

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on July 17, 2025

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
James S. Alesi
David J. Valesky
John B. Maggiore
Uchenna S. Bright
Denise M. Sheehan, recusing

CASE 15-E-0751 - In the Matter of the Value of Distributed
Energy Resources.

ORDER CLARIFYING BUYBACK CHARGES AND
EXEMPTING SMALL HYDROELECTRIC FACILITIES

(Issued and Effective July 18, 2025)

BY THE COMMISSION:

INTRODUCTION

On May 31, 2024, Niagara Mohawk Power Corporation d/b/a National Grid (National Grid or Company) filed a petition with the Public Service Commission (Commission) related to the implementation of Buyback Service charges within its service territory (the Petition). In part, the Petition seeks Commission authorization to modify certain tariff provisions to clarify the calculation of Buyback Service charges. Additionally, the Company requests approval to include an exemption from Buyback Service delivery charges for

hydroelectric generation facilities (hydro generators) with a nameplate rating of 5 megawatts (MW) or less.¹

In this Order, the Commission approves the Company's proposed provisions for clarifying customers' Buyback Service charges. The Commission also approves an exemption from Buyback Service charges for hydro generators with a nameplate capacity of 5 MW or less.

BACKGROUND

The present state of Standby and Buyback Service rate design is informed by four orders in this proceeding: (1) the Order on Standby and Buyback Service Rate Design and Establishing Optional Demand-Based Rates, issued on May 16, 2019 (2019 Order); (2) the Order Establishing an Allocated Cost of Service Methodology for Standby and Buyback Service Rates and Energy Storage Contract Demand Charge Exemptions, issued on March 16, 2022 (ACOS Methodology Order); (3) the Order Directing Standby and Buyback Service Tariff Filings, issued on March 16, 2022 (Rate Design Order); and (4) the Order Establishing Updated Standby Service Rates and Implementing Optional Mass Market Demand Rates, issued on October 13, 2023 (2023 Order). These four orders are collectively referred to as the Standby/Buyback Rate Orders.

The 2019 Order required National Grid to establish a Customer Charge and Contract Demand Charge for customers that only take Buyback Service, and required National Grid to develop an incremental Contract Demand Charge for generator capacity

¹ As discussed below, the Company included proposed tariff language that inadvertently excluded generators rated at exactly 5 MW.

kilowatt (kW) greater than the customer's maximum annual usage demand for dual-service customers.²

The ACOS Methodology Order established a new, standardized method for completing ACOS Studies to determine the amount of costs to be allocated to three cost categories - Customer costs, Local costs, and Shared costs - which in turn inform the level and design of Standby and Buyback Service rates and charges. The Commission required that Standby rates be designed to be revenue neutral to the Otherwise Applicable Service Classification (OASC) - that is, the rates designed under the updated Standby Service charges are to collect the same amount of revenue from all members of their OASC under Standby Service rates as they do under the default rates for the OASC.³ Standby Service includes three charges - a Customer Charge, a Contract Demand Charge, and an As-Used Daily Demand Charge - whereas Buyback Service only imposes a Customer Charge and a Contract Demand Charge, if applicable. For the sake of simplicity and ensuring that a standardized methodology for setting Standby and Buyback Service rates and charges is used, the Commission specified the Standby and Buyback Service

² At the time of the 2019 Order, it was already common practice for most utilities other than National Grid to waive the Buyback Service Customer Charge if a customer takes service under another Service Class as well.

³ The OASC is the service class that a customer would take service under, but for requirements that such customer take service under Standby or Buyback Service. For example, installing a Distributed Energy Resource (DER) technology that is not exempt from Standby or Buyback Service.

Customer Charge is to be set at the same level as the Customer Charge for the OASC.⁴

In the Rate Design Order, the Commission required that the Buyback Service Contract Demand rate would only apply to the customer's Buyback Service Contract Demand in excess of: (1) the Contract Demand if billed under Standby Service; or (2) the monthly demand billed under another rate if not billed under Standby Service.⁵

In the 2023 Order, the Commission accepted draft tariff leaves submitted in compliance with the ACOS Methodology Order and Rate Design Order, and required National Grid to make further necessary tariff changes to reflect updated revenue requirements.⁶

In summary, the present state of the National Grid's Buyback Service tariffs requires imposition of a Customer Charge based on customer's OASC, with the exception that if the customer takes service under another service class, the customer charge under Buyback Service would be waived. Similarly, the present state of the Buyback Service tariffs requires imposition of Contract Demand Charge based on the customer's OASC. If the

⁴ The Commission recognizes that a Department of Public Service Staff proposal to modify this requirement was filed on March 17, 2025, in this proceeding. As of the date of this Order, the Commission has not yet issued its determinations on that proposal.

