment. This extension is limited to twelve-months from the date the executed Interconnection Contract was provided to the utility, or the date that the 25% upgrade cost payment was received. At the end of the twelve-month extension the project will be removed from the queue, and any unused portion of the developers' 25% payment will be refunded.

9.0 Limited Mandatory Interconnection Upgrade Cost Sharing Mechanism.

This interim cost sharing mechanism applies to any initial projects that meet all of the following criteria:

9.1 Use Eligible Technologies.

This mechanism is applicable to projects and technologies interconnecting to the distribution grid under the SIRs, using state jurisdictional rates.

9.2 Cost Sharing is Not Retroactive.

This mechanism is not available to projects that have 100% paid for upgrade costs, or were required to have paid for upgrade costs prior to January 25, 2016. Any

project that makes 100% payment of upgrade costs after January 25, 2017, is eligible for cost sharing.

9.3 Specific Eligible Upgrades.

This mechanism applies to upgrades that can be used by more than one project. Specifically, the following technologies are eligible for interim cost sharing:

9.3.1 Substation 3V0 installation;

9.3.2 Substation transformer upgrades; and

9.3.3 Other substation-level shared upgrades.

9.4 Minimum Cost Threshold.

The mechanism is limited to eligible upgrades that cost \$250,000 or more.

9.5 Applicability.

This mechanism applies to subsequent projects that will utilize the upgrades and meet the following criteria:

9.5.1 Projects 200 kW or Greater in Size - Any subsequent project that is equal to, or greater than, 200 kW at one point of common coupling (PCC) and uses the upgrade will share in the upgrade cost according to this mechanism.

9.5.2 Projects Aggregating to 200 kW or Greater in Certain Situations - Subsequent projects that utilize the upgrades, which are completed by a single developer and are equal to, or greater than, 200 kW in aggregate, and whose applications are filed within eight-months of each other.

9.5.3 A developer is defined as the entity that submitted the interconnection application. A single developer includes all legal entities associated or affiliated with a given company, including subsidiaries, LLCs, etc.

9.6 Payment.

The mechanism will function as follows:

9.6.1 The initial project that triggers the need for the eligible upgrade pays 100% of the upgrade cost in

accordance with the SIRs deadlines. The cost sharing mechanism is available after the initial project developer pays 100% of the required upgrade costs. The interconnecting utility shall disclose the portion of the total upgrade cost that is eligible for this mechanism to the initial project developer in the CESIR, or in the Preliminary Technical Report or Supplemental Review Report if no CESIR is required.

9.6.2 Subsequent project developers are required to pay their prorated share of the eligible upgrade cost. This payment is made to the utility and then passed through to the project developer(s) that have previously paid for the upgrade, minus a utility processing fee. The developer(s) are responsible for any reallocation of received funds to project financiers or owners, per their own business arrangements. For all types of eligible upgrades, the prorated share for projects after the initial triggering project is based on the fraction of each MW project size compared to the total MWs of aggregated projects benefiting from the upgrade to date, including the newest project's MWs. Please see the examples below under "Mechanics of the Cost Sharing Program" for more details. Each project developer's prorated share of the upgrade cost will be included in the CESIR, or in the Preliminary Technical Report or Supplemental Review Report if no CESIR is required.

9.6.3 Utilities shall deduct a processing fee from each subsequent developer check issued after the initial developer pays 100% of the upgrade costs. This \$750 administrative fee may be reassessed if it is proven inadequate in practice.

9.7 Cost Sharing Limit.

The first of the below events to occur triggers the end of the cost sharing of an upgrade:

9.7.1 Maximum Capacity

When the capacity of the upgrade is exhausted by projects, this limited mandatory interconnection cost sharing mechanism ends.

9.7.2 Cost Sharing Threshold

When project developers benefitting from the eligible upgrade have expended net costs of \$100,000 or less, because each developer was reimbursed by subsequent developers, cost sharing ends. Project developers that use the eligible upgrade after this point incur no mandatory interconnection upgrade cost sharing.

