



**Department
of Public Service**

KATHY HOCHUL
Governor

RORY M. CHRISTIAN
Chief Executive Officer

September 11, 2025

Hon. Michelle Phillips
Secretary to the Commission
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

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.

Dear Secretary Phillips:

Department of Public Service Staff provides the attached straw proposal for management of the interconnection queue for new distributed Generators and/or energy storage systems five megawatts or less connected in parallel with utility distribution following the issuance of Internal Revenue Service Notice 2025-42 on August 15, 2025.¹ A notice seeking comments from interested stakeholders will follow.

Sincerely,

Elizabeth Grisaru
Senior Advisor for Policy

¹ See Internal Revenue Service Notice 2025-42 issued on August 15, 2025 (available at <https://www.irs.gov/pub/irs-drop/n-25-42.pdf>).

Department of Public Service Staff Proposal for Managing DER Project Construction

On August 15, 2025, the Internal Revenue Service (IRS) issued guidelines on renewable energy project eligibility for certain federal tax credits¹ pursuant to §§ 70512 and 70513 of Public Law 119-21, 139 Stat. 72 (July 4, 2025) and Executive Order 14315.² The IRS guidelines require projects seeking such credits to meet specific construction and in-service deadlines. In light of the IRS action, and to clarify the obligations of both renewable project developers and interconnecting utilities, Department of Public Service Staff proposes to establish rules governing the construction and interconnection of distributed energy resources (DERs) subject to the Standardized Interconnection Requirements (SIRs), as outlined below:

The rules will recognize two groups of DER interconnection applicants. Group A consists of DER projects that meet the following requirements:

They have been studied for interconnection under the SIRs and do not require significant system upgrades; and

They have commenced construction by starting physical work, as defined by the IRS, as of January 1, 2026; or

They start physical work, as defined by the IRS, after January 1, 2026, but before July 4, 2026.

The interconnecting utilities shall manage the work necessary to interconnect the Group A projects such that each project is placed in-service, as defined by the IRS, within the time frame allowed pursuant to the IRS Notice. To accomplish this objective, Group A developers shall promptly report the date on which they started construction to the relevant utilities and shall authorize the relevant utility to begin spending funds deposited pursuant to the SIRs to begin detailed design, engineering, and procurement. If a developer does not provide such authorization, the application shall be dropped from Group A. Each Group A project developer and the relevant utility shall meet to confirm the project's in-service date and to develop a work schedule that allows the project to meet that date. The utilities shall have discretion to schedule their work as necessary to meet all Group A project in-service dates.

If a project is cancelled, the interconnecting utility will stop work and refund any remaining deposits per the SIRs.

Each utility shall publish its queue of Group A projects and their in-service dates. The queue shall be updated monthly until all projects are in-service.

¹ Internal Revenue Service Notice 2025-42, issued August 15, 2025 (available at <https://www.irs.gov/pub/irs-drop/n-25-42.pdf>).

² Executive Order 14315, Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources, issued July 7, 2025 (available at <https://www.whitehouse.gov/presidential-actions/2025/07/ending-market-distorting-subsidies-for-unreliable-foreign%E2%80%91controlled-energy-sources>).

Group B consists of projects that have been studied under the SIRs and require Qualifying Upgrades, as defined therein, to interconnect. Group B projects must have secured permits to construct from the relevant local authorities no later than January 1, 2026.

The utilities shall meet with all potentially qualifying project developers in January and February 2026 to present and discuss their schedules for constructing the necessary upgrades. During this period, deposits under the SIRs shall be paused. At the end of the period, all developers who decide to continue to construction must make the full deposits required under the SIRs for both project specific and Qualifying Upgrade costs.

Next, after the deposit due date, the utilities shall develop a work plan for the Qualifying Upgrades needed to interconnect the Group B projects that have made their full deposits. If the deposit thresholds established in the SIRs are not met with respect to a particular upgrade, the utilities shall drop the upgrade from the work plan. The work plan must be organized for all participating projects to be in-service within the time allowed by the IRS Notice and in no event later than June 30, 2030. The utility may modify and re-publish its work plan as needed but all revisions must schedule the remaining work so all participating projects can meet the relevant IRS in service deadline.

Utilities shall spend deposit funds or draw on any standby letters of credit as needed to meet the work plan.

The utilities shall publish their work plans and any revisions. The utilities shall also work with the Group B developers to provide schedules, as required for Group A. The utilities shall update the work plans on a monthly basis until the upgrades are under construction and shall provide weekly reports thereafter until all participating DER projects are interconnected.

Group B developers must start construction, as defined by the IRS, before July 4, 2026. Developers who do not meet this deadline may opt to continue and interconnect in the future after the upgrade work is completed or be dropped from the group, without refund of their Qualifying Upgrade payments, unless a future developer buys in, as contemplated under the SIRs cost sharing rules. Developers who start construction on time but cancel later will not get refunds of their upgrade shares. If projects drop out after the work plan has been published, the utility will complete the upgrade subject to the cost limits provided in the SIRs.

In the event a utility cannot complete an upgrade on schedule, the utility shall consider alternative approaches to meeting the in-service deadline, if requested by the participating projects.