STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIRs) for Small Distributed Generators Case 18-E-0018

In the Matter of the Value of Distributed Energy Resources Case 15-E-0751

INITIAL COMMENTS OF THE CITY OF NEW YORK ON THE PROPOSED MODIFICATIONS TO THE STANDARDIZED INTERCONNECTION REQUIREMENTS

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The City of New York (“City”) supports the Public Service Commission’s (“Commission”) policy objective of integrating cost-effective distributed generation (“DG”) into utility electric systems to benefit electric customers. Both New York State (“State”) and the City have a significant interest in greater DG facility penetration to meet their ambitious and complementary clean energy goals. For example, New York State’s Clean Energy Standard (“CES”) aims to have 50% of all electricity used in New York generated by renewable resources by 2030 (“50 x 30”) to reduce the State’s greenhouse gas (“GHG”) emissions 80 percent below a 1990 baseline by 2050.1 Similarly, the City has adopted an ambitious energy plan that relies on improved energy efficiency and expanded development of renewable energy to reduce the City’s GHG emissions 80 percent below a 2005 baseline by 2050 (“80 x 50”), as detailed in OneNYC.2 To pursue these ambitious goals, the City has set stretch targets for clean distributed energy

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1 Case 15-E-0302, Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard, Order Adopting a Clean Energy Standard (issued August 1, 2016), at p. 2.

penetration citywide, including reaching 1000 megawatts (“MW”) of installed solar capacity by 2030 and 100 megawatt-hours (“MWh”) of energy storage capacity by 2020. As it works to attain these citywide objectives, the City is leading by example by retrofitting its municipal buildings with solar panels, pursuing a target of 100 MW installed by 2025, and the New York City Housing Authority is planning to install 25 MW of solar capacity on its public housing facilities. Accordingly, the City’s interest in increased DG levels stems from its role as both a municipality seeking to meet ambitious climate change objectives and also as an applicant seeking to install DG.

In light of these goals, the City supports updating the Standardized Interconnection Requirements (“SIR”) to allow DG to be more easily adopted and integrated into the electric distribution system. However, upon review of Staff’s Proposed SIR, the City has several suggestions based on both the Proposed SIR as a whole and also in response to the questions within Staff’s Notice. Namely, the City requests that: (i) developers be allowed to submit project documents through means other than just the Interconnection Online Application Portal (“IOAP”) under certain circumstances; (ii) utilities be held accountable for failure to comply with SIR deadlines; (iii) the updated SIR provide for increased symmetry in the treatment of utilities and facility owners with respect to insurance requirements; and (iv) municipalities be given greater flexibility to coordinate with utilities on large construction projects.

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4 Case 18-E-0018, supra, Notice Soliciting Comments on Proposed Modifications to the Standardized Interconnection Requirements (issued January 11, 2018) (“Notice”).
COMMENTS

POINT I

THE SIR SHOULD BE FLEXIBLE ENOUGH TO ALLOW DEVELOPERS TO SUBMIT PROJECT DOCUMENTS THROUGH MEANS OTHER THAN THE INTERCONNECTION ONLINE APPLICATION PORTAL WHERE NECESSARY

The objective of the SIR should be to structure and streamline the application process to make it transparent and fair for applicants and workable for the utilities. To this end, the SIR must allow and facilitate submission of documents to the utility. The Proposed SIR clearly states that documents related to a project application must be submitted through the IOAP, going so far as to say that “[h]ard copy, email, and/or mailed in application(s) will no longer be allowed or accepted.”5 While the City understands that a centralized, online repository for application information is in the best interest of all parties in the long run, allowances must be made for those occasions when a utility’s online portal cannot accommodate a document submission. For example, at this early stage of IOAP deployment, the portals may be unexpectedly unavailable as a result of unscheduled maintenance. Similarly, a developer may be unable to upload materials that the utility has requested to the IOAP because the IOAP is designed to allow document submission only during designated stages in the interconnection application process (i.e., after a CESIR study has begun, the applicant is unable to upload documents to the IOAP).6 In these instances, developers should still be allowed to submit either hard or digital copies of their materials through alternative means until the IOAP can accept their documents.