⁵ For example, a dual Standby and Buyback Service customer with 100 kW of Standby Service Contract Demand kW and 150 kW of Buyback Service Contract Demand would pay 100 kW-worth of Standby Service Contract Demand Charge and 50 kW-worth of Buyback Service Contract Demand Charge.

⁶ The updated tariff leaves were to be filed to become effective on a temporary basis until confirmed by the Commission. National Grid's tariff leaves were considered and made permanent in the Order Approving National Grid Tariffs, With Modifications, for Standby Service and Optional Rate Service, issued in this proceeding on November 19, 2024.

customer takes service under another service class, a Buyback Service Contract Demand Charge would only apply to Buyback Contract Demand either: (1) above the customer's Contract Demand for service classifications (SCs) which include a Contract Demand (e.g., SC-7); or (2) above the customer's Demand billed subject to the other retail SC.

THE PETITION

In the Petition, the Company asserts that certain aspects of establishing Buyback Service for its SC-6 customers were not contemplated in the Standby/Buyback Rate Orders, and require further consideration and tariff revisions for the Company to be able to properly bill its SC-6 customers. The Company asserts that it is important to clearly establish a customer's OASC as a precondition for properly billing Buyback Service charges. However, National Grid states that the Standby/Buyback Rate Orders did not specify a process that the Company should use to establish a customer's OASC in certain scenarios. The Company notes that its Buyback Service delivery charges vary by SC, and may also vary by interconnection voltage level for some SCs. Further, the Company notes that in some instances, maintaining a customer's existing OASC designation may not be reflective of the level of distribution service necessary for the grid to receive the generator exports. As an example, the Company points to when the size of the service specified in the customer's existing OASC is much smaller than the size of the service necessary to accept the exports of the generator.

National Grid states that SC-6 customers may experience materially different Buyback Service delivery charges and resulting bill impacts depending on how the Company establishes that customer's OASC. National Grid asserts that

these material differences were not known at the time the 2023 Order was issued, and were not considered in the administrative record the Commission relied on in issuing that Order.

Therefore, the Company seeks additional guidance on how to establish the OASC for its SC-6 customers.⁷

National Grid explains that its current SC-6 customers fall into two categories (i.e., Single Buyback Service customers and Combined Buyback Service customers). The Company describes different issues related to billing these two categories of customers and request different procedures and tariff revisions to ameliorate its concerns with billing customers within each category. More specifically, the Company proposes to modify its tariff to set forth: (1) criteria for establishing the OASC for Single Buyback Service customers; (2) criteria for establishing the OASC for Combined Buyback Service customers; (3) the process for determining Buyback Contract Demand for both Single and Combined Buyback Customers; and (4) provisions for adjusting the Buyback Contract Demand charge for any SC-2 Non-demand retail charges applicable for Combined Buyback Service customers.

Single Buyback Service

The Company defines Single Buyback Service Customers as customers whose generator exports to the grid through a different service than the customer's incoming retail load. National Grid states that per the directives of the Standby/Buyback Rate Orders, Single Buyback Service Customers would be charged the Customer Charge and Buyback Contract Demand Charge of their OASC, however, the Company's tariff currently only specifies service class applicability based on a customer's

⁷ The Company notes that it understands that the issues raised in its Petition regarding the lack of an established process for determining Buyback Service customers' OASCs are unique to National Grid.

incoming retail load, and not related to its generation exports. National Grid notes that its present tariff is unclear what basis it should use to establish an OASC, and that the various options and rationales for establishing the OASC may result in materially different Buyback Service delivery charges and bill impacts.

National Grid proposes to add applicability criteria to its tariff to establish how a Single Buyback Service customer's OASC would be established. Specifically, the Company proposes that a Single Buyback Customer's OASC would be established based on a service demand kW level that is the lower of either: (1) the nameplate capacity, in kW, of the customer's generator; or (2) the maximum kW of the distribution service available to accept the customer's generator exports. The Company would then compare the service demand kW determined against the existing applicability provisions for each retail SC in its tariff, and evaluate each SC's applicability criteria to select an appropriate OASC or service class. National Grid proposes to determine a Single Buyback Customer's Buyback Contract Demand as the lower of: (1) the nameplate capacity of the generator, in kW; or (2) the maximum kW of the distribution service available to accept the customer's generator exports.

