STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on April 24, 2014

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Garry A. Brown
Gregg C. Sayre
Diane X. Burman, abstained

CASE 03-E-0188 – Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard.

ORDER AUTHORIZING FUNDING AND IMPLEMENTATION OF THE SOLAR PHOTOVOLTAIC MW BLOCK PROGRAMS

(Issued and Effective April 24, 2014)

BY THE COMMISSION:

INTRODUCTION

In this Order, the Commission authorizes the New York State Energy Research and Development Authority (NYSERDA) to allocate funds which will be used to support, implement and administer eligible solar photovoltaic (solar PV) programs, currently under the Customer-Sited Tier (CST) of the Renewable Portfolio Standard (RPS) program, during the term 2016 through 2023. The Commission also approves the design criteria advanced by NYSERDA for the MW Block approach to administering the solar PV programs. Based on our approval for these design criteria, NYSERDA will proceed to implementation of these program design changes through an Operating Plan which will specify, inter alia, final block sizes, incentive levels and program rules. This Operating Plan will be submitted as a compliance filing for

Department of Public Service (DPS) Staff review and acceptance prior to program implementation.

In this Order, NYSERDA is also authorized to use 1.5% of the funds allocated to the solar PV programs, not to exceed $13 million, for projects to help advance participation by low to moderate income customers in these programs. Finally, NYSERDA is required to provide a study that evaluates the cost and benefits of our current net metering policies that support certain distributed generation technologies, including solar PV.

BACKGROUND

In a September 5, 2013 Petition in this case, NYSERDA sought our approval for a change in the design of its CST solar PV programs. In that Petition, NYSERDA asserted that the current design did not provide the predictability or transparency that is needed so that PV installers can confidently contract with their customers based on the correct incentive level. To address this problem, NYSERDA sought to implement a Megawatt Block (MW Block) program design to provide "more certainty and transparency to the industry."[1] In December

[1] In its September 2013 Petition, NYSERDA described the MW Block approach as one

> in which the incentive declines by a pre-determined increment upon NYSERDA's receipt and acceptance of applications totaling some pre-determined amount of MW (MW Blocks) to be incentivized. Because of the regional market differences currently being observed through the Standard Offer PV Incentive Program, this type of approach would most effectively be deployed on a regional basis, potentially providing different incentive levels and different MW Blocks in different regions.
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> The status of achieving the MW Blocks, block sizes and incentive levels by region will be clearly communicated to the public on NYSERDA's web site. This MW Block approach provides certainty and transparency regarding incentive levels to the industry…

2013 and in response to the NYSERDA petition, the Commission authorized NYSERDA to, among other things, transition the current Standard Offer and Competitive Solar PV programs to the MW Block design under which the solar PV markets would continue to grow while steadily reducing and eliminating cash incentives in a transparent and predictable manner. In our December Order, NYSERDA was directed to file, for Commission approval, a description of the design criteria of its MW Block approach. In addition, NYSERDA was directed to outline a funding strategy to support the solar PV program post-2015.[2]

The Commission also encouraged NYSERDA to work with the Long Island Power Authority (LIPA) and the New York Power Authority (NYPA) to identify the potential merits of a more coordinated Statewide approach to administering the solar PV programs.[3]

In response to the Commission's order, NYSERDA filed, on January 6, 2014, a petition (NYSERDA 2014 Petition or Petition) that addresses: a budget to support the program through 2023, the design criteria for the MW Block program, and plans to incorporate the Long Island service territory into the MW Block program for LIPA's residential and small non-residential customers.[4]

Case 03-E-0188, Retail Renewable Portfolio Standard, Petition NYSERDA's NY-Sun Funding Considerations and other Program Modifications Petition (September 5, 2013), p. 5.

[2] Case 03-E-0188, supra, Order Authorizing the Redesign of the Solar Photovoltaic Programs and the Reallocation of Main-Tier Unencumbered Fund (issued December 19, 2013) (December Order).

[3] Id., p. 15.

[4] LIPA's supports larger-sized system installations under its feed-in tariff program.

SUMMARY OF NYSERDA'S PETITION

In its Petition, NYSERDA provides an overview of the MW Block Program concept, emphasizing that the approach provides needed certainty and transparency to the industry regarding incentive levels; that it accounts for regional market differences; and that it provides a clear signal to the industry of the intention to eliminate cash incentives within a defined and reasonable timeframe.

