

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition of Niagara Mohawk Power Corporation d/b/a National Grid for Approval of its Partially Interruptible Service Classification Pilot Program)
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) **24-G-0323**
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PETITION OF NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID FOR APPROVAL OF ITS PARTIALLY INTERRUPTIBLE SERVICE CLASSIFICATION PILOT PROGRAM

I. INTRODUCTION AND BACKGROUND

In accordance with the “Order Adopting Terms of Joint Proposal and Establishing Rate Plans” issued by the New York Public Service Commission (“Commission”) on August 14, 2025 in Case 24-G-0323 (“Rate Case Order”), and Section 4.8 of the Joint Proposal filed on April 25, 2025 (“Joint Proposal”),¹ Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”, “NMPC”, or the “Company”) submits this petition for Commission approval of its Partially Interruptible Service Class Pilot Program (the “Pilot”). The Rate Case Order and Joint Proposal require the Company to file a petition with the Commission for its approval within two months of the submission of its proposal for the Pilot and prior to implementing a partially interruptible service class pilot program.²

On February 13, 2026, the Company filed its proposal for the Pilot with the Commission (the “Pilot Proposal”). Prior to filing the Pilot Proposal, the Company hosted two stakeholder meetings on November 5, 2025 and December 11, 2025, to solicit input on eligibility, operations, pricing, and the effective date. The meetings included discussion regarding the Company’s proposals relative to eligibility criteria, operational parameters, proposed rate structure, and proposed effective date for the program. Based on internal discussions at the Company and

¹ Case 24-G-0323, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Gas Service*, Joint Proposal, Section 4.8 (Partially Interruptible Service Class).

² *Id.*

taking into consideration the feedback received at the two meetings that were held with interested stakeholders, the Company is proposing the following program parameters. On March 9, 2026, the Company subsequently requested comments from interested stakeholders regarding the proposed Pilot.

This petition outlines the design and program terms of the Pilot, while providing a summary of the costs, program benefits, and proposed recovery mechanism. This petition seeks to implement a two-year pilot program for a new service class limited to ten current Service Classification No. 8 (“SC-8”) customers with at least one million therms of annual usage. The Pilot will feature partial interruptions, meaning that customers will be required to have primary point capacity (“PPC”) on upstream pipeline system up to a certain threshold to receive firm transportation service on the Company’s distribution system up to that threshold. Service provided beyond the threshold would be fully interruptible, and the customer would not be required to maintain PPC for interruptible deliveries.

The remainder of this petition details the program design, customer eligibility, operational protocols, pricing and penalties, PPC requirements, post-pilot rules, cost recovery, implementation timeline, evaluation plan, and the specific Commission approvals sought. Each element aligns with the structure described in Section 4.8 of the Joint Proposal and conforms to the Company’s tariffed interruptible framework, as applicable. The Company also addresses the written comments were submitted on April 1, 2026 by Multiple Intervenors and NRG Energy Inc. (“NRG”) in this proceeding.

II. PROGRAM OVERVIEW AND CUSTOMER ELIGIBILITY

The Company is proposing a two-year pilot for a partially interruptible service class with a minimum annual usage of at least one million therms. SC-8 serves the Company’s largest firm customers and requires annual usage of at least one million therms of annual usage. Therefore, the Company will seek voluntary participants from customers that are currently served on SC-8, which is currently approximately 70 customers. The SC-8 tariff has a provision that allowed customers to sign up for standby service from the Company, which is called a D1 election. Effective September 1, 2025, no new D1 elections are being granted to customers, but existing SC-8 D1 customers can keep their existing elections which may be reduced but may not be

increased. Customers with D1 elections will be able to participate in the pilot, but the Maximum Peak Day Quantity (MPDQ) limit will include their D1 election plus their PPC. For example, if a customer's MPDQ is 10,000 Dth, they would be limited to 50% during an interruption (5,000). If the customer currently has a D1 election of 1,000 Dth, they will only need to confirm PPC of 4,000 Dth from their marketer.

