

September 30, 2016

Dear Secretary Burgess:

After working collaboratively in the Interconnection Policy Working Group (IPWG) over the past several months, the undersigned organizations (the “Parties”) submit this petition to the New York Public Service Commission (the “Commission”) requesting 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 (the “SIR”).<sup>1</sup> Specifically, the Parties seek an order adopting the queue management and cost sharing proposal attached herein (Attachment A), which was developed by the IPWG participants through the stakeholder process described below.

## **I. Background**

As the Commission’s policies on net metering, remote net metering, and community distributed generation have evolved, large numbers of interconnection applications have populated the interconnection queue maintained by New York’s utilities. The volume and complexity of the proposals, paired with lack of a mechanism for projects to satisfy maturity thresholds at key intervals or be removed from the queue, resulted in the current backlog of projects. The New York Department of Public Service (the “DPS”) formed the IPWG in June 2016 to address various improvements to the interconnection process, including development of a queue management solution. The members of the IPWG include representatives from each of the five investor owned utilities (collectively the Joint Utilities (JUs)), industry groups including the New York Solar Energy Industries Association, members of the solar and distributed generation developer community in New York, the Interstate Renewable Energy Council, Inc. (IREC), and other large stakeholders. The IPWG is chaired by the two New York State Interconnection Ombudsmen, staff members of DPS and NYSERDA, respectively.

To date, the IPWG has had six in-person meetings. Members of the group have also met several times between these larger meetings and convened numerous phone calls to work through the details of the proposal presented here. The process has been productive and collaborative, enabling participating organizations to share perspectives and work together towards consensus solutions. The recommendations, detailed in the following sections, are the direct result of a thorough, inclusive, and collaborative stakeholder process conducted through the IPWG.

## **II. The Queue Management Proposal – Major Components and Rationale**

The attached proposal includes components that apply only to the backlog of applications submitted prior to the effective date of the current SIR (April 29, 2016) as well as provisions that apply to all applications. Key elements of the proposal are summarized here.

### **Property Owner Consent and Site Control**

Attachment A requires all applications – pre and post-April 29 – to demonstrate property owner consent within 30 days of the effective date of an order adopting the queue management proposal. Property owner consent will eliminate instances of two or more developers seeking to interconnect projects located at the same site and will ensure that property owners are apprised of activities pertaining to their property. Subsequent to property owner consent, the Parties also recommend that post-April 29 projects demonstrate site control prior to proceeding to a CESIR study. This common practice<sup>2</sup> ensures

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<sup>1</sup> The Commission approved the current version of the SIR earlier this year. Case 15-E-0557, Order Modifying Standardized Interconnection Requirements (issued March 18, 2016). This petition seeks changes to both the current version and the version in place prior to April 29, 2016.

<sup>2</sup> Property owner consent and/or site control are commonly required in other jurisdictions, such as FERC’s Small Generator Interconnection Procedure (SGIP) as well as the in the interconnection requirements of North Carolina,

projects are of appropriate maturity to continue in the queue and that utility resources are allocated to maximum effect.

### **Binding Timelines for Developer Decisions**

In addition to the above, the proposal recommends implementing binding timelines for developer decisions and payments for all applications submitted prior to April 29, 2016 for which an interconnection contract has not yet been executed. These proposed deadlines focus on the steps preceding and following the point where a Coordinated Electric System Interconnection Review (CESIR) is required. The time periods are modeled on the existing SIR, with some modifications to expedite decisions and provide as much visibility as possible for projects deeper in the queue. The provisions of Attachment A would require developers to move through the steps of the interconnection process within a specific period of time or be removed from the queue. As in the updated SIR, the rationale for the timelines proposed is that projects must move through the queue at a pace that allows projects enough time to develop, but does not unfairly delay or burden projects behind it. Enforcing these timelines will also help ensure that the queue may serve as an accurate gauge of market activity.

### **Extensions for Committed Projects with Local Permitting Moratoria**

The Parties propose an additional timeline option for project applications in a jurisdiction with a local permitting moratorium. This recommendation addresses situations where a project has successfully navigated the interconnection process but, after receiving its CESIR study, finds that a permitting moratorium has been put in place in its jurisdiction. When this occurs, the developer may not be able to immediately obtain financing for the project and so may be unable to meet its obligation under the SIR to pay for necessary system upgrades. The Parties propose that a project in this situation receive an extension of up to 12 months for the final payment deadline if the applicant pays an advance of 25% of the expected upgrade cost and submits proof of the existing moratorium with an attestation that the developer will notify the utility when the moratorium is lifted.

