

Interconnection Liability, Indemnification and Insurance Requirements

IPWG Meeting January 11, 2017

Rationale for Changes to the NY Standardized Contract for Interconnection

- The current liability provisions and insurance requirements do not adequately protect utilities and their customers from third-party claims
- As a party to the interconnection contract the interconnecting utility is potentially exposed to third-party claims arising from the installation, interconnection and/or operation of the facility
 - Liability for third-party claims that occur at the generator site (i.e., personal injury, property damage, environmental impacts)
 - Liability for third-party claims that occur offsite on the utility system due to system malfunction (i.e., personal injury, property damage)

Rationale for Changes to the NY Standardized Contract for Interconnection

- As system sizes increase the potential risks associated with third-party claims either onsite or offsite also increases
- The utilities have no authority to ensure nor should they be responsible to ensure adequate generator site physical security and protection
- Similar projects that are interconnected through the NYISO SGIA process and projects >5MW interconnected with the utility under retail tariffs, are required to sign an interconnection agreement with indemnification, liability and insurance requirements - potentially raising discrimination concerns

Current NY Standardized Contract for Interconnection Provisions

- Insurance – states that it is prudent for DG projects to obtain insurance but does not require such customers to do so
- Indemnification – there are no indemnification provisions (mutual) that would protect each party from third-party liability as a result of being a party to the SIR contract
- Limitation of Liability – current language indicates that the utility does not warranty the adequacy, safety, or other characteristics of the installation but there are no explicit provisions regarding either party's limitation of liability

Recommended Changes to NY Standardized Contract for Interconnection

- Insurance – Interconnection customer at its own expense shall maintain in force for the life of the project general liability insurance without any exclusion
 - Insurance limits could be tiered based on the size and risk of the facility
 - To the extent interconnecting customer is self insured, and is a credit worthy party, they may be able to utilize that coverage
- Indemnification – Comprehensive, standard mutual indemnification provisions should be included as part of the contract (reference Attachment 1)
- Limitation of Liability – Standard limitation of liability provisions should be included in the contract to protect both parties to the contract (reference Attachment 1)