The parameters of the MW Block program described in the NYSERDA Petition include a Statewide capacity goal of 3,000 MWs, and a program design that recognizes three distinct regions in the State, i.e., Long Island, New York City metropolitan area and the rest of the state (ROS). The program design also subdivides the program in each region into three separate market segments: a segment for systems up to 50 kW in size (small), a segment for systems greater than 50 kW up to 200 kW (medium) and a segment for systems greater than 200 kW up to 2 MW (large). In the proposed program design, the incentive will be a capacity based standard offer incentive for small and medium sized systems, and a performance-based incentive for large systems.[5]

For each region and for each segment within each region where the program is following the MW Block approach, NYSERDA will establish a MW target. Under this program design, NYSERDA then divides those regional MW targets into blocks; awards incentives to applications based on the block in effect at the time of application submission, and then moves to the next incentive level when a MW block is fully subscribed. Once

[5] NYSERDA notes that it does not seek at this time approval of the MW Block program design for systems above 200 kW. It is anticipated that a MW Block model for these larger projects will be advanced and implemented in 2015.

all of the blocks within a region are fully subscribed, no further incentive is offered.[6]

In implementing the MW Block program, NYSERDA emphasizes that it will track the subscription status of the currently active MW blocks by region on its web site, indicate the date that each block was initiated, and also indicate the incentive level for one or more subsequent blocks. In this way, the market will be in a position to monitor block status, will have improved information regarding the likely timing for incentive changes, and will know what the next incentive level will be in advance of the change, at least one full block ahead. Each region and system size category will be tracked separately, and regional demand will drive the rate at which each block within the region is subscribed.[7]

It also proposes that the initial megawatt allocations be distributed in each region with 20% allocated to residential projects, 30% to non-residential projects up to 200 kW, and 50% to non-residential projects greater than 200 kW. The initial size of the first and subsequent MW blocks and the initial incentive schedule for each MW Block structure within each region will be specified in the Operating Plan which NYSERDA will file for Staff review and acceptance prior to program implementation.

NYSERDA's Petition also seeks flexibility to make adjustments in the block design if market conditions vary significantly from projections. It states that it will develop criteria establishing the triggers for adjustments and will provide ample notification to stakeholders in advance of any

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[6] Case 03-E-0188, supra, NYSERDA's NY-Sun 2016-2023 Funding Considerations and Other Program Implementation Considerations Petition (January 6, 2014), p. 8.

[7] Id., p. 9.

planned changes.[8] NYSERDA also seeks flexibility to re-allocate funds between small, medium and large system sizes recognizing that the initial allocation may not prove to be the most effective means to meet program demand.

To support this extensive effort, NYSERDA seeks authorization to fund incentives from 2016 through 2023 in the amount of $864 million (Program Funds). Funds in this amount are comparable to the total amount of funds that would be required over this period to continue the $108 million per year provided through 2015 in support of the NY-Sun initiative.[9]

NYSERDA also seeks $32,600,000 for program implementation, which includes technical assistance and field review for quality assurance and quality control; $3,500,000 for consumer education, including messaging to the public on the benefits, risks, opportunities and limitations of PV systems, as well as an explanation of various business models that are available to consumers when purchasing or leasing solar PV;

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[8] Specifically, NYSERDA states that:

> [a]n initial Block design consisting of the assigned MWs and incentive schedule for each block will be developed for the duration of the program, for planning purposes. Criteria will be established which may trigger an adjustment to the planned incentive level or the MWs of future blocks. Stakeholders will be notified at least one full block in advance of any planned changes. For example, if market conditions trigger an adjustment, there will be no change to the current (first) block or the next (second) block; however the third block and future blocks may be adjusted.

Id. p. 10.

[9] In 2012, the Commission authorized an increase in the solar PV programs to a total of $108 million per year through 2015. Case 03-E-0188, supra, Order Authorizing the Expansion of the solar photovoltaic and Geographic Balance Programs from 2012 through 2015 and the Reallocation of Main-Tier Unencumbered Funds (issued April 24, 2012).