### **Interim Limited Mandatory Cost Sharing Mechanism**

The Parties propose a limited cost sharing mechanism applicable to certain types of substation upgrades. Currently, many projects in the queue with completed CESIRs cannot afford the upgrade costs triggered by their projects, and their project timing does not easily match up with other projects for voluntary cost-sharing to be particularly effective. Therefore, the Parties propose an interim, mandatory cost sharing mechanism to spread the cost of substation upgrades exceeding \$250,000 in order to foster continued market momentum while a more comprehensive cost causation and cost allocation methodology is developed. The Parties propose that the first project triggering the need for an upgrade pay the full cost, as the SIR currently provides; once the mechanism is triggered, subsequent projects over 200 kW in size are required to participate and to reimburse the projects ahead of them that have also contributed to the cost of the upgrade. The utilities take the role of administering and tracking reimbursements among the participating projects. This limited sharing mechanism applies until the full capacity of the upgrade has been absorbed, or until the cost share that all participants have paid is at or less than \$100,000, whichever comes first. Finally, the mechanism “sunset” on December 31, 2020.

## **III. Conclusion**

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California, and Massachusetts. Specifically, Massachusetts requires only property owner consent upon submission of an interconnection application, while FERC, North Carolina, and California require site control at the time of application.

The signatories included here, following the collaborative efforts of the Interconnection Policy Working Group, encourage the Commission to address these important issues and adopt the queue management and cost sharing proposal attached to this petition.

Sincerely,

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## **Attachment A: Queue Management Proposal September 30, 2016**

### **Applicability of the SIR**

This proposal addresses interconnection applications submitted under the Standardized Interconnection Requirements (SIR) that were in effect through April 29, 2016. Except as modified by this proposal, the requirements of the pre-April 29 SIR continue to apply.

### **Preparatory Activities**

Utilities, representatives from the solar industry, and the State Ombudsmen will continue their efforts to clear the pre-April 29, 2016 inventory through voluntary withdrawals and application of the 12-month limit in the prior version of the SIR.

### **Queue Reset for Pre-4/29 Applications**

The “start date” of this queue management process will be 20 business days after the issuance of an Order by the PSC related to this proposal. At the “start date”, the queue of interconnection applications submitted before 4/29/16 - unless they have already executed an interconnection contract and any construction payments have been received - will need to meet the applicable requirements described below in the allowed timeframes. The first requirement applies to all applications and the other requirements are based on where the application is in the process. 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 reset will be accomplished by taking the following steps:

- 1) **Property Owner Consent Verification.** All applications, again unless an interconnection contract has been executed and any construction payments for an application have been received, will be required to provide the utilities with proof of property owner consent within 10 business days of the “start date”. Property owner consent will take the form of a signed statewide standard property owner consent form which will require that either a) 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 b) that there is a signed option agreement to lease or purchase the land, an executed land lease, an executed purchase contract, a license to use, or other irrevocable right to use. If the developer already has the agreement or contract signed by the property owner, they may for the purposes of this reset attach it in redacted format to the consent form in lieu of the property owner’s signature. Applications that do not meet this requirement will be withdrawn from the queue with no further required action by the utility.
- 2) **Queue Reset.** The utilities will then update the interconnection queue and publish the revised queue within 30 business days from the end of the landowner consent verification period (i.e. completion of the 10 business days specified above). This date will be defined at the “reset date”. The utilities will thereafter provide the updated queue monthly on the 15<sup>th</sup> of each month.

- 3) **Decision Periods Following the Reset.** The below timelines and required actions/payments will be applied to the remaining applications as follows:
- a. **Projects with CESIRs that have been completed for more than 60 business days as of the “reset date”:** Any projects in this category that decide to move forward will have 30 business days after “reset date” to pay 25% of the expected upgrade cost, and execute the interconnection contract with the utility (as in the new SIR). Making upgrade payment means proof of check or electronic transfer delivery. Checks must clear for this delivery to count. If a developer has previously already negotiated an initial payment with the utility for less than 25% prior to the “start date”, that arrangement shall not be affected by this requirement. 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 this 30 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.
  - b. **Projects with CESIR studies that are incomplete or completed for less than 60 business days as of “reset date”:** The decision period for projects with CESIRs completed for less than 60 business days as of “reset date 1” will be 60 business days after that date. All other projects in this category will have 60 business days after completion of their CESIR to decide whether to move forward. Projects that intend to progress must pay 25% of the expected upgrade cost and execute the interconnection contract with the utility (as in the new SIR) by the end of the relevant 60 business day period. Making upgrade payment means proof of check or electronic transfer delivery. Checks must clear for this delivery to count. If a developer has previously negotiated an initial payment with the utility for less than 25% prior to the “start date”, that arrangement shall not be affected by this requirement. 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 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.
  - c. **Projects for which a developer has only received a Preliminary Review as of the “reset date”:** Projects which have received only a Preliminary Review by the “reset date” will follow the process detailed below. Utilities will have 5 business days from “reset date 1” to contact, via email, the initial grouping of projects, which shall consist of the first application on each substation transformer in each utility territory, and notify them of their need to make a decision to move to full CESIR. Developers will then have 15 business days to notify the utility of their desire to move to full CESIR study. If the developer decides to move forward to CESIR they will be required to make full payment for the study prior to the end of this 15 business day period. If a developer makes a decision and payment prior to the end of the 15 business day period, to ensure an orderly process, the utility will still wait the entire period before repeating this process for the next application on the substation transformer. Making payment means proof of

