

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission
Regarding a Retail Renewable Portfolio Standard

Case 03-E-0188

PETITION REGARDING NY-SUN PV FUNDING

Introduction

The New York State Energy Research and Development Authority (NYSERDA) respectfully requests that the New York State Public Service Commission (“Commission”) issue an order granting NYSEDA limited additional authority to transfer NY-Sun funds among the Competitive PV Program Zone Groups in order to allow the Program to respond to marketplace demand and effectively support Governor Cuomo’s NY-Sun goal. Specifically, because of a current lack of marketplace demand in Zones I-J, and continued robust demand in Zones A-F and G-H, NYSEDA requests authority to transfer NY-Sun funds from Zone Group I-J to Zones A–F and G-H. Without such authority many proposals in Zones A–F and G-H will go unfunded while a large uncommitted funding balance will remain for Zone Group I-J. Recognizing the Commission’s original intention of directing funding to each different zone group in order to balance, geographically, the sources and usage of the funds, this Petition requests authority to reallocate only a portion of funds from Zone Group I-J (approximately \$32 million of NY-Sun supplemental funds) while retaining a portion of funds in Zone Group I-J (the \$25 million original Geographic Balance funds).

Background

Under the Governor’s NY-Sun Initiative, the State has adopted the goal of quadrupling, in 2013, the amount of photovoltaic capacity installed during 2011. In support of that goal, the Commission’s April 24, 2012 Order (2012 Order) expanded the Competitive PV Program to make Upstate NYISO Zones eligible, added a total of \$76.9 million in NY-Sun funds, and

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allocated that funding amount among the individual Zone Groups A–F, G–H, and I–J for 2012 and 2013 (this consists of roughly \$38 million for Zones A-F, \$6 million for Zones G-H, and \$32 million for Zones I-J).¹ The NY-Sun funds were additional to the \$30 million per year allocated to the competitive Geographic Balancing program by a previous Commission Order which specified \$5 million of such for Zones G-H and \$25 million of such for Zones I-J.² NYSERDA’s solicitation, Program Opportunity Notice 2589 (PON 2589) aggregated the 2012 and 2013 NY-Sun supplemental funds with the 2013 original Geographic Balance funds, resulting in a program offering of \$106.9 million (of which, roughly \$38 million is allocated to Zones A-J, \$11 million is allocated to Zones G-H, and \$57 million is allocated to Zones I-J) to support awards being made through three due date-based solicitation rounds.

The 2012 Order provides NYSERDA with discretionary authority to transfer funds from the upstate zones (A –F) to either of the downstate zones (G–H or I–J) based on market demand, but, in order to maintain the geographic balance, NYSERDA was not authorized to transfer funds from Downstate to Upstate.³

Based on an initial review of the most recently received round of proposals, unless NYSERDA is granted discretion to transfer funding from Zones I-J to the other Zones, a large number of currently pending proposals in Zone Groups A-F and G-H will go unfunded while a large balance of uncommitted funds will remain in Zones I-J.

The \$57 million included in PON 2589 for Zones I-J (consisting of approximately \$32 million of NY-Sun supplemental funds plus \$25 million of original Geographic Balance funds) greatly exceeds the current level of participation within that Zone Group. This Petition seeks authorization to reallocate the NY-Sun fraction (i.e., approximately \$32 million) while retaining for Zone Group I-J the \$25 million original Geographic Balance fraction. This Petition addresses only the funds embodied in PON 2589 and does not seek to change the funding

¹ Case 03-E-0188, In the Matter of a Renewable Energy Portfolio Standard, *Order Authorizing the Expansion of the Solar Photovoltaic and Geographic Balance Programs from 2012 through 2015 and the Reallocation of Main-Tier Unencumbered Funds*, issued and effective April 24, 2012.

² *Order Authorizing Customer-Sited Tier Program Through 2015 and Resolving Geographic Balance and Other Issues Pertaining to the RPS Program*, issued and effective April 2, 2010.

³ 2012 Order at p. 11.

allocations previously established by the Commission for subsequent years to be offered in subsequent solicitations.