$38,706,000 for NYSERDA administration of the program through its completion; $2,500,000 for program evaluation, anticipated to include impact and market assessments of the PV programs; and $19,250,000 for the projected New York State cost recovery fee, a charge assessed to NYSERDA and other public authorities by the State for an allocable share of state governmental costs attributable to the provision of services to public benefit corporations. In total, $960,556,000 of incremental funding would be allocated to support the solar PV programs through 2023.

NYSERDA proposes to use existing RPS program funds to initially support solar PV program expenditures. It suggests that in the future, with our approval, it may seek to use future RPS collections to meet program demand. It also requests authorization to borrow from non-RPS unexpended ratepayer funds, if necessary, to meet accelerated program demand.

Lastly, NYSERDA addresses its progress with coordinating efforts with LIPA/PSEG for incorporating the Long Island service territory into the MW Block program for systems under 200 kW. NYSERDA plans to use some of the proceeds from the Regional Greenhouse Gas Initiative (RGGI) program, if an agreement is reached, to support inclusion of LIPA’s customers in the MW Block program on Long Island. This agreement would be memorialized in an executed memorandum of understanding (MOU) between it and LIPA/PSEG. NYSERDA states that it will also explore options through which NYPA customers may qualify to participate in some or all of these solar PV programs.

NOTICE OF PROPOSED RULEMAKING

A Notice of Proposed Rulemaking (Notice) concerning the program proposals under consideration in this order was published in the State Register on January 15, 2014

[03E0188SP44] pursuant to the State Administrative Procedure Act (SAPA). SAPA comments on NYSERDA's petition were due March 3, 2014 and were received from a diverse group of individuals and organizations representing municipalities, utilities, environmental and public interests, and solar and other clean energy industries.[10]

SUMMARY OF COMMENTS

Program Funding

American Reliant, Citizens Campaign, the Sierra Club, Skyline, the Solar Coalition, SEIA, Starphire, and The Vote Solar Initiative all support NYSERDA's proposed $960 million budget for the NY-Sun through 2023 noting that the economic, environmental and energy-related benefits to New Yorkers is well worth the investment.

[10] Comments were received from: the City of New York (NYC); Joint Utilities (includes Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation); American Reliant Corporation (American Reliant); Citizens Campaign for the Environment (Citizens Campaign); ClearEdge Power, LLC (ClearEdge); Environmental Advocates of New York (EANY) (supported by 442 consumers); Independent Power Producers of New York, Inc. (IPPNY); Multiple Intervenors (MI); The Nature Conservancy; PosiGen Solar Solutions (PosiGen); the Sierra Club; Skyline Innovations, LLC (Skyline); the Solar Coalition (includes the Vote Solar Initiative, Natural Resources Defense Council, New York Solar Energy Industries Association, Pace Energy and Climate Center, and Environmental Advocates of New York); Solar Energy Industries Association (SEIA); and Starphire New Energy Technologies and Earthkind Energy (Starphire/Earthkind). As well, public comments were received from 1,518 groups or individuals, including the Vote Solar Initiative (Vote Solar) submission of comments signed on to by 854 New York residents; Organizing for Change comments signed on to by 1,950 consumers; EcoOutfitters #SolarChat (SolarChat) comments supported by 10,418 individuals.

ClearEdge supported the budget proposed by NYSERDA, but said that the Commission should not authorize future funding for just a single technology – rather, it should do so for all to avoid disrupting growth potential in other technology markets. It is also opposed to the Commission authorizing NYSERDA the unlimited "borrowing" of funds from other programs to support NY Sun, as proposed by NYSERDA, and requests that Commission approval be required in advance of any funds from other programs being used.

Similarly, while IPPNY did not oppose NYSERDA's budget proposal, it opposes any further transfers of funds from the RPS Main Tier, noting that Main Tier resources are more cost effective and that over $248 million has already been transferred from RPS Main Tier funding to support solar PV.

The Solar Coalition agrees with NYSERDA's proposal to borrow from unexpended clean energy funds and believes it is essential to the success of the MW Block program that allows the markets to grow in an orderly fashion as demand dictates. It states that the borrowing of funds should not fundamentally infringe on the State's ability to support a diverse mix of renewable and energy efficiency technologies as currently being reviewed in other on-going clean energy initiatives before the Commission.