5 Case 18-E-0018, supra, Proposed SIR at p. 15.
6 The City has experienced the latter issue with Consolidated Edison Company of New York’s (“Con Edison”) online portal. Con Edison is aware of this issue with its portal, Power Clerk, and has worked cooperatively with the City to get the information it needs as it attempts to correct the issue.
To remedy this issue, the City recommends that the Proposed SIR include language to the effect of: “If the utility requests information from the applicant and the applicant is unable to submit the information through the IOAP, the utility may accept documents through other means, such as via first class mail or electronic mail.” This will ensure that a developer is not unable to interconnect a project as the result of a technological issue that is beyond his or her control.

Similarly, the Proposed SIR states that, in connection with verification testing, the applicant “provide a written letter of notification to the utility that the system installation is completed” and, if the utility opts not to witness the test, then the applicant must send the utility within five (5) Business Days of test completion, a written notification certifying that the system has been installed and tested in compliance with the SIR. 7 It is not clear to the City why a written letter of notification would be preferable to an electronic notification, even from the utility’s perspective. Permitting electronic notifications would streamline communications between applicants and utilities on verification testing at this important juncture of the application process, and the Proposed SIR should be modified accordingly.

**POINT II**

**UTILITIES SHOULD BE HELD ACCOUNTABLE FOR FAILURE TO COMPLY WITH THE SIR**

The City submits that the SIR would be more equitable to applicants if utilities faced consequences for failing to meet deadlines set forth in the SIR timeline. In a number of instances, applicants must forfeit payments or lose their place in the interconnection queue if they fail to meet timeline milestones, but there is no corresponding consequence if the utility fails to do the same. For example, with respect to combining DG applications, the proposed SIR

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7 Case 18-E-0018, supra, Proposed SIR at p. 5.
provides that the utility has 60 business days to perform the technical review of the combined applications and specifies the information that the utility’s report will provide.\textsuperscript{8} However, there is no stated consequence for the utility if it does not provide the report within 60 days or provides a report containing deficiencies. Conversely, applicants must pay the utility’s estimated construction costs within a certain timeframe, and the SIR specifies that failure to do so will result in the application being deemed withdrawn.

While the City understands that meaningful consequences may incent applicants to meet milestones in the interconnection process, the lack of corresponding consequences for utilities generates the potential for inequitable outcomes. This is particularly concerning because developers are often beholden to additional milestones set by their financing providers, which can depend on the interconnecting utility’s meeting its milestones in the interconnection process. A project’s financing could be compromised if a developer fails to meet its lender’s milestones. As such, it would be appropriate for utilities to bear financial consequences should they fail to meet SIR milestones to better align utility incentives with those of the DG customers they are serving. While the City has no reason to believe that the utilities are not acting in good faith with respect to the interconnection application process, it nevertheless believes that the utilities should also be incented to comply with the deadlines set forth in the SIR.

The Commission and Staff’s careful attention to the SIR demonstrates a commitment to making integration of DG an element of basic utility service. As Staff put it in its October 2016 Report in the Value of Distributed Energy Resources proceeding:

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“Today, the customer side of the grid represents an enormous and largely untapped resource to optimize value throughout the electricity system. [Reforming the Energy Vision] will establish markets so that customers and third parties can be active participants, to achieve dynamic energy management on a \\
\textsuperscript{8} Id at 15.
\end{quote}
system-wide scale, resulting in a more efficient and secure electric system, including better utilization of bulk generation and transmission resources. As a result of this market animation, the role of distributed energy resources (DERs), including end-use energy efficiency, demand response, distributed storage, and distributed generation, will become integral tools in the planning, management and operation of the electric system.9

Other key elements of basic utility service, such as gas safety, customer complaints, and customer satisfaction, carry negative revenue adjustments if utilities do not meet established service thresholds. The argument for reciprocal consequences is particularly valid given that Earnings Adjustment Mechanisms for DG Interconnection are currently reward-only incentives for utilities. The City respectfully submits that more symmetrical accountability for compliance with SIR deadlines would be appropriate and would reinforce the Commission’s policy objective of making the integration of DG a fundamental element of utility service.

**POINT III**

THE INSURANCE REQUIREMENTS IN THE SIR SHOULD BE SYMMETRICAL FOR DEVELOPERS AND THE UTILITIES AND SHOULD PERMIT SELF-INSURANCE

Questions 3 and 4 of the Notice ask whether the interconnecting utility should be a “named insured” under the facility owner’s general liability policy and whether facility owners should be permitted to self-insure. The City believes it is reasonable to require facility owners to have the interconnecting utility included as a named insured under their general liability insurance policies, but only if facility owners are likewise included as named insureds under the interconnecting utilities’ general liability policies or are afforded some other reciprocal protection. Just as utilities are entitled to protection if a facility owner’s project causes damage

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to the utility’s system, facility owners should be entitled to protection if the utility’s system causes damage to the interconnected facility.