Combined Buyback Service

The Company defines Combined Buyback Service customers as customers whose generator's exports and incoming retail load are on the same distribution service. National Grid notes that Combined Buyback Service customers have a retail service class based on their retail load, which in some cases may be the station service load of the generator, and in other cases may be some other retail load behind the same meter as the generator. National Grid asserts, however, that a generator's station service load may be significantly smaller than the generator

exports for most types of generation, potentially resulting in the retail service class set for Combined Buyback Service customers not being representative of the distribution service capacity built to accept the generator's exports.⁸

National Grid makes several proposals for setting Combined Buyback Service SC and Contract Demand levels. First, National Grid proposes that Buyback Service customers' retail load SC and the OASC of their Buyback Service should be the same because both retail load and exports under Buyback Service use the same distribution service equipment.⁹ Second, National Grid proposes to set the SC for the retail account and the Buyback Service OASC based on the service demand kW level set at the greater of: (1) the retail load kW; or (2) the maximum kW of the distribution service available to accept the generator's exports. The Company would then compare the service demand kW determined against the existing applicability provisions for each retail SC in its tariff, and evaluate each SC's applicability criteria to select an appropriate OASC or service class.

Third, National Grid proposes to determine a Combined Buyback Service customer's Buyback Contract Demand as the lower of: (1) the nameplate capacity of the generator, in kW; or (2) the maximum kW of the distribution service available to accept the customer's generator exports. Fourth, National Grid

⁸ National Grid provides an example of a hydro generator with a minimal station service load being placed into SC 2 - Non-demand while simultaneously operating a generator with nameplate capacity of 1 MW. Absent modification, this customer's OASC would be SC 2 - Non-demand.

⁹ Following National Grid's previous example, the customer with minimum station load and a generator with nameplate capacity of 1 MW would have their retail load service class re-established under SC 3 or the Standby Service equivalent of SC-3, and its OASC for Buyback Service would also be SC-3.

proposes to modify its tariff to avoid duplicate payments where a Combined Buyback Service customer that is in retail SC-2 Non-Demand. For these customers, National Grid proposes to subtract the monthly dollar amount of the SC-2 Non-Demand delivery charge from the Buyback Contract Demand Charge, provided that the result is not less than zero.

Exemption for Small Hydro Generators

National Grid notes that many of its existing hydro generators have been in operation for decades, and have operated under financial assumptions that have not included Buyback Service delivery charges. National Grid notes that the current hydro generators are low cost and environmentally advantageous, and that imposition of the Buyback Service delivery charges now may materially impact their economic viability. More specifically, National Grid states that 21 of the 52 hydro generators interconnected to its system would experience Buyback Service delivery bill impacts of greater than 10 percent, and that two such customers would experience Buyback Service bills in excess of the payments such generation would receive from the Company through Buyback Service.

The Company argues that whereas larger generators greater than 5 MW in nameplate capacity have the option to participate directly in the wholesale market in lieu of selling to the Company through the Buyback Service tariff, smaller projects have fewer options and may find it more burdensome to participate in the wholesale market. National Grid, therefore, proposes to exempt hydro generators with nameplate generator capacity of 5 MW or less who export to the Company under Buyback Service from the Buyback Service delivery service charges.¹⁰

¹⁰ Such customers would be exempt from both the Buyback Service Customer Charge, if otherwise applicable, and the Buyback Service Contract Demand Charge.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking (Notice) was published in the State Register on December 31, 2024 [SAPA No. 15-E-0751SP54]. The time for submission of comments pursuant to the Notice expired on March 3, 2025. No comments were received.

DISCUSSION AND CONCLUSION

The Commission's initial determination that National Grid should impose a Customer Charge and Contract Demand Charge for Buyback Service customers dates back to the 2019 Order. Subsequent orders focused on the rates associated with the charges, and other details of the charge design. The Standby/Buyback Orders never directly addressed the necessary processes for determining Buyback Service customers' OASCs, which had already existed within other utilities' tariffs, but not in National Grid's. As noted in the Petition, this issue is unique to National Grid.

The Commission agrees with the need to clarify the rules and requirements for establishing Buyback Service customers' OASC, and accepts National Grid's proposed criteria for doing so. The separate processes for determining the OASC for Single Buyback Service customers and Combined Buyback Service customers is rational, deliberative, and specific enough to adequately determine the OASCs for the anticipated range of customers we can forecast today. The proposed clarifications for determining customers' incremental Buyback Service Contract Demand kW are similarly rational and reasonable. We also find the proposed provisions warranted to ensure that duplicative charges are not applied to a generator in Combined Buyback Service where the customer's Buyback Service and retail load service classification is established as SC-2 Non-demand.