The Joint Utilities, while supporting a long-term commitment to solar PV, questions the wisdom of seeking new collections now to fund the program when the Commission is currently deliberating on the future of other interrelated clean energy policies. However, it states, if the Commission wishes to signal support for the concept now, the budget should only be set through 2018 at the funding levels adopted by the Commission previously for 2014 and 2015. Joint Utilities suggests that adopting this proposal would be consistent with five year commitment periods adopted by the Commission for other resources.

NYC also agrees that setting budgets through 2023 is premature and, instead, recommends a shorter time horizon with a program performance review in 2017 to set future program budgets for 2018 and beyond at that time.

MI states that NYSERDA has not adequately supported the $960 million proposed budget through 2023 and that any determination on funding should be limited to 2018, noting that while the Commission directed NYSERDA to submit a funding request for beyond 2015, there was no requirement that the budget be set through the next decade. MI states that long-term funding through 2023 at this time would ignore potential for technological innovation, an evaluation of the demonstrated benefits and costs of NY-Sun, and the extent to which operation of the Green Bank might reduce or eliminate the need for continued RPS subsidies. Finally, MI argues that the declining nature of the subsidies over time is inconsistent with NYSERDA's proposed ten year fixed budget and believes that annual RPS subsidies and the budget for solar PV should decline over the NY-Sun period.

The Solar Coalition supports NYSERDA's proposal to fund consumer education, noting its importance to substantially reducing customer acquisition costs, which are a large portion of solar PV balance-of-system costs. Alternatively, ClearEdge is concerned that such education would skew consumer's decision making about options available for distributed generation if just one technology is targeted.

Statewide Program

The vast majority of comments support the on-going efforts between NYSERDA and LIPA/PSEG to enter into a memorandum of understanding (MOU) to include Long Island in the MW Block Program as designed and proposed by NYSERDA.

IPPNY commented that using RGGI funds to support programs on Long Island is inconsistent with the historic practice to use RGGI funds to supplement and not supplant other existing resources.

American Reliant, Skyline, and Starphire stated that RGGI funds should not be limited to supporting LIPA's solar PV program, but should also be used to support NYPA participation and expand NY-Sun to include statewide fuel-neutral solar thermal installations. NYC agrees that the program should be open to include both LIPA and NYPA customers and provides RGGI funding recommendations. The Solar Coalition also supports the inclusions of NYPA customers.

MW Block Program and Design Criteria

Nearly all of the commenting parties made statements in support of NYSERDA's petition. SEIA opines that the MW Block declining incentive program is the most enduring and effective method of promoting solar deployment at scale and building a self-sustaining industry "post incentive environment".[11] Citizens Campaign, the Sierra Club, and the Solar Coalition note the economic, environmental and energy benefits of a robust solar PV industry and the importance of policies that promote its growth. The Nature Conservancy stated that the long-term nature of the MW Block program is essential to attract private

[11] The Solar Coalition noted that California's MW Block program, the California Solar Initiative (CSI), has successfully reduced incentives to nearly zero, with only 35% of all residential capacity being CSI funded by the end of 2013, down from 75% the previous year. The Solar Coalition also noted that California's market continues to grow with little incentive support, suggesting that the market there has become self-sustaining without direct cash incentives.

investment in the solar PV industry. Nearly all commenters noted the importance of transparency in implementing the solar PV programs.

The Joint Utilities, request more utility involvement in the design of the programs, particularly with respect to program features to address the locational impact of solar PV on electric distribution systems. It also urges NYSERDA to retain a competitive structure for larger systems over 200 kW, noting that setting an administratively determined price for incentives may not be in the best interests of customers. In addition, the Joint Utilities requests that the Commission revisit the role of utility ownership of solar PV generation facilities and consider a solar PV program for systems greater than 2 MW in the Main Tier.

NYC provides a number of program enhancements targeted in the NYC metropolitan area that include: development of community solar pilot projects; changes in Commission policy regarding customer's eligibility; incentive adders for PV systems located in "strategic" locations or that is paired with energy efficiency investments. NYC also recommends that the program provide an incentive adder for solar PV systems that include battery backup, resilient inverters, and other technologies that allow solar generation to provide power during electric system outages.

Most notably, NYC urges the Commission to retain the annual $30 million budget specifically assigned to ISO zones G, H, I, and J first set by the Commission in 2010 (geographic balance)[12] and reaffirmed in 2012.[13] Any discretion that NYSERDA is afforded to allocate funds among the solar PV programs, it states, should preserve the annual funding level for the geographic balancing program.