The City also supports allowing facility owners to self-insure where those facility owners can adequately demonstrate their ability to provide such self-insurance. In the City’s case, it does not self-insure or maintain insurance. The City as a municipal corporation is authorized to expend funds for any loss, claim, action or judgment. In contracts entered into by the City, it commits to defend, settle, and without limitation, satisfy any judgment against it in connection with all claims or litigation filed against it by all entities and individuals for injuries or property damage. This applies to claims arising from the City’s activities and to contracts to which the City is a party. The City has also agreed to mutual indemnification between the parties in such agreements. The City generally agrees to such provisions on a contract-by-contract basis.

**POINT IV**

**THE SIR MUST INCLUDE FLEXIBILITY FOR MUNICIPALITIES AND UTILITIES TO MORE EASILY INTEGRATE DISTRIBUTED GENERATION AND BETTER ALIGN CONSTRUCTION PAYMENT TIMELINES**

Questions 5 and 6 in the Notice ask whether the Proposed SIR’s construction cost payment milestones align with local siting processes and how the interconnection process could be improved to better align with local siting processes. Broadly, the City believes that utilities should be encouraged to coordinate with municipalities to streamline the integration of distributed generation with utility systems. For example, if the City were developing an industrial park on a priority basis, it would want to work with the utility to identify system upgrades in the vicinity in advance of submitting an application to optimize the benefits of a DG interconnection. Such increased coordination has the potential to facilitate the integration of DG where it is most needed and at a lower cost. In a recent meeting of the Interconnection Policy
Working Group, both National Grid and the New York Power Authority (“NYPA”) presented concepts for “DG-ready substations” with fixed upgrade fees for DG interconnections, which would eliminate the cost uncertainty for DG applicants and facilitate DG deployment. National Grid is upgrading two substations (Peterboro and East Golah) and is setting aside 20 MVA at each for DG. National Grid is proposing to charge a prorated fee to DG projects over 50 KW that connect to these substations. The fee would be based on the estimated common system upgrade costs (subject to a true up for actual costs), divided by the transformer bank’s capacity. Similarly, pursuant to a proposal that it is developing, NYPA would identify substations where DG has the potential to reduce the cost of required upgrades and solicit DG projects to interconnect those substations, with a defined percentage of the required upgrade costs assigned to them. While both National Grid and NYPA are working through the particulars of these proposals, the City urges the Commission to encourage them and other utilities to pursue these and similar approaches that would mitigate the cost uncertainty associated with DG projects and facilitate the deployment of DG where it is most efficient.

Moreover, the objective of facilitating the penetration of DG would be served by providing municipal DG applicants leeway on certain steps in the interconnection process. Because of government procurement rules, municipal facility owners may require additional time to complete SIR steps that require the municipality to commit financial resources. The SIR should therefore provide additional time for municipal applicants to complete any SIR step where the municipality is required either to remit payment to the utility or to agree to studies or system upgrades that involve a financial commitment. This could be addressed by adding language to the SIR that municipal applicants’ payment or financial commitment milestones will be subject to the municipality’s procurement rules, which the municipality would expedite to the
extent possible. In addition, extensions of time should be available if the municipality can demonstrate that further time is needed to process the requisite authorizations. This additional flexibility will ensure that municipalities are able to proceed with beneficial DG facility applications and are not unfairly penalized because of the need to comply with municipal government procurement rules.
CONCLUSION

The City supports both the Commission and Staff’s efforts to reform the SIR in an effort to increase DG proliferation in New York State. To reinforce its policy objective of making DG an integral part of planning, managing, and operating electrical systems, the Commission should ensure that the SIR is flexible and symmetrical to allow for accommodations of a variety of scenarios and align the incentives of all involved parties toward achievement of these policy objectives. The City thanks the Commission for the opportunity to comment on the Proposed SIR and looks forward to working with Staff and the other parties to enhance the SIR.

Respectfully submitted,

\[\text{\underline{\text{\textbf{\textit{\textbf{Catherine L. Nesser}}}}}}\]

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