The Competitive PV Program

Once robust, Zone Group I-J market response has declined to anemic levels in the two most recent NYSERDA offerings. NYSERDA has administered the Geographic Balancing and Competitive PV programs through a series of solicitations. PON 2156, administered in 2011, and PON 2484, administered in the early part of 2012 before the program was expanded to the Upstate Zones, both resulted in awards in Zones I-J in excess of the \$25 million annual budgets for that Zone Group. The current solicitation, PON 2589, provides for three “rounds” of proposals. Round 1 proposals were due on December 5, 2012⁴ and awards were announced on March 28, 2013.⁵

For Zones A-F and G-H, Round 1 market demand was robust. Using rough numbers, Round 1 awards in Zones A-F amount to \$32 million of the \$38 million available. Awards in Zones G-H amounted to \$10 million of the \$11 million available. By contrast, Round 1 market demand for Zones I-J amounted to \$5 million of the \$57 million available.

The Round 2 proposals were received on March 14, 2013. While they have not been evaluated for awards, based on an initial assessment, the disparity in market demand between the Zone Groups has continued. Round 2 Zone I-J proposals request, in the aggregate, less than \$12 million of the remaining I-J budget of approximately \$52 million. The Round 2 aggregate demand for Zones A-F and G-H continues to be robust, but little funding is available to make awards in those Zone Groups because of the restriction on the transfer of funds from Zones I-J.

⁴ Originally set as November 5, 2012, but postponed in the aftermath of Super Storm Sandy.

⁵ PON 2589, offering \$106.9 million, consists of \$30 million of 2013 Geographic Balance funds, plus \$36.4 million of 2012 NY-Sun funds, plus \$40.5 million of 2013 NY-Sun funds. The \$30 million of Geographic Balance funds is partitioned into an allocation of \$5 million for Zone Group G-H, and \$25 million for Zone Group I-J.

Market Demand in Zones I-J

While NYSERDA cannot offer any definitive conclusion as to why market demand has declined in Zone Group I-J, demand was robust prior to Super Storm Sandy. As stated, PON 2156, administered in 2011, and PON 2484, administered in the early part of 2012, both resulted in awards in Zones I-J in excess of the annual budgets for that Zone Group. The Super Storm Sandy surge occurred at the end of October, 2012, causing severe damage in the Zone I-J area. Round 1 proposals were due on December 5, 2012.

It seems reasonable to surmise that, in the aftermath of Super Storm Sandy, building owners in Zone Group I-J are currently focusing their capital improvement projects on roof repair, and hardening their infrastructure, such as addressing the vulnerabilities of equipment located in basements that are subject to flooding. Further, building owners in Zone Group I-J who are contemplating the installation of on-site power production equipment may be shifting their interest in favor of systems that can be made to operate during a grid outage with better economics than a system composed of PV with a bank of batteries. Additionally, the integration of large-scale PV systems into an “area network” style grid, which is more typical in Zone Group I-J than in the other Zone Groups, presents a learning curve of challenges which may have contributed to the current scale-back of market interest in Zone Group I-J.

It also seems reasonable to NYSERDA that, as the recovery in Zone Group I-J continues, building owners will refocus their attention on PV and market demand will return. In addition, as the RPS 2013 Review process unfolds, ideas from stakeholders may reveal additional interventions that can be taken to accelerate the revitalization of the PV market in Zone Group I-J. In the meantime, the transfer of funds from Zone Group I-J to meet existing demand in Zone Groups A-F and G-H will allow the Program to support Governor Cuomo’s 2013 NY-Sun goal.⁶

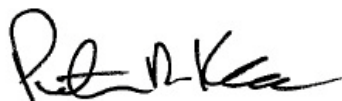
⁶ NYSERDA does not seek to transfer any of the \$25 million of original Geographic Balancing funds embodied in PON 2589 dedicated to Zone Group I-J, nor does it seek flexibility regarding allocations beyond 2013 that have been specified in Commission Orders.

Conclusion

Accordingly, NYSERDA requests discretionary authority to transfer the remaining balance in PON 2589 of \$32,041,667 of NY-Sun Zone Group I-J funds to the Zone Groups A-F and G-H, in a manner to be determined by NYSERDA in consultation with the New York State Department of Public Service, based on quantity and quality of proposals received under PON 2589. Again, if approved, NYSERDA would retain, for Zone Group I-J, the \$25 million original Geographic Balance funding and is not seeking to change the funding allocations previously established by the Commission for subsequent years to be offered in subsequent solicitations.

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