Regarding the Company's proposal to exempt small hydro generators, the Commission approves of this provision, with one modification. National Grid's argument - that its present fleet of hydro generators is decades old, have operated under business models which were not developed with knowledge of the present Buyback Service charges, and would be meaningfully harmed and may shut down if such charges were imposed - is compelling. The Commission finds that it would be unwise to jeopardize the continued operation of these clean and renewable resources at the present time, and therefore agrees that these existing small hydro generators shall be exempt from Buyback Service charges.

Existing hydro generators are an important part of New York State's baseline of clean energy assets and are expected to continue to be vital to meeting New York State's clean energy generation goals going forward. The Commission's intention is to avoid unnecessary retirements of existing clean energy resources critical to meeting the State's emissions reduction and clean energy procurement goals in the Climate Leadership and Community Protection Act, as well as provide continuing support for these assets as they consider investments to repower in the future. The Commission may seek to expand this exemption to other clean energy generation sources to continue supporting baseline resources, whether at National Grid or other utilities, in the future.

As mentioned above, however, one modification to the specific eligibility requirements for this exemption is necessary. Specifically, the Commission modifies the Company's proposed tariff language to specify that the exemption applies to small hydro generators with a nameplate capacity of 5 MW or less, instead of the Company's language exempting small hydro generators "less than 5 MW." The proposed tariff language that would exclude generators sized at exactly 5 MW appears to be

inadvertent, as the Company's Petition describes its proposal to exempt "hydro generators with a generator nameplate rating of 5 MW or less from SC-6 Buyback Service delivery."¹¹ National Grid convincingly argued that hydro facilities above 5 MW have unrestricted access to wholesale markets, and argued convincingly that small hydro facilities less than 5MW would be meaningfully harmed if required to pay the applicable Buyback Service charges, however, the Company's proposed tariff language results in uncertainty for hydro facilities that are exactly 5 MW.

Modifying the small hydro exemption to be applicable to facilities 5 MW or less both eliminates the uncertainty for facilities of exactly 5 MW of nameplate capacity, and is consistent with numerous other programs and requirements within the Company's tariff including: (1) Community Distribution Generation, shown on Leaf 148.1; (2) Standardized Interconnection Requirements, shown on tariff Leaf Nos. 198 and 240; (3) Value Stack compensation, shown on tariff Leaf No. 220; (4) Remote Crediting program, shown on tariff Leaf No. 263.35.1; (5) the Renewable Energy Access and Community Help Program, shown on tariff Leaf No. 263.51; and (6) sale of energy and capacity to the Company under Buyback Service, shown on tariff Leaf No. 414.¹²

However, there would remain two existing tariff leaves that would be inconsistent with an exemption for hydro generators 5 MW or less. These include the "Application for Service" section of leaf 420 and "Interconnection Requirements Specific to Standby Service" section on leaf 428. Each of these leaves address Standby Service and include requirements that

¹¹ Petition, p. 8.

¹² P.S.C. No. 220 - Schedule for Electric Service

apply either to customers with on-site generators "less than 5 MW" or customers with on-site generators "in excess of 5 MW" - leaving uncertainty for customers with on-site generation of exactly 5 MW. To ensure consistency and alignment with the other programs and requirements within the Company's tariff, National Grid is directed to submit housekeeping amendments to correct the errors on leaves 420 and 428 to accurately represent the requirements applicable to on-site generators of 5 MW or less within its tariff.

The Commission will afford the Company a sufficient timeframe to implement these tariff changes, program its billing system, and engage with affected customers. Accordingly, National Grid is directed to submit tariff amendments consistent with the above discussion, to become effective on February 1, 2026, on not less than 15 days' notice. Since these tariff leaves will be submitted in compliance with this Order, and because stakeholders have already had an opportunity to comment on the draft tariff leaves provided with the Petition, the newspaper publication requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 are waived.

The Commission orders:

1. Niagara Mohawk Power Corporation d/b/a National Grid shall file tariff leaves reflecting the determinations made in the body of this Order, to become effective on February 1, 2026, on not less than 15 days' notice.

2. Niagara Mohawk Power Corporation d/b/a National Grid shall file housekeeping tariff amendments to correct the rules and requirements under Standby Service regarding on-site generation sources of five megawatts or less, as discussed in the body of this Order, to become effective on February 1, 2026, on not less than 15 days' notice.

3. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1, as to newspaper publication with respect to the tariff filings directed in Ordering Clause Nos. 1 and 2 above, are waived, as discussed in the body of this Order.

4. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

5. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary