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(Via E-mail)
Allen C. Chieco
Director, Asset Management
National Grid
1125 Broadway
Albany, NY 12204
Tel.: (518) 433-3809
Email: allen.chieco@nationalgrid.com

Re: Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to
Reforming the Energy Vision; Demonstration Project
Proposals.

Dear Mr. Chieco:

I am writing to advise you of the current status of Staff's review of your proposed REV demonstration project; the Distributed Generation Interconnection Project (Demonstration or Project) filed on February 14, 2017 by Niagara Mohawk Power Corporation d/b/a National Grid (National Grid).

According to National Grid, the Project is intended to enable the interconnection of Distributed Generation (DG) projects by proactively installing 3V0 protection equipment in two substations. In addition, National Grid proposes an alternate cost sharing mechanism to lower the initial interconnection cost when compared to existing practices.

Staff has reviewed the demonstration project compliance filing for consistency with the Track One Order as well as the Commission's REV policy objectives and the Commission's demonstration project principles. For this Demonstration, Staff identified the REV policy objectives addressed are fuel and resource diversity; system reliability and resiliency; and reduction of carbon emissions. This is primarily due to the fact that this Project is striving to enable an increased number of DG projects, including but not limited to PV solar, to interconnect to the grid while maintaining appropriate operating system protections. If successful, the Project will result in more DG interconnected and a more efficient, resilient, and "greener" distribution grid.

Staff has also considered how the Project satisfies the Commission's demonstration project principles defined in the Commission's Resolution on Demonstration Projects. Specifically, the new business models; identification of economic value; pricing and rate design; scalability; system benefits; and, cost effectiveness are addressed. Because the Project is a cost sharing alternative, DG resources will be able to interconnect at lower cost than currently allowed. By using this new business model to make interconnection costs less variable with regard to system protection requirements, National Grid's will determine if DG developers will be to develop business cases and ultimately interconnect to the distribution system. Staff agrees that the removal of an economic barrier as proposed in this demonstration project may lead to a new methodology going forward. Additionally, the Project is very scalable as it can be easily replicated for any substation where 3V0 protection is required before the interconnection of certain sized DG could occur.

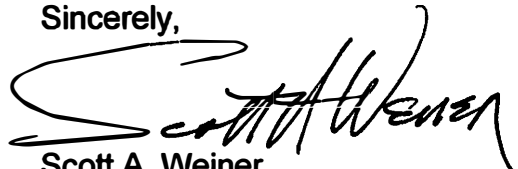
For the reason mentioned above, Staff has determined that the Project complies with the appropriate policy objectives set forth in Ordering Clause 4 of the Commission's *Order Adopting Regulatory Policy Framework and Implementation Plan*, issued February 27, 2015 in the above referenced proceeding. In addition, based on conversations between the Company and Staff, this letter confirms the Company's agreement to make three specific modifications to the proposal that relate to implementation. First, the time period for the demonstration project shall be reduced

from the proposed 18 month period to 6 months. This will enable more timely conclusions that could impact DER market development. Second, the Company shall perform a survey before and after the demonstration project instead of just after. This will enable the demonstration to capture more closely why developers chose to participate and an understanding of the overall experience. Lastly, instead of using its existing capital budget to pay for the system upgrades that are part of the demonstration project, the Company shall account for the costs and revenues (i.e. fees received from DG developers who sign up) for this demonstration project as a regulatory asset. This approach will insure that the money received from the proposed interconnection fees will be credited against the costs to assure appropriate limitations on the amount of support by ratepayers.

Based on Staff's conclusions, National Grid shall develop an implementation plan that will include a detailed schedule, budget, projected milestones with acceptance or performance criteria, reporting requirements and reflect the additional modifications above. The implementation plan is expected to evolve and incorporate lessons learned or new developments within the scope of the project. The project implementation plan will be updated quarterly. The implementation plan and updates will be filed with the Secretary within thirty days.

If you have any questions, please contact either Christian Bonvin at Christian.Bonvin@dps.ny.gov or 518-486-2817, or Marco Padula at Marco.Padula@dps.ny.gov or 518-474-6694. My colleagues and I look forward to continuing to work with National Grid in the further evaluation and implementation of this project.

Sincerely,

A handwritten signature in black ink that reads "Scott A. Weiner". The signature is written in a cursive style with a large, sweeping initial "S".

Scott A. Weiner
Deputy for Markets and Innovation