Re: Case 24-E-0621 – In the Matter of Modifications to the New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators and/or Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems.

NYSEIA Response to Staff's Proposed Modifications of Cost Estimation Provisions in the SIR

February 14, 2025

I. Introduction

On January 10, 2025, DPS Staff filed a proposal with the Public Service Commission detailing a number of proposed modifications to the New York State Standardized Interconnection Requirements (SIR). According to the cover letter, the intent of the filing is "to address cost estimation issues that have been raised and discussed in the Interconnection Policy Working Group." New York Solar Energy Industries Association (NYSEIA) concurs with the Department of Public Service (DPS) that there are significant issues regarding utility cost estimation for distributed energy resource (DER) interconnection. These issues include inaccuracy, lack of granularity, lack of transparency, lack of oversight/regulation, lack of cost controls to prevent utility cost overruns, and most importantly lack of cost certainty.

The SIR redlines proposed by DPS only aim to address the cost estimation process but do resolve the primary issue of cost certainty. In some cases, the DPS proposal actually creates new problems that could further undermine the integrity of New York's interconnection process.

NYSEIA respectfully offers the following analysis and feedback regarding each of the items proposed by DPS Staff in their January filing. In conjunction with these comments, NYSEIA is submitting an alternative proposal to more completely address the issues of cost estimation and cost certainty for distribution upgrades. Improving distribution upgrade cost estimation and providing greater transparency and cost certainty are all critical for sustaining New York's robust distributed solar and storage industry. These improvements are also necessary for achieving New York's clean energy and affordability policy objectives. NYSEIA's petition was developed over several months, with input from dozens of DER providers that operate in New York State and actively participate in the IPWG. NYSEIA thanks DPS for initiating this formal proceeding relating to interconnection costs, and we urge the Commission to grant full consideration to NYSEIA's alternative proposal, including stakeholder comments during a formal comment period.

II. Line-by-Line Analysis of Staff's Proposed Modifications of Cost Estimation Provisions in the SIR

Modification 1: Cost Estimates Must be Based Upon the Utility Cost Matrix

> *Any cost estimates provided by the utility using the following procedures shall be based on the information published in the utility's cost estimating matrix, as provided at Step 6 below.*

NYSEIA supports this recommendation, as it would help create more transparency and standardization regarding the utilities' methods of cost estimation. NYSEIA has incorporated this modification into our alternative proposal to address cost estimation issues and advance cost-certainty for DER interconnection.

Modification 2: Change to the Description of the Cost Estimate

> *a good faith, detailed estimate of the total cost of completion of the interconnection of the proposed system and/or a statement of cost responsibility for any system upgrades and associated equipment ~~deemed~~ identified in the CESIR as necessary for interconnection of the project; and*

NYSEIA and our members do not understand the intent of this modification. We are concerned that this revision could be misinterpreted by the utilities to further suggest that the scope of work identified in the CESIR is not the complete upgrade scope that the DER developer must pay for. This modification does not appear to add value, and introduces unnecessary ambiguity. NYSEIA opposes this modification, and requests additional information from DPS Staff regarding the intent of this modification to the SIR as it does not appear to relate to any discussions that occurred at IPWG or with industry.

If the intent is to prevent retroactive scope modifications, NYSEIA recommends the following alternative language:

> *a goodfaith, detailed and itemized estimate of the total cost ~~of~~ for completion of the interconnection of the proposed system and~~/or a statement of cost responsibility for any~~ competition of system upgrades and associated equipment ~~deemed~~ necessary for interconnection of the project; and*

Modification 3: Elimination of the 15% Limit to Contingency in CESIR Cost Estimates

> Appendix E sets forth the responsibility each applicant shall have with respect to the actual cost of the system upgrades and equipment identified in the CESIR as necessary for the interconnection of the project. ~~Utility cost estimates provided in the CESIR shall be detailed and broken down by specific equipment requirements, material needs, labor,~~

> ~~overhead, and any other categories or efforts incorporated in the estimate. Contingencies associated with the cost estimates shall not exceed 15%.~~

NYSEIA strongly opposes the removal of the 15% contingency cap. Contingencies provide utilities with a reasonable buffer for cost overruns, while also serving as a useful cost control mechanism that prevents utilities from inflating estimates for distribution upgrades. Currently, utilities can only include contingencies of up to 15% in their invoices for distribution upgrade deposits. This limitation currently prevents utilities from inflating their contingency and consequently overcharging DER developers during the interconnection process, at least until reconciliation.

At the November 20, 2024 IPWG Meeting, Joint Utilities acknowledged that the 15% contingency cap functions as a guardrail to develop estimates. However, the DPS staff proposal fails to address how contingencies, if uncapped, will be regulated or subject to oversight through DPS or any other regulatory proceeding. The removal of this cap introduces a significant risk of unregulated cost escalation, making it easier for utilities to overcharge developers without sufficient checks in place.