9.8 Mechanics of the Cost Sharing Program

9.8.1 "Company A" has a 2 MW AC project that has a CESIR that includes a \$400,000 3V0 upgrade for the substation. Company A pays that full cost, and their project, "Project #1", moves forward.

9.8.2 "Company B" is next in line with a 2MW AC project ("Project #2"), and it's CESIR also confirms the necessity for it to utilize 3V0 at the substation. The utility already knows that Company A has signed the contract for the 3V0, so it simply does the calculation to determine the pro-rata share that Project #2 will be utilizing (i.e. this is Project #2's share of the capacity using the upgrade to date). In this example, that would be 50%, so Company B would be given a cost of \$200,000 for the 3V0 in its CESIR. Assuming that Project #2 moves forward, Company B would pay that \$200k for the 3V0, along with its other IC costs, and the utility would then send a check for that \$200k minus the \$750 processing fee to Company A. For the sake of clarity, the formal way to calculate this cost is to take the total upgrade cost of \$400,000 divided by the total AC watts now served (4,000,000) which results in a cost of \$0.10 per AC watt. Project #2 would then be quoted a cost of 2 MW AC or 2,000,000 AC watts times \$0.10 per AC watt which equals \$200,000.

9.8.3 Next, Company C comes along with a 1.2MW AC project ("Project #3) and their CESIR also states the need for 3V0. That would mean that the total amount of watts that would be utilizing the 3V0 would now be 5.2 MW AC, or 5,200,000 watts AC. The total cost of \$400,000 is divided by the total

watts served by the upgrade (5,200,000) which results in \$0.076923 per AC watt. Project #3 is quoted a cost of 1,200,000 AC watts times \$0.076923 which equals \$92,307.60. If Company C moves forward and pays its fee, both Company A and Company B will get a check from the utility for \$46,153.80, each minus the \$750 processing fee. The division of Company C's payment between Company A and Company B is based on the ratio of each of those previous projects in MWac to the project total in MWac using the upgrade before the payment in question.

- 9.8.4** After the reimbursements detailed above with these three example projects using the upgrade, Project #1 has paid \$153,846 of the total cost plus a \$1,500 in processing fees, Project #2 has paid \$153,846 of the total cost plus \$750 in processing fees, and Project #3 has paid \$92,307.60. Because all three projects have not reached a final cost share of less than the above Sharing Cost Threshold, additional projects that use the upgrade would continue to pay their share until each project's share after reimbursements is equal or less than the Sharing Cost Threshold, until the capacity of the upgrade is used up, or until December 31, 2020, whichever comes first.

New York State Standardized Acknowledgment of Property Owner Consent Form

Interconnecting Utility: _____

Utility Project Number (if available): _____

(Note: This Acknowledgment is to be signed by the owner of the property where the proposed distributed generation facility and interconnection will be placed, when the owner or operator of the proposed distributed generation facility is not also the owner of the property, and the property owner's electric facilities will not be involved in the interconnection of the distributed generation facility.)

This Acknowledgment is executed by _____, (the "Property Owner"; as used herein the term shall include the Property Owner's successors in interest to the Property), as owner of the real property situated in the City/Town of _____, _____ County, New York, known as _____ [street address] (the "Property"), at the request of _____ [name of Developer] (the "Developer"; as used herein the term shall include the Developer's successors and assigns).

This Acknowledgment does not grant or convey any interest in the Property to the Developer.

1. The Property Owner certifies as of the date indicated below that the Property Owner is working exclusively with the Developer on a proposal to install a distributed generation facility (the "Facility") on the Property.

OR

2. The Property Owner certifies as of the date indicated below that the Developer has executed with the Property Owner one of the following: a signed option agreement to lease or purchase the Property, an executed Property lease, or an executed purchase agreement for the Property granting the Developer a right to use the Property for purposes of installing the Facility.

Property Owner:

Developer:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____