STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

Case 24-E-0621

SOLAR ENERGY INDUSTRIES ASSOCIATION'S COMMENTS IN SUPPORT OF NYSEIA'S PETITION SEEKING MODIFICATIONS TO THE NEW YORK STATE STANDARDIZED INTERCONNECTION REQUIREMENTS

Valessa Souter-Kline
Solar Energy Industries Association
Director, State Affairs, Northeast Region
1425 K Street, NW
Suite 1000
Washington, D.C. 20005
vsouterkline@seia.org
Direct: (215) 756-5200

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Solar Energy Industries Association ("SEIA") submits these comments in support of the *Petition of New York Solar Energy Industries Association Seeking Modifications to the New York State Standardized Interconnection Requirements to Provide Greater Transparency and Cost Certainty for New Distributed Generators and/or Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems* ("Petition") filed on February 14, 2025 in above captioned proceeding. Founded in 1974, SEIA is a national trade association that works with its over 1,200 member companies to build a stronger solar industry. Our members represent all aspects of the solar and storage industry, including developers, manufacturers, and lenders. There are 699 solar companies based in New York in addition to regional companies conducting business in the state.

In the Petition, the New York Solar Energy Industries Association ("NYSEIA") requests that the Public Service Commission ("Commission") adopt proposed changes to the Standardized Interconnection Requirements ("SIR") to ensure it is a reliable foundation for the deployment and financing of distributed energy resources ("DER") in New York.

These proposed amendments are a much welcome and long overdue improvement to the SIR interconnection process. SEIA urges the Commission to adopt them in their entirety and submits these comments to make the following points:

1. Cost Reduction and Certainty: The proposed SIR amendments are necessary to reduce and disincentivize utility cost overruns and thereby protect ratepayers, lower energy costs, and provide market certainty.

2. Aligning Utility Incentives: Utilities are best positioned to reduce and control interconnection upgrade costs but presently have little incentive to do so as the SIR makes the developer responsible for all cost overruns.

3. Avoiding Retroactive Cost Increases: Retroactive cost increases in the form of late stage reconciliation payments are particularly difficult for developers to mitigate or finance.

4. Preventing Utility "High Balling" of CESIR Cost Estimates: Proposed measures requiring greater utility transparency and audits are crucial to dissuade utilities from overestimating initial Coordinated Electric System Impact Review ("CESIR") cost estimates.

5. Supporting Solar Deployment in New York Amid Increased Macroeconomic Risk: Recent macroeconomic and regulatory headwinds increase the need for New York to derisk solar project deployment wherever possible, particularly by reducing soft costs.

I. The Commission Should Grant NYSEIA's Petition in Full

NYSEIA requests that the Commission implement four changes to the SIR to meet growing energy demand by increasing energy supply, advance progress toward clean energy goals, and increase transparency and cost certainty in the DER interconnection process.[1] First, it requests the Commission direct New York's utilities to use more detail in cost estimates for distribution upgrades. Second, it requests modification of the SIR so that there is a hard cap on an interconnection customer's final cost for distribution upgrades. Third, it requests the Commission direct annual publication of itemized actual costs for common distribution upgrades by New York's Investor-Owned Utilities ("IOUs"). Fourth, it requests the Commission direct New York IOUs to provide interconnection customers with a detailed and itemized statement of final costs for all distribution upgrades. For reasons set forth below, SEIA supports the proposed changes in full.

[1] 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, Petition of New York Solar Energy Industries Association Seeking Modifications to the New York State Standardized Interconnection Requirements to Provide Greater Transparency and Cost Certainty for New Distributed Generators and/or Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems (Feb. 14, 2025) (the "Petition") at at 2-3, 15.

II. The Proposed SIR Amendments are Necessary to Reduce and Disincentivize Utility Cost Overruns and Thereby Protect Ratepayers, Lower Energy Costs, and Provide Market Certainty

SEIA supports NYSEIA's proposal to require detailed itemization of all costs in CESIR estimates for distribution upgrades. Among other things, this amendment would (i) ensure a more accurate cost estimate at the initial development stages, (ii) provide greater transparency as to those costs, and (iii) allow developers to better understand the required scope of work.[2] The Petition recommends that those estimates include equipment type; quantity/units; technical specifications; and estimated