

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

Case 03-E-0188

**PETITION FOR MODIFICATION
OF NY-SUN SOLAR PV PROGRAMS**

Introduction

The New York State Energy Research and Development Authority (NYSERDA) respectfully requests that the Commission issue an order modifying the implementation rules governing the Renewable Portfolio Standard (RPS), Customer-Sited Tier (CST) Standard Offer and Competitive PV Programs. Specifically, NYSERDA seeks modifications to: (1) create a second tier, with a lower incentive level, for commercial Standard Offer PV systems sized between the current maximum size cap of 50 kilowatts (kW) up to a new maximum size cap of 200 kW; (2) increase the minimum size threshold for the Competitive PV program to systems larger than 200kW; (3) create a separate, short-term, incentive opportunity for capacity additions up to the new 200kW maximum size cap for previously completed commercial systems; and to (4) raise the residential system maximum size cap from the current 7kW to 25kW. These program adjustments are being proposed to enhance the likelihood of achieving the aggressive 2013 NY-Sun goal of quadrupling the customer-sited capacity added in 2011.

Requested Modifications

1. Create a second tier for commercial Standard Offer PV systems larger than 50 kW up to a maximum size cap of 200 kW.

NYSERDA requests that a second tier be added to the Standard Offer PV Program for new commercial PV systems larger than the current maximum cap of 50kW, and up to a new maximum size cap of 200kW. While systems in that size range are currently eligible under the Competitive PV Program, NYSERDA has only received a limited number of Competitive proposals for such systems, and market intelligence indicates that the Standard Offer Program is a more viable and appropriate platform for this market. This was reaffirmed at a recent NY-Sun stakeholder meeting of participating Contractors, during which the option of raising the

commercial system maximum size cap for the Standard Offer program received very strong support.¹ Participants in the meeting indicated that the customer acquisition costs, proposal and contract timelines and deadlines, and financing issues attendant to the Competitive process do not mesh well with systems under 200kW.

An increase in the system size cap to 200kW would provide an opportunity for this underserved segment of the marketplace to move forward, allowing more systems of this size to be installed in 2013 to support Governor Cuomo’s NY-Sun goal of quadrupling of solar photovoltaic (PV) capacity installations during 2013, relative to the amount installed during 2011. At the same time, these larger systems require lower standard incentives than systems sized up to the current cap of 50kW. Therefore, NYSERDA proposes to implement a two-tier incentive structure for commercial projects. Under the two-tier incentive structure, the existing fixed per watt incentive would be paid on the first 50kW of installed capacity (Base Tier) and a fixed, lower (Second Tier), per watt incentive would be paid on the portion of the system exceeding 50kW (up to 200kW). The lower Second Tier incentive is appropriate based on expected economies of scale on material and labor cost for larger systems.

The per watt incentive for the new Second Tier would be set as a percentage of the Base Tier per watt incentive (rounded to the nearest 5 cents). The following table provides an example of how the incentives would be calculated for a 100kW and a 200kW system using the existing Base incentive of \$1.40/W and applying a Second Tier incentive percentage of 70%.

Illustrative example of the incentive calculation under a Two-Tier incentive structure using 70% Second Tier incentive (rounded to the nearest 5 cents)			
	Capacity [kW]	Incentive [\$ /W]	Incentive Value [\$]
System Capacity: 100kW			
Base Tier	50	\$1.40	\$ 70,000
Second Tier	50	\$1.00	\$ 50,000
Total	100		\$ 120,000
Effective Incentive		\$1.20	
System Capacity: 200kW			
Base Tier	50	\$1.40	\$ 70,000
Second Tier	150	\$1.00	\$ 150,000
Total	200		\$ 220,000
Effective Incentive		\$1.10	

¹ The NY-Sun meeting was held at NYSERDA on February 28, 2013. Approximately 30 contractor representatives attended.

NYSERDA proposes that the Second Tier incentive percentage would be determined by NYSERDA in consultation with New York State Department of Public Service (NYSDPS) staff. NYSERDA proposes that in no instance would the Second Tier incentive level exceed 80% of the Base Tier incentive level. Price points from the Competitive PV program will be examined to determine appropriate incentive pricing for 200kW systems, which will then inform percentage decisions. It is anticipated that the appropriate percentage may change over time based on how the cost of PV systems varies by size.