Removing this limitation could result in utilities applying contingencies in excess of 15%, driving up the upfront cost to DER developers. This is particularly harmful, as the cost of capital for early-stage development commonly exceeds 10% so increasing costs early in the development process is problematic and should be avoided. Furthermore, eliminating this cost control will undermine the intent of the cost matrix; utilities may estimate costs based upon the cost matrix, but they could apply any percentage of contingencies on top with no oversight, rendering the cost transparency benefits of the cost matrix ineffective. NYSEIA recommends modifying the SIR to ensure that all contingencies are itemized in both the CESIR and the utility's cost matrix. We strongly oppose the removal of the 15% contingency cap.

Modification 4: Direct Utilities to Publish Cost Matrix Annually

> *Each utility shall publish on its website a cost matrix identifying the cost of the equipment typically required to interconnect DG projects, including equipment necessary to construct system modifications. Each utility shall update its cost matrix at least annually, by January 31 of each year to reflect the utility's most recent actual cost experience. The utility may provide ranges for costs reported in the matrix where the actual costs incurred suggest such a range is appropriate. Utility cost estimates provided in the CESIR shall be based on the same cost information used to develop the cost matrix in effect at the time of delivery of the CESIR, broken down by specific equipment requirements, material needs, labor, overhead, and any other cost categories applicable to the work identified in the CESIR.*

NYSEIA generally supports the intent of this modification, requiring the utilities to publish their cost matrix annually by a defined date is a modest improvement to the current informal process whereby New York's utilities update their Distribution Upgrade Cost Matrices as part of the ITWG.

The language softly implies that the utility cost matrix must be based upon the utilities' actual recent costs. This is directionally correct; however, it is inadequately prescriptive and it does not create an opportunity for DPS, NYSERDA or DER stakeholders to evaluate the utilities' actual recent cost data in order to validate the accuracy of the cost matrices. The proposed process also does not create any opportunity for stakeholder or regulator analysis or oversight before cost matrices are updated.

Requiring CESIR study cost estimates be calculated based upon the cost matrix in effect at the time of delivery of the CESIR is beneficial, as it will create a direct link between the cost matrix and the CESIR cost estimates. This improvement will increase transparency and standardization. However, the current phrasing creates potential ambiguity regarding whether the breakdown (specific equipment requirements, material needs, labor, overhead, etc.) applies to the CESIR estimate or the cost matrix. The sentence could be misinterpreted, as it refers to both the CESIR and cost matrix without clearly indicating which one the breakdown pertains to. To avoid confusion, the breakdown should be explicitly linked to the CESIR estimate since the CESIR study is a site-specific scope of work for distribution upgrades, and interconnection customers require granular details.

NYSEIA supports the spirit of this section of DPS' SIR redline. However, we believe it must be significantly more prescriptive in order to have the desired results. NYSEIA offers alternative language regarding the annual process for utilities to update their cost matrices and the level of detail to be included in CESIR scope and cost estimates in our alternative proposal.

Modification 5: Annual Updates to Cost Estimates

> *If the project is not in-service within 12 months of delivery of the CESIR to the applicant, the utility shall provide an updated cost estimate based on the utility's latest cost matrix, but shall not require the applicant to increase its deposit payments.*

NYSEIA strongly opposes the 12-month time frame for updated cost estimates as it will be disruptive to the development process and introduces new cost uncertainty. DER developers make investment decisions and nonrefundable cost-sharing payments based upon the results of the CESIR and the associated interconnection agreement. The notion that the cost could change shortly after the nonrefundable cost-sharing payment is made would further undermine the interconnection process and inject new uncertainty into the DER development process in New York State. A 12-month timeframe is an inappropriately short time window for renewable energy development, and would disrupt project financing.

The 12-month validity of cost estimates also undermines the cost-sharing framework. For example, if the cost of a qualifying upgrade increases dramatically between the first developer and subsequent developers, two outcomes are possible, it's possible that: 1) the first mover may be obligated to pay a final cost that is unreasonably higher than their initial cost estimate for their share of the upgrade; or 2) the utility may never reach the mobilization threshold, as the upgrade cost is an escalating and moving target.

It's also important to acknowledge that at a certain point, cost estimates become actual costs and should no longer change. Utilities purchase long lead-time equipment and contract for labor far sooner than a project achieves commercial operation. Once these purchases and contracts are in place, it should be assumed that the costs associated with these items are fixed and should not fluctuate.

NYSEIA recommends 36 months as a more appropriate timeframe after which the utility should provide a revised cost estimate. This is further addressed in NYSEIA's alternative proposal.

Modification 6: CESIRs May Not Be Revised Without Applicant's Consent

> *A utility may not revise a CESIR after it has been delivered to the applicant without the applicant's consent, except as provided in Section H. The utility shall provide new cost estimates with the results of a revised CESIR, and the new estimates shall be the basis for the applicant's deposit payment obligations under Appendix E.*

NYSEIA supports the provision that utilities may not revise a CESIR after it has been delivered to the applicant without the applicant's consent, as this offers a degree of certainty for applicant's payment obligations.

III. Conclusion

NYSEIA supports the intent behind the proposed modifications in the DPS proposal, however, the proposal introduces new risks and does not address the core issue of cost certainty. NYSEIA urges the Commission to fully consider NYSEIA's alternative proposal, filed jointly with these comments, which addresses the related issues of cost estimation, cost certainty, transparency, and accountability. We thank the Department and the Commission for their consideration and their ongoing efforts to improve New York's DER interconnection framework.