NYC, PosiGen, and the Solar Coalition support creating mechanisms that would provide greater access to solar PV for low to moderate income (LMI) customers. PosiGen notes that substantial contributions via the RPS surcharge are made by consumers in the LMI sector, however, very few are able to take advantage of available financing models that offer monthly leasing payments with little or no upfront cash because of lower FICO scores.

American Reliant, Skyline, and Starphire all comment that the NY-Sun initiative should include solar thermal as well as solar PV and that the deployment of solar thermal should be fuel-neutral.

SEIA notes that the projected goal of the MW Block program through 2023 is well in excess of the headroom provided in the current three percent (3%) net metering caps for each utility. It further believes that the development and installations of solar projects being considered in the MW Block program and the successful achievement of the program's goals hinge on the continued availability of net metering.

Joint Utilities, on the other hand, urges the Commission to carefully consider the role of net metering both

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[12] Case 03-E-0188 Retail Renewable Portfolio Standard, Order Authorizing Customer-Sited Tier Program through 2015 and Resolving Geographic Balance and other issues pertaining to the RPS Program (issued April 2, 2010).

[13] Case 03-E-0188, supra, Order Authorizing the Expansion of the solar photovoltaic and Geographic Balance Programs from 2012 through 2015 and the Reallocation of Main-Tier Unencumbered Funds (issued April 24, 2012)

in the near and long-term before making any decisions on expanding the policy, noting that net metering shifts the burden of distribution system costs and other taxes and fees to non-participating consumers. It proposes that net metering issues be considered holistically through a comprehensive study and that the Commission consider measures that reduce the continued reliance on the subsidies inherent in net metering as it currently exists.

Several commenting parties emphasized the importance of providing NYSERDA with flexibility in managing the MW Block program to address potential changes in circumstances, such as reductions in federal tax credits or other incentives. NYC requests that the Commission solicit and consider public comments on NYSERDA's proposed MW Block Operating Plan.

DISCUSSION

Program Funding

While we are mindful of the comments of the Joint Utilities, NYC and MI that express concern over the term of the funding commitment and the timing of our decision on this matter, we reiterate the conclusion we reached in our December Order: "For a MW Block program to be most transparent, effective and successful, we should provide the market with funding certainty for the term of the revised program".[14] The budget for Program Funds proposed by NYSERDA in the amount of $864 million from 2016 through 2023 is consistent with the annual funding level of $108 million that we set for the NY-Sun

[14] December 2013 Order, p 14.

Program through 2015.[15] Further, and as important, the term of the funding, through 2023, is consistent with the NY-Sun goals.[16] Finally, because the MW Block program is specifically designed to foster a self-sustaining functioning market, it is possible, though perhaps unlikely at this moment, that the solar PV market will grow well beyond the scope of this program and become self-sustaining prior to 2023. The flexibility related to block design/redesign and funding allocation/reallocation that NYSERDA requests and we authorize here, together with the expected PV program evaluation including impact and market assessments described above and authorized in this order, will allow NYSERDA to stay well abreast of market conditions and, if market conditions dictate, to drive incentive levels to zero prior to expending all the funds.

With respect to the timing of our funding decision for the solar PV programs now, we acknowledge that we are conducting a series of reviews to consider the post-2015 future of all our clean energy initiatives. Nevertheless, we consider this order to be a part of, and not inconsistent with, that review process. Our initiative, begun with the December Order, is to introduce the MW Block design for these programs. While the

[15] Case 03-E-0188 – Retail Renewable Portfolio Standard, Order Authorizing the Expansion of the Solar Photovoltaic and Geographic Balance Programs from 2012 through 2015 and the Reallocation of the Main Tier Unencumbered Funds (issued April 24, 2012).

[16] While we are specifying the funding that will be available for this program through 2023, this does not imply, nor should stakeholders infer, that we could not during this period seek a review or evaluation of the program. Rather, it should only be understood that we cannot at this time predict when such a review would be usefully conducted, the scope of such a review, or whether such a review would be duplicative of work that we will do as part of our oversight activities for clean energy initiatives post-2015.

transformation to the MW Block design could wait until the review of all other clean energy initiatives is complete, we see today a growing momentum in the solar PV industry that we hope to harness to achieve the goals set forth for the solar PV programs. For this reason, it is important for the MW Block program to be implemented without delay. Predictability as to both the level of annual support and the length of the period over which this support will be provided is needed now to enable the program to match the growing demand for solar PV resources.