2. Increase the threshold for the CST Competitive PV program to systems larger than 200kW.

Should the Commission approve the request above, NYSERDA requests that the Commission also increase the minimum system size under the Competitive PV program from 50 kW to 200 kW. The current Competitive PV program has a minimum size threshold of larger than 50kW to avoid market overlap and confusion between the Standard Offer and Competitive PV Programs. With the increase in the commercial PV system sizes eligible for the Standard Offer second tier, a corresponding increase in the minimum eligible system size under the Competitive PV program, to those larger than 200 kW, will maintain consistency with current PV program structure and reduce confusion.

3. Create a separate, short-term incentive for Add-on Commercial Systems.

Market research shows that many commercial customers with installed systems up to the 50kW cap would, if given the opportunity, take advantage of a higher system size cap by adding additional capacity. These potential add-on projects would be located at existing customer sites, so project development time could be reduced due to the Contractors' familiarity with details of the specific site. This existing and well-defined customer base presents an opportunity to quickly install additional capacity in the Standard Offer PV Program, which would contribute to achievement of Governor Cuomo's 2013 NY-Sun goal.

The economies of scale for capacity additions to already completed projects will be limited in comparison to entirely new systems larger than 50kW, given the need to replace or supplement the main system components such as the inverters, along with balance of system hardware and soft costs associated with redesign and new permitting and inspection fees.

To encourage timely installation of these add-on systems NYSERDA proposes the creation of a separate short-term add-on incentive; the specifics of which are proposed as follows:

- i. The add-on incentive will be available only for project applications received by the Standard Offer PV Program within a six month grace period following the date of issuance of a Commission order adopting the requested revisions.
- ii. During the grace period, eligible add-on capacity to original commercial systems smaller than 50kW that were completed prior to the issuance date of the order will be treated as new projects, receiving the Base Tier incentive for the first 50kW of add-on capacity installed and the Second Tier incentive for add-on capacity in excess of 50kW. In no instance will NYSERDA incentivize capacity above 200kW, based on the combined (original and add-on) system size.
- iii. Following this six month period, Contractors may still submit applications for add-on systems. However, the additional capacity will be combined with the original system size to determine the incentive amount. For example, if the original system was 45kW, and the installer submits an application to add-on 80kW, the first 5kW of add-on capacity would receive a Base Tier incentive, and the remaining 75kW of add-on capacity would receive the Second Tier incentive. The table below further illustrates this example.

Post six-month grace period: Original system of 45kW with an 80kW add-on system			
	Capacity [kW]	Incentive [\$/W]	Incentive Value [\$]
Original System Capacity (completed): 45kW			
New Add-on System			
Base Tier	5	\$ 1.40	\$ 7,000
Second Tier	75	\$ 1.00	\$ 75,000
Total	80		\$ 82,000
Effective Add-on Incentive		\$ 1.03	

4. Raise the residential Standard Offer PV system size cap from 7kW to 25kW.

Increasing the maximum size cap for residential systems from 7kW to 25kW would make the Standard Offer residential size cap consistent with the one contained in New York's net-metering law, which allows residential PV systems up to 25kW to net-meter. Also, the current evolution of the PV market and expanded incentive budget are sufficient to support an increasingly diverse customer population. As NYSERDA expects that smaller systems will continue to be installed

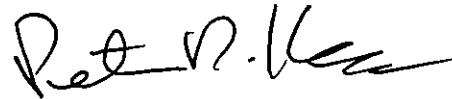
even if the cap were raised to 25kW, it is no longer necessary to constrain the marketplace with incentives based on a residential size cap below that eligible for net metering. An increase of the residential cap will also better accommodate home-based businesses and electric vehicle charging, enabling PV systems to help offset larger loads at properties served under residential rates.

Conclusion

Should the Commission grant NYSERDA's request, the CST PV Programs will continue to make a significant contribution to goals of the Renewable Portfolio Standard and Governor Cuomo's NY-Sun Initiative. Accordingly, NYSERDA requests that the Commission issue an order modifying the implementation rules governing the Renewable Portfolio Standard, Customer-Sited Tier Standard Offer PV Program to: (1) create a second tier for the commercial system Standard Offer for systems larger than the current maximum size cap of 50 kW up to a new maximum size cap of 200 kW; (2) increase the threshold for the Competitive PV program to systems larger than 200kW; (3) create a separate, short-term, incentive opportunity for capacity additions to previously completed systems; and to (4) raise the residential system size cap to 25kW.

Dated: April 25, 2013

Respectfully submitted,



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