

LIMITED MANDATORY INTERCONNECTION UPGRADE COST SHARING MECHANISM

The purpose of this “Limited Mandatory Interconnection Upgrade Cost Sharing Mechanism” is to enable more distributed generation (DG) projects in New York with a completed CESIR to move to construction, and thus for the state to more quickly and successfully reach its 30% by 2050 renewable electricity goals. Strict limits on the eligible technologies, start date, the type of upgrades applicable, the cost threshold required, the size of projects that would potentially share an upgrade, the number of projects that would potentially share an upgrade, and the time frame of the sharing – as well as payments to the utilities for administering and tracking - will all combine to ensure that this limited mechanism focuses on the most important cost-sharing needs at present and is not overly burdensome.

PARAMETERS OF LIMITED MANDATORY COST SHARING:

This mechanism applies to initial projects that meet all of the below criteria:

1. **Use Eligible Technologies** – This mechanism is applicable to projects using technologies that currently qualify for net-metering in New York. Specifically, these technologies are solar, wind, micro-hydroelectric, fuel-cells, and biogas.
2. **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.
3. **Have Specific Eligible Upgrades** – This mechanism applies to network level upgrades that can be used by more than one project. It does not cover direct project-specific upgrades used only by one individual project. Specifically, it applies to:
 - a. Substation 3V0 installation
 - b. Substation transformer upgrades
 - c. Other substation-level shared upgrades
4. **Eligible Upgrades Meet the Minimum Cost Threshold** – The mechanism is limited to eligible upgrades that together cost in total this amount or more
 - a. \$250,000

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.

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

1. **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.
2. **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.

The mechanism will function as follows:

1. **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.
2. **Utility Processing Fee** - Utilities shall deduct a 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.
 - a. \$750
3. **Sharing Limit** – The first of the below events to occur triggers the end of the cost sharing of an upgrade:
 - a. **Maximum Capacity** - When the capacity of the upgrade is completely used up by projects, the cost sharing stops.
 - b. **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.
 - i. \$100,000
 - c. **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.
 - i. December 31, 2020

ILLUSTRATIVE MECHANICS OF THE COST SHARING PROGRAM

1. For example

- 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 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 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 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.

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 2020, whichever comes first.

2. **Cost Sharing Mechanism Administration Cost Compensation for the Utilities**

To support the additional administrative burden that the utilities will experience in managing the Cost Sharing Mechanism, the utilities will deduct a processing fee from each reimbursement check that it issues in the amount of \$750.