The two-year pilot would be limited to 10 customers that are served on the East Gate to address current system constraints. Customers would be required to maintain 50% of their MPDQ as primary point capacity and operate under usage limits set at 50% of MPDQ during interruptions, which the Company is proposing to ensure that there is a meaningful usage reduction at times when there are system constraints. Any marketer serving a customer participating in the pilot program would be required to have primary point capacity for 50% of their customer's MPDQ. The Company is not proposing that customers participating in the pilot would be required to have an alternative fuel source and would only be required to curtail during a called interruption. While the Company believes that 50% of MPDQ is a reasonable proposal in this pilot program, the Company would be willing to reconsider based on stakeholder comments that will be filed in response to the Company's proposal.

III. METERING AND OPERATIONAL REQUIREMENTS

Customers that participate in the program must have interval-capable metering. Because the existing metering equipment required for SC 8 customers is already capable of interval meter reads, existing SC 8 customers that elect to participate in the program should not need to install any additional equipment and therefore, should not need to incur any additional expense to participate in the pilot.

Customers participating in this program would be asked to curtail usage during any called interruptions for Service Classification 6 Interruptible ("SC 6") customers, and pilot customers would receive the same 24-hour advanced notification that SC 6 customers receive. Currently, the Company interrupts SC 6 East Gate customers when the forecasted average temperature is 10° F or below. The Company is proposing that customers participating in the program would have their hourly usage monitored during any called interruptions. The Company would provide notifications to pilot program customers as they approach the established MPDQ limitation so

that the customer has the information they need to maintain usage levels within their allowed MPDQ and avoid penalties.

Customers participating in the pilot will be subject to the same required annual tests as SC 6 customers. Under the SC-6 tariff, the Company is required to conduct an announced annual system-wide test of customers' compliance at the beginning of the heating season. If a customer fails to interrupt when required, the customer must participate in a Reliability Performance Test, which would be conducted in the month of January to test an interruptible customer's ability to switch from gas to alternate fuel or cease using gas within 24 hours of receiving notice from the Company. In addition, the customer would need to provide an affidavit stating that it is in compliance with the Company's tariff. In the event there are no interruptions during the winter period, the Company will include customers participating in the partially interruptible pilot in the Reliability Performance Test that may be deployed for SC 6 customers.

IV. PRICING AND DISCOUNTS

The Pilot will include a pricing structure similar to our current SC-6 rate class, but with a different discount percentage. SC 6 customers are charged a fixed monthly customer charge and receive a discount on the volumetric charge. The pilot customers would pay the same fixed monthly customer charge that the SC-6 customers pay and receive a 20 percent discount on the volumetric per therm rates compared to the SC 8 firm tail block delivery per therm rate. Customers participating in the pilot would also be subject to the same surcharges that apply to SC-6 customers.

The Company believes a 20 percent discount is a reasonable discount percentage since fully interruptible customers under SC 6 currently receive a 45 percent discount, and this pilot program reflects a higher level of service than what customers receive on the interruptible SC 6 rates where customers cannot burn any gas during a called interruption. There was some discussion at the last stakeholder meeting as to whether a 20% discount would be appropriate for the pilot program. The Company is willing to consider alternative approaches to the application of a 20% discount if raised in filed comments.

V. PERFORMANCE PENALTIES

In the event that pilot customers burn more than their agreed upon MPDQ level during an interruption, they would be subject to the same penalty structure that SC-6 customers pay for non-compliance. The current SC-6 tariff provides that all gas taken during a period of requested interruption in excess of the amount the customer is permitted to take may be subject to an additional charge equal to the greater of \$25 per Dth or 125% of the highest per Dth cost of gas purchased in the Company's gas supply portfolio during the calendar month of unauthorized usage. Customers will be removed from the pilot after two instances of non-compliance.