check or electronic transfer. Checks must clear for electronic transfer to count. Projects must also meet all requirements of the pre-April 29 SIR (i.e. completed design package) prior to the end of this 15 business day period. Any project in this initial grouping that fails to make 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. The process will continue with all remaining pre-4/29 projects in the queue being required to make their decisions about moving forward with a CESIR in order of their position on the utilities substation transformer (all first position applications on substation transformers are required to go first and then all second position applications etc following this process through the entire queue). Each time the utilities will have 5 business days from the end of the previous 15 business day period to contact, via email, the next grouping of projects, and notify them of their need to make a decision to move to full CESIR. Developers will then have 15 business days to notify the utility of their desire to move to full CESIR study and to make payment. CESIRs will be scheduled in the order that payments are received and checks clear. As capability for a utility 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 sequential studies, but the utilities will identify the ability to cluster studies on the same circuit and or substation for a single developer. Developers would have the option to cluster, but once that decision is made it is final. Applicants in this group 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.

#### **4) Study and Construction Schedule**

- a. Each utility will publish a schedule for the completion of each application's CESIR as part of its monthly reports and will update it monthly. The schedule will 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 SIR required 60 business day timeline from applicant payment to CESIR completion, however for the purposes of this queue management cleanup, each individual CESIR will be planned to at minimum be completed within 60 business days of the start date established for it in the schedule. Utilities will provide construction schedules back to the developer within 30 business days of 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 may arrange to pay additional funds to utilities to cover the costs of long lead-time items. The applicant has a total of 120 business days to provide full payment to the utility from the time of

the executed contract. Projects that do not meet this requirement will be removed from the queue with no further action required from the utility

**5) Confirmation and Tracking**

- a. The utilities will provide email confirmation to developers upon receipt of the payments and any other documentation required for the timelines in #3 above. They will also provide some mechanism for developers to see the results of the water falling decision and payment making process in #3c 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.
- b. In all cases, it will be the obligation of the developer to check the status of their projects relative to the 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.

**Queue Management Provisions Applicable to Post April 29, 2016 Applications**

- 1) **Property Owner Consent Verification.** In addition to complying with all of the timelines of the new SIR, all of these applications will be required to file with the utility a property owner consent form as defined above within 10 business days of the “start date” for all existing applications as of the date of the Order and for all subsequent applications in order to be submitted and enter the interconnection queue. Property owner consent will take the form of a signed statewide standard property owner consent form which will require that either a) the property owner acknowledges that he/she is working exclusively with that developer so only one application for the physical space for citing the project a can be submitted at any one time, or b) that there is a signed option agreement to lease or purchase the land, an executed land lease, or an executed purchase contract. Existing projects as of the date of the Order which do not provide the property owner consent form in the timeline described above will be withdrawn from the queue with no further action required by the utility.
- 2) **Proof of Site Control.** Proof of site control will be required to move forward with a CESIR study, and this site control will take the form of a signed statewide standard property owner site control 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, 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.
- 3) **CESIR Studies.** Post April 29 applications that meet the property owner consent requirement and that proceed to the CESIR study phase will have their CESIR scheduled based on the availability of utility resources.
- 4) Projects that do not meet these requirements or any of the other required timelines in the new SIR will be removed from the queue with no further action required by the utility. Once the CESIR for a project is completed the developer will have 60 business

days to make payment of 25% of proposed upgrade costs or be removed from the queue as defined in the new SIR.