Concerning the source of funding and related comments by the Joint Utilities and others, we emphasize that we are not authorizing the collection of any specific new funds, or from any particular source, at this time. Those decisions will be made in the course of our on-going deliberations on the future of all our clean energy programs post-2015. The scope of our decision now is simply to establish the maximum length of time over which this program will extend (through 2023) and the intended program design (MW Block) for the program in this period.

However, in the event that the NY-Sun program accelerates faster than anticipated and prior to our future clean energy program funding decisions, we authorize NYSERDA to propose to use existing, unencumbered funds from the RPS or to borrow from other program sources, in the manner proposed in its petition to maintain program activity. These reallocation transactions, should they be necessary, would be undertaken, after consultation with Department of Public Service (DPS) Staff and after making a compliance filing acceptable to DPS Staff which describes the proposed transactions. This filing should demonstrate that all actions available to match the program's existing resources with the program's currently allocated revenues have been taken, that amount of the proposed reallocation is no greater than the amount necessary to maintain program activity pending a long term funding decision, and that the proposed reallocation, if needed, is to be done in a manner that would not disrupt the markets for other clean energy programs.[17]

In our December 2013 Order made in response to NYSERDA's September 2013 Petition, we authorized NYSERDA to modify its current solar PV programs so as to incorporate a declining incentive MW Block approach. As urged by NYSERDA and echoed in several of the comments in this proceeding, this change will provide more transparency and predictability to the solar PV markets. In addition, it will assist in the achievement of a scale in those markets such that the industry will succeed and prosper through sustainable market-based solutions as direct electric ratepayer incentives are phased out.

The solar PV market is currently the most robust in our portfolio of clean energy generation technologies, and it has seen tremendous growth over the past ten years as installed cost have declined and the supply chain matures. While we cannot predict with certainty when the levelized cost of energy from solar PV will converge with retail electricity rates (grid parity), through this Order we intend to demonstrate our support for the solar PV market for the period requested by NYSERDA. Our expectation is that the convergence to grid parity will occur sooner, rather than later, in the time period now specified by NYSERDA for the program.

[17] In addition to the Program Funds which we authorize in this Order, we also authorize the funds requested by NYSERDA in its petition, as described above, for program administration, implementation, consumer education, evaluation and payment of the NYS cost recovery fee.

Statewide Program

We support NYSERDA's efforts to collaborate with LIPA and PSEG on a more coordinated statewide effort for inclusion of LIPA's customers in the MW Block program. As we do not have jurisdiction over the expenditures of RGGI funds which could support that effort, no decision is required or warranted in this Order. Therefore, the NYSERDA-LIPA MOU, described above and being developed for this purpose does not need our approval. We will, however, require clear reporting by NYSERDA to identify the RGGI funds that are used to implement such an MOU, and to distinguish such funds from the non-RGGI funds which being collected through the RPS and would be spent in the solar PV program outside the LIPA service territory. This reporting requirement is required now, although we understand that the long-term source of funding for NY-Sun and other clean energy programs will be the subject of further deliberations in a future proceeding. Any changes to reporting requirements resulting from our decisions in that proceeding would substitute for and supersede those established by this Order.[18]

MW Block Program and Design Criteria

NYSERDA's MW Block design criteria, as proposed in its petition, provide the foundation for the program's further development. DPS Staff reports that NYSERDA has been actively engaged with a diverse group of solar PV market stakeholders from across the state over the past several months and since our December Order. From this process, it has received input on the criteria and incentive design for the block structure that will replace the current standard offer program for systems up to 200

[18] Similar reporting requirements will apply in the event similar arrangements are made with or on behalf of NYPA customers.

kW in size. Those discussions have resulted in further refinements of the design to confirm the Statewide goal of 3,000 MW, to define the regions of the State to be used for the implementation of MW Block program, to specify the maximum kW level to be associated with the residential, small to medium non-residential, and large non-residential segments of each regional market, and to specify the initial split of funding between these market segments. These program refinements are described in the attached Appendix A.

DPS Staff reports that NYSERDA's capacity goals and initial design criteria were developed through its engagement process with PV market stakeholders and using historic program performance and forecasted solar PV cost analysis by region and size filed by NYSERDA as part of the RPS 2013 review.[19] Staff further reports that NYSERDA continues to engage with stakeholders on refining program details, in consultation with DPS staff, as it develops the final incentive design and time-line for transitioning the current program to the new MW Block structure.

We understand that the demand for and locations of PV installations will have impacts unique to each electric service territory. Accordingly, we agree with comments which urge that NYSERDA should be actively engaging with each utility on the design of these programs. DPS Staff reports that NYSERDA has initiated that process and will continue to do so as the program details are finalized.

Some comments urge that we retain the current competitive program for solar PV systems larger than 200 kW.

[19] NYSERDA's New York State Renewable Portfolio Standard Customer-Sited Tier Program Market Evaluation, Program Expectations and Funding Considerations 2013-2015 (September 6, 2013).

While we signaled our authorization to NYSERDA to transition the larger-than-200kW program to a MW Block structure in our December 2013 Order, NYSERDA notes in its petition that the development and transition for the larger system size will occur at a later date when sufficient "as-installed" data is available for the greater-than-200kW system market. In the interim, NYSERDA will continue to administer the competitive solar PV program for that market. Once program development for the above-200kW MW Block program is initiated, Staff notes that NYSERDA will engage with stakeholders as it has already done for the solar PV programs that will be transitioned to the MW Block design.[20]

As urged in comments by NYC, in and after the transition to the MW Block program design, NYSERDA will be required to preserve a balance in the funding for projects in NYISO zones G, H, I and J. This requirement is explicitly recognized in Appendix A. Regarding some of the other incentive adders proposed by the NYC comments, while noteworthy, these adders do not align with the MW Block program design, which

[20] The Joint Utility comments also suggest that the Commission reconsider the elements of program design that preclude utility ownership of solar PV facilities. They further suggest that the Commission provide for a "targeted PV program" in the Main Tier. We decline to address either of these issues in this order. Nevertheless, we do not intend to preclude these parties from introducing those comments in the course of our deliberations on the future of our clean energy initiatives post-2015 or in our Reforming the Energy Vision (REV) proceeding which we have begun in a separate docket in Case 14-M-0101. Indeed, the level and detail of planning responsibilities envisioned for the Distributed System Platform Provider and described in Staff's Report for the REV proceeding, suggests that, in order to realize the objectives of the REV initiative, utilities may need to be given greater authority to acquire large solar PV distributed energy resources either through direct ownership or through the issuance of requests for proposals.

intends to reduce industry incentives, rather than to increase them. Those types of incentives, however, are suitable for discussion in our Reforming the Energy Vision (REV) proceeding.[21] Likewise, issues concerning the eligibility of other technologies, such as fuel-neutral solar thermal, could be part of the dialogue in our consideration of future clean energy initiatives post-2015.

We will afford NYSERDA the flexibility it requests, and as supported in the comments, to administer the MW Block solar PV programs so as to be able to respond to changing market conditions in a transparent and timely fashion. As noted in its petition, NYSERDA will be required to provide the details as to how this flexibility will be implemented in its Operating Plan, which will be submitted for DPS Staff review and approval as a compliance filing.

LMI customers

Some comments in this proceeding urge that we increase the opportunities for the low and moderate income (LMI) consumer to participate in the solar PV program. In this regard, we have become aware that an LMI solar working group has been formed by NYSERDA to develop potential solutions to address barriers to increased program participation by this sector of the market.[22] While DPS Staff reports that this working group is in its early stages, discussions have centered on financing options, increased consumer outreach and education, and targeted community “solarize” models that provide a mechanism to

[21] Case 14-M-0101, supra, Proceeding Reforming the Energy Vision.

[22] Staff reports that NYSERDA has convened two meetings of the Solar Working Group that is comprised of solar installers, utilities, LMI consumer advocacy groups, NYSERDA and DPS Staff.

aggregate demand to reduce consumer costs. We recognize that, as these discussions mature, support may be needed to achieve the intended results. To provide financial support for these efforts, we will authorize NYSERDA to allocate approximately 1.5% of the Program Funds, not to exceed an amount of $13 million, for use in achieving greater LMI customer participation in the solar PV programs. To support the implementation of the program design changes that may be developed in this process, it is anticipated that, if needed, NYSERDA would, through a compliance filing, amend the Operating Plan for the solar PV program.

