STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Energy Storage Deployment Program	))	Case 18-E-0130

JOINT UTILITIES PETITION TO MODIFY THE ENERGY STORAGE ORDER TO IMPROVE PROCUREMENT RESULTS

In December 2018, the Public Service Commission established a statewide energy storage goal of up to 3,000 MW by 2030 and laid out its policy on deployment in its *Order Establishing Energy Storage Goal and Deployment Policy*.[1] After two rounds of competitive procurements targeting a total of 350 MW of energy storage resources by the end of 2022, the Joint Utilities[2] have generally[3] not yet been able to contract with projects that are able to meet the Commission's goals and seek modifications to the mandated contractual terms to further facilitate these efforts.

Following the initial solicitations' lack of success, the Commission approved the Joint Utilities' request to extend the in-service deadline from 2022 to 2025 and to extend the maximum length of the dispatch rights contract from seven to ten years.[4] In directing those changes, the Commission specifically supported regular evaluation of the implementation of its policies and the role of "making necessary adjustments where appropriate" to address the "incremental nature of

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1 The Commission specified the requirements for the competitive energy storage solicitation process. Case 18-E-0130, *In the Matter of Energy Storage Deployment Program* (Energy Storage Proceeding), Order Establishing Energy Storage Goal and Deployment Policy (issued December 13, 2018) (Energy Storage Order), pp. 52-55.

2 The Joint Utilities are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc. (Con Edison), New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation.

3 National Grid was the only utility to successfully contract for the Commission's initial MW goal in the first round of solicitations. National Grid awarded a contract for the Central Adirondack Microgrid Project (CAMP), located in the Old Forge area, with a battery energy storage system sized at 20 MW/40MWh. CAMP has an in-service deadline of 2025 and a dispatch rights contract duration of seven years.

4 Energy Storage Proceeding, Order Directing Modifications to Energy Storage Solicitations (issued April 16, 2021) (Modifications Order), pp. 8-9.

its energy storage deployment policy."[5] Accordingly, the Joint Utilities seek these modifications of the Energy Storage Order and Modifications Order to incorporate into future solicitations: (1) an extension of the in-service date for storage resources from December 31, 2025 to no later than December 31, 2028 and (2) an extension of the maximum dispatch rights contract duration from the current "up to ten (10) years" to "up to fifteen (15) years."[6] In that this request is consistent with the Commission's first modification of contract terms to facilitate meeting its energy storage directives goals, the Joint Utilities respectfully urge the Commission to similarly rule on this second technical modification for timely inclusion in the third round of solicitations in advance of any other broader storage policy developments.

I. Extension of In-Service Date

The current in-service date for the storage resources procured as part of the Joint Utilities' bulk level storage solicitation requirements of December 31, 2022[7] did not result in sufficient procurements[8] such that a new in-service date needs to be in place before the next procurement effort. The Joint Utilities note that changes are occurring that will help to support future storage deployment to support the State's storage goals per the anticipated New York Energy Storage Roadmap 2.0. The federal Investment Tax Credit in the recent Inflation Reduction Act of 2022 provides tax credits of 30 percent or more for energy storage investment expenditures.[9] In addition, as originally envisioned for energy storage,[10] the Commission ordered the Joint Utilities

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5 *Id*., p. 7.

6 The requested modifications reflect conversations among Con Edison, O&R, and stakeholders, including Department of Public Service Staff and the New York State Energy Research and Development Authority (NYSERDA).

7 Energy Storage Proceeding, Energy Storage Order, p. 55; Modifications Order, pp. 8-9.

8 An important factor was supply chain cost increases. According to one measure, global prices for lithium carbonate, a critical material for many large energy storage batteries, increased by more than 800 percent between August 2020 and August 2022. Bomey, Nathan, *Lithium Prices Putting Pressure on Electric Vehicle Costs*, Axios, September 21, 2022.

9 H.R. 5376, Public Law No: 117-169, SEC. 48 E.

10 Energy Storage Proceeding, Energy Storage Order, pp. 20-21.

to adopt a new rate setting approach by December 21, 2022 to lower charging costs for energy storage projects.[11] Combined, these two measures are expected to improve the economics of both new and previously proposed projects which increase the likelihood that Joint Utilities' procurements will be more successful going forward.

Consistent with the Commission's recognition that multiple procurement proposals with different options would be needed,[12] the Joint Utilities plan to issue additional solicitations under the Energy Storage Proceeding to meet the State's storage goals. [13] Assuming the Joint Utilities are able to select and complete contract negotiations with winning bidders by the end of 2023, those projects would have an in-service date well past December 31, 2025 – particularly for projects required to enter the New York Independent System Operator (NYISO) Class Year process or which are subject to demanding permitting requirements. Therefore, the Joint Utilities urge the Commission to modify the applicable requirement to state that each utility is required to procure the dispatch rights to the minimum amount of storage specified in the Energy Storage Order to be operational no later than December 31, 2028, with the potential to begin dispatch earlier for any projects that can achieve an earlier in-service date. This extension will allow developers a sufficient planning and development horizon.[14]

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11 Case 15-E-0751, *In the Matter of Value of Distributed Energy Resources*, Order Establishing an Allocated Cost of Service Methodology for Standby and Buyback Service Rates and Energy Storage Contract Demand Charge Exemptions (issued March 16, 2022).

12 Energy Storage Proceeding, Energy Storage Order, p. 54.

13 National Grid has yet to determine if it will release an additional RFP under the Energy Storage Proceeding. *See supra*, note 3.

14 Energy Storage Proceeding, Energy Storage Order, p. 113; New York State of the State, p. 146, January 2022.

II. Extension of Contract Duration

The Commission has extended the duration of dispatch rights contracts to ten years from the original seven.[15] Based on the results of the last two rounds of procurements and post-solicitation conversations with bidders, the Joint Utilities propose that increasing the limit on contract length from ten to fifteen years will result in more successful future solicitations. Developers remain uncertain about realizable merchant revenues after the expiration of their ten-year dispatch rights contracts and have thus submitted bids designed to recover a significant percentage of their costs over the contract period. Extending the contract duration beyond ten years would permit the amortization of costs over a longer period and should result in lower annual contract costs. Because the NYISO market rules for energy storage may evolve and do not yet provide sufficient revenue certainty to support a vibrant merchant storage project market, the Joint Utilities support a further increase to the dispatch rights contract duration. Only when developers have more confidence in future wholesale market revenues are they more likely to propose contracts of shorter duration. Fifteen years remains a sufficiently short contract length for applicants to seek incentives to locate and construct their projects to maximize revenues and create other business opportunities during the post-contract period. Allowing developers to propose contracts of fifteen years or less should create solicitations that best support the rapid and economic deployment of storage in New York State. The Joint Utilities urge the Commission to authorize the award of dispatch rights contracts for up to fifteen years in duration in the next procurements under the Energy Storage Proceeding.

[15] Energy Storage Proceeding, Modifications Order, p. 9.

III. Conclusion

The Joint Utilities reiterate their support of New York's energy storage goals (6,000 MW by 2030) and will continue their efforts to solicit energy storage projects that deliver value to their customers. To improve the success of energy storage procurements and increase the opportunity to maximize benefits for projects solicited under the Energy Storage Proceeding, the Joint Utilities urge the Commission to extend the in-service date from December 31, 2025, to no later than December 31, 2028, and to extend the maximum dispatch rights contract duration from up to ten years to up to fifteen years.

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Respectfully submitted,

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