### **Extension to Timeline if Permitting Moratorium Where Project Located**

To enable compliance with the above timelines, after receiving its CESIR, any project can get an extension of the required timeline if it pays the 25% of the expected upgrade cost, executes the interconnection contract, and submits 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. From there, the extension would kick in and the 120 business day timeline for paying the remainder of the total upgrade payment would be adjusted to be 120 business days from the end of the moratorium. Because the 25% commitment has been made, the project would retain its exact position in the interconnection queue. If the project does not move forward after receiving an extension, it must be due to a continued moratorium or permitting issue, and if so, the unused portion of the 25% payment will be refunded by the utility. This extension would be limited to 12 months from the date that the 25% payment was received and the check cleared. At the end of the 12 months the project will be removed from the queue with any unused portion of the 25% payment being refunded by the utility.

### **Limited Mandatory Interconnection Upgrade Cost Sharing Mechanism**

- 1) This mechanism applies to any initial projects that meet all of the below criteria:**
  - a. Use Eligible Technologies** – This mechanism is applicable to projects and technologies interconnecting to the distribution grid via the New York Standard Interconnection Requirements (SIR) and using state jurisdictional rates.
  - b. Pay for Upgrade Costs After Mechanism Start Date** – Any project that completes 100% payment of its upgrade costs after the adoption of this mechanism by the NY PSC is eligible to use it. The mechanism is not available, however, to projects whose upgrade costs are already 100% paid for or where required to have paid for upgrade costs at the time the mechanism is adopted- i.e. it is not retroactive.
  - c. Have Specific Eligible Upgrades** – This mechanism applies to upgrades that can be used by more than one project, and specifically, it applies to:
    - i. Substation 3V0 installation
    - ii. Substation transformer upgrades
    - iii. Other substation-level shared upgrades
  - d. Eligible Upgrades Meet the Minimum Cost Threshold** – The mechanism is limited to eligible upgrades that together cost in total \$250,000 or more
  - e. Payment of the Upgrade Cost** - The initial project pays for the eligible upgrade cost and must pay for that and any other upgrade costs in accordance with the SIR timelines. The portion of the total upgrade cost that is eligible for this mechanism will be shown to the applicant in the CESIR study, or in the Preliminary Technical Report or Supplemental Review Report if no CESIR is required.



2) **This mechanism applies to subsequent projects that will use these same upgrades if they meet the below size threshold/criteria:**

- a. **200 kW or Greater in Size** - Any subsequent project that is equal or greater than 200 kWac in size at one point of common coupling (PCC) and uses the upgrade will share in the upgrade cost according to this mechanism.
- b. **Projects Aggregating to 200 kW or Greater in Certain Situations** - Any subsequent projects under one developer totaling in aggregate >200 kW whose applications are filed within 8 months of each other and use the upgrade. For this mechanism, the developer is defined as the entity that submitted the interconnection application and is managing that process, and one developer is defined to include all legal entities associated or affiliated with a given company, including subsidiaries, LLCs, etc.

3) **The mechanism will function as follows:**

- a. **Subsequent Projects Pay Their Prorated Share of Eligible Upgrades** – Subsequent projects 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 the utility processing fee below. 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 upgrades, the prorated share for projects after the initial one is based on the fraction of their project size (MWac) to the total projects (MWac) benefiting from the upgrade to date including them. Please see the examples below under “Mechanics of the Cost Sharing Program” for more details. A project’s prorated share of the upgrade cost will be shown to the applicant in the CESIR study, or in the Preliminary Technical Report or Supplemental Review Report if no CESIR is required. A project’s payment of 100% of their prorated share is what starts the cost sharing mechanism and allocation process.
- b. **Utility Processing Fee** - Utilities shall deduct a \$750 processing fee from each reimbursement check that it issues in the amount of the below. This amount per check might be reassessed before December 31, 2020 if it needs to be adjusted to better cover administrative costs.
- c. **Sharing Limit** – The first of the below events to occur triggers the end of the cost sharing of an upgrade:
  - i. **Maximum Capacity** - When the capacity of the upgrade is completely used up by projects, the cost sharing stops.
  - ii. **Sharing Cost Threshold** – Once the net costs of the upgrade to all of the projects sharing it reaches this amount or less, no further sharing is done – in other words, projects that might occur after this point will incur no sharing costs.  
\$100,000
  - iii. **Sharing Date Limit** – Any projects for which 100% of upgrade costs are required to be paid and payment received by the below date will be

subject to this cost sharing mechanism, but projects after this date will not.

December 31, 2020

**4) Below is an illustrative example of the cost sharing mechanism:**

- a. "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.
- b. "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.
- c. 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.
- d. 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.