VI. POST-PILOT TREATMENT

Customers participating in the pilot program will be advised that a return to fully firm service at the conclusion of the pilot program term is subject to the conditions set forth in the Joint Proposal. Specifically, a return to fully firm service is contingent upon the Company's confirmation that its distribution system can provide the reinstated level of firm service and the customer's ability to acquire Primary Point Capacity equivalent to the level held prior to switching to partially interruptible service. These conditions are essential to preserve system integrity and protect non-participating customers from adverse reliability impacts.

If a customer participating in the pilot program requests firm sales or transportation service at the end of the pilot, the Company will conduct an engineering review to determine whether sufficient system capacity is available to serve the requested firm load. If the Company determines that the customer may not return to firm service based on the engineering analysis and the customer cannot secure Primary Point Capacity to its full MPDQ, the customer would be advised that it may take service under SC-6 interruptible service. This approach parallels how the Company handles transitions between firm and interruptible service classifications and ensures transparent and orderly customer transitions.

The Company will address the pilot's future beyond the initial two-year term in its next base rate filing. That filing will reflect the Pilot's initial evaluation results known at that time and customer interest and will present recommendations regarding whether to adopt a permanent partially interruptible service class, to modify the construct, or to sunset the pilot. This

sequencing allows for informed decision-making based on empirical evidence gathered under real-world operating conditions.

VII. PILOT EVALUATION CRITERIA AND IMPLEMENTATION CONSIDERATIONS

At the end of the two-year pilot, the Company will conduct an evaluation which will include a comparison of pre-pilot and pilot-period usage and will also include details on customer performance, including during penalty events. The Company anticipates minimal implementation costs due to the relatively small number of customers that can participate in the pilot and because SC-8 customers already have interval-capable metering. In addition, the Company intends to manage the billing and notifications manually for the duration of the pilot program. If the pilot program becomes a permanent program, the Company will consider automation at that time, which would require billing/programming costs.

The Company will maintain detailed records of pilot revenues, discounts, penalties, and any incremental administrative costs to support transparent reconciliation and regulatory review. The Company will also coordinate with Department of Public Service Staff (“DPS Staff”) on any specific accounting instructions appropriate for the pilot deferral and will include deferral balances and recovery proposals in a future rate filing as directed by the Commission.

VIII. LOST REVENUE RECOVERY AND COST TREATMENT

Because customers participating in this Pilot Proposal program will pay discounted delivery rates relative to the current SC-8 rates, the Company anticipates lost base delivery revenue relative to the rate case allowances established for SC-8 customers. Therefore, the Company will be seeking deferral treatment for any lost revenue the Company will experience for the duration of the pilot. The calculation of lost revenue will compare the customers actual base delivery revenue to the amount they would have paid for base delivery charge if they were to have remained on SC-8. There is not currently a Revenue Decoupling Mechanism (“RDM”) for SC-8, which means that the discounted rate structure in this pilot program would result in lost revenue for the Company with no existing mechanisms for recovery. Therefore, the Company believes a deferral mechanism allowing future recovery of any lost revenue is appropriate.

IX. TIMELINE, ENROLLMENT, AND CUSTOMER OUTREACH NOTIFICATIONS

Pursuant to the timeline established in the Joint Proposal, interested parties will have the opportunity to file comments on the details of the pilot program included in this proposal. The Company will be required to file a petition within two months of the filing of this proposal (Tuesday, April 14, 2026) requesting Commission approval to implement the pilot program. Based on that timeline, and the time that will be needed by the Commission to consider comments and file an order approving the pilot program, the Company does not believe there will be sufficient time to implement the program to become effective in 2026. The Company would need to develop communications for potential customers that include the final approved details of the program. In addition, customers that want to participate in the pilot must have their PPC set by October 1, 2026, in order to participate in the pilot for the winter period beginning November 1, 2026. Therefore, the Company does not believe there will be sufficient time to conduct outreach to potential customers and for those customers to coordinate with their marketer for the program to become effective in 2026. Therefore, the Company is proposing to launch the pilot program on November 1, 2027.

The Company will develop a communication plan for eligible customers and provide a description of the program details and the timeline for signing up to participate in the pilot. The communication will clearly lay out the program details, customer eligibility, pricing structure, penalty structure, and any post-pilot considerations. The Company will also notify any participating customer's third-party energy supplier (ESCO) when customers elect the partial interruptible option and will maintain appropriate customer-market communications.

X. STAKEHOLDER COMMENTS

Written comments were submitted on April 1, 2026 by Multiple Intervenors and NRG Energy Inc. ("NRG") in this proceeding. The Company appreciates the thoughtful feedback provided and responds to those comments below.

A. Treatment of Customers at the Conclusion of the Pilot and Return to Firm Service

Multiple Intervenors requested clarification regarding customers' service classification options following the conclusion of the Pilot, particularly for customers taking SC-8 service with a D-1 election. Commenters expressed concern that absent an assurance of return to full firm service with restoration of a customer's existing D-1 election, customer participation in the Pilot would be limited. Questions were also raised regarding whether customers unable to return to firm service would be required to take SC-6 Interruptible Service and the scope of any resulting curtailment obligations. The Company acknowledges that, while the Pilot is available to eligible SC-8 customers served through the East Gate, participation may not be appropriate for all customers. This is especially true for customers with existing D-1 elections that they wish to preserve. Customers for whom preservation of a D-1 election is critical may therefore determine that participation in the Pilot is not appropriate.

Upon expiration of the initial two-year Pilot term, participating customers will be eligible either to return to SC-8 firm service, subject to the Company's ability to serve such load on a firm basis, or to transition to SC-6 Interruptible Service. Customers electing or required to take SC-6 service would have their entire load subject to interruption in accordance with the Commission-approved tariff. The Company believes that clearly defining these outcomes provides transparency and supports informed participation decisions.

B. Pilot Discount Rates

Multiple Intervenors objected to the originally proposed 20 percent discount, asserting that the level of the discount was not commensurate with the potential obligation to curtail up to 50 percent of a customer's MPDQ during system events. Commenters suggested that the discount should more closely align with the percentage of load subject to interruption.

In its initial filing, the Company explained that applying a uniform discount to all usage was reasonable given that curtailment events are expected to be infrequent. By comparison, SC-6 interruptible customers receive a single discount applied to all usage regardless of individual usage profiles or the number of interruption days experienced in a given winter season.

Nevertheless, the Company recognizes concerns that a 20 percent discount may not sufficiently

reflect the operational flexibility required under the Pilot. Accordingly, in response to stakeholder feedback, the Company proposes to increase the Pilot discount from 20 percent to 30 percent, applied uniformly to participating customers. The Company believes this adjustment better reflects the obligations imposed by the Pilot while maintaining consistency with existing interruptible service structures.

C. Selection of a 50 Percent MPDQ Curtailment Threshold

Commenters questioned the rationale for selecting a 50 percent MPDQ curtailment threshold and suggested that the Company consider alternative thresholds, such as 25 percent or 75 percent, particularly given the lack of assurance regarding return to firm service. As explained in the Pilot proposal, the Company selected the 50 percent MPDQ threshold as a reasonable balance between providing meaningful operational benefits and maintaining customer feasibility. A 25 percent limitation would be unlikely to provide sufficient reductions during constrained system conditions, while a 75 percent limitation could be overly restrictive and materially limit participation. While no single mathematical formula dictated the selection, the Company continues to believe that a 50 percent threshold represents a reasonable and pragmatic compromise.

D. Customer Communications and Disclosure of Risk

Multiple Intervenors emphasized the importance of clearly communicating to customers, prior to enrollment, the risks associated with Pilot participation, including the possibility that customers may not be able to return to firm service at the conclusion of the Pilot. The Company agrees. Customers electing to participate in the Pilot will receive detailed information describing Pilot terms, curtailment requirements, and the service classification options that may be available upon expiration of the Pilot or upon customer exit after the initial two-year term. The Company believes that full and transparent disclosure is essential to ensure informed customer participation.

E. Treatment of D-1 Elections Exceeding 50 Percent of MPDQ

NRG asked how the Company would address SC-8 customers whose existing D-1 elections exceed 50 percent of their MPDQ. The Company acknowledges that certain SC-8 customers maintain D-1 elections in excess of 50 percent of MPDQ. In order to accommodate

such customers, the Company proposes that participation in the Pilot be permitted provided that the customer's effective D-1 election is limited to 50 percent of MPDQ for purposes of Pilot participation.

F. Program Expiration Rules and Firm Service Eligibility Criteria

NRG requested clarification regarding Program expiration rules, referenced existing GTOP provisions, and asserted that established criteria governing transitions from non-firm to firm service must continue to apply to Pilot participants. The Company agrees that existing firm service eligibility criteria remain applicable and that participation in the Pilot does not confer a guaranteed right to return to firm service. The Company acknowledges that this risk may affect customer participation decisions and believes that such considerations are appropriately addressed through disclosure rather than tariff modification.

The Company further notes the distinction between the two principal curtailment mechanisms applicable within NMPC's system: (1) Interruptions, applicable to Service Classes 6, 9, and 14; and (2) Daily Balancing Pool Alerts, which signal system conditions and may result in interruptions for firm customers without PPC, although such events have historically been rare.

G. ESCO Cost Recovery and PPC Issues

NRG, on behalf of the ESCOs it represents, requested cost recovery for expenses allegedly associated with PPC requirements that may no longer be necessary as a result of the Pilot. The Company does not support ESCO cost recovery in connection with the Pilot. The Pilot is not intended to create a subsidy borne by firm sales customers or customers participating in the monthly balancing program. Moreover, there is no existing tariff mechanism that provides cost recovery when an ESCO exits the daily balancing program and must procure PPC. Accordingly, the Company does not propose any ESCO cost recovery provisions as part of the Pilot.

XI. CONCLUSION

For the reasons described herein, the Company respectfully requests Commission approval of the Pilot. As required by Section 4.8 of the Joint Proposal approved in the Commission's August 14, 2025 Rate Case Order in Case 24-G-0323, the Pilot is designed to test

a limited, carefully structured service option that introduces partial interruption while preserving system reliability and protecting non-participating customers. The proposed two-year Pilot will be limited to up to ten existing SC-8 customers with annual usage of at least one million therms, served on the East Gate, and will operate within clearly defined operational, pricing, and performance parameters that align with the Company's tariffed interruptible framework.

The Pilot will provide the Company with a valuable opportunity to evaluate whether a partially interruptible construct can deliver meaningful operational benefits during periods of system constraint, while offering participating customers a discounted service alternative that reflects shared operational risk. The Pilot incorporates stakeholder feedback, includes enhanced customer disclosures regarding post-Pilot service options, and proposes a revised 30 percent volumetric discount to better reflect the obligations associated with participation. The Company has also proposed appropriate accounting treatment to defer foregone delivery revenues associated with the Pilot, subject to future Commission review.

The Company seeks approval of an effective date of November 1, 2027, which accounts for the Commission's review process, the need to finalize tariff and program details following approval, customer outreach and enrollment activities, and the requirement that customers and their marketers secure and confirm PPC by October 1 in advance of the winter heating season.

Accordingly, the Company respectfully requests that the Commission: (i) approve the Pilot as described in this petition; (ii) authorize the proposed program parameters, including eligibility criteria, operational requirements, pricing, performance penalties, and post-Pilot treatment; and (iii) approve the Company's proposed deferral of foregone base delivery revenues associated with the Pilot, subject to reconciliation and recovery in a future rate proceeding as directed by the Commission.

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