Net metering

The Joint Utilities and other commenter raise important issues regarding our current policies on net metering.[23] We recognize that the current three percent (3%) cap most recently set by the Commission will not be sufficient to support the significantly expanded energy capacity goals of NY-Sun and that significant expansion of the cap would further shift costs, including lost utility revenues and some interconnection costs, to non-net metered rate payers.

The Commission recently called for a fundamental refocus of our regulatory paradigm to achieve, among other things, a better integration of demand side resources into electric system planning. That proceeding, which is being launched in a separate case[24], will undertake a comprehensive re-evaluation of the role of distributed resources such as solar PV

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[23] Public Service Law (PSL) §§66-j and 66-l establish limits on the amount of generation that is eligible for net metering and authorize the Commission to increase those limits if we determine it is in the public interest to do so.

[24] Case 14-M-0101, supra..

and envisions a transformation that will make distributed resources a primary tool in the planning and operation of distribution systems. As the value of distributed resources to the energy system are monetized in this new regime to better reflect their value to the distribution network, the bulk system and the environment, it will become necessary to harmonize the existing net metering regime with the new regulatory paradigm. Given all of these considerations, a comprehensive assessment of the current approach to net metering is warranted.

Therefore, we agree that an estimation of the costs and benefits of net metering for solar PV is prudent. In addition, such study should include an evaluation of how best to harmonize the objectives of net-metering with those in our new REV proceeding. We will request that NYSERDA, in consultation with Staff, develop a schedule, scope of study and a draft report for public comment, as well as consult with the Joint Utilities and other stakeholders to develop an approach to the study and review draft findings. We expect that a final report will be furnished in a timely manner to assist us in our deliberations in the REvproceeding. At the same time, we do not wish to undermine the goals and long-term stability of the NY-Sun program. Therefore, in the interim, if any utility is at risk of exceeding their 3% net metered limit prior to a decision, we expect them to seek modifications of caps as necessary so they can continue accepting applications for eligible customer-sited generation and processing interconnection agreements until such time that further decisions are made on the matter.

<u>The Commission orders</u>:

1. New York State Energy Research and Development Authority (NYSERDA) is authorized to allocate up to $960,556,000

to fund, implement and administer the continuation of the solar photovoltaic programs, currently under the Customer-Sited Tier of the Renewable Portfolio Standard program, in the period from 2016 through 2023 in the manner described in the body of this order.

2. NYSERDA shall develop an Operating Plan that defines the final budgets and MW Block program details and procedures, including procedure to identify and secure funding from other available sources, to be implemented through 2023 in the manner described above and herein. The Operating Plan shall be submitted as a compliance filing for Department of Public Service (DPS) Staff's review and approval and shall take effect as soon as DPS Staff determines that it adequately reflects the requirements of this Order.

3. NYSERDA is authorized to expend up to $13 million of the $864 million of program funds to support participation by low to moderate income (LMI) customers in the solar PV programs, as described in the body of this Order.

4. NYSERDA shall prepare a report, in consultation with the DPS Staff, which evaluates the costs and benefits of New York's current net metering policies, as described in the body of this order.

5. This proceeding is continued.

By the Commission,

Kathleen H. Burgess

Digitally Signed by Secretary
New York Public Service Commission

KATHLEEN H. BURGESS
Secretary

Appendix A

Design Criteria

1. Statewide goal of approximately 3,000 MW
2. Three regions – LIPA, Con Edison, Balance of the State (BOS)
3. Three System Classes within each region:

   Residential systems up to 25 kW

   Small to Medium non-residential systems up to 200 kW

   Large non-residential systems greater than 200kW (except LIPA)[1]

4. Standard-offer incentives for residential and small to medium non-residential systems (up to 200 kW)
5. Performance-based incentive for large systems (above 200 kW)
6. Initial division of funding for Con Edison and BOS:

   Residential and small to medium non-residential = 50%

   Large non-residential = 50%

7. Initial division of associated MWs for small and medium sectors

   residential = 40%

   non-residential= 60%

8. Geographic Balance allocation preserved – no less than $300 million reserved for ISO Zones G-H-I and J through program completion.

[1] LIPA administers its own program through a feed-in tariff for large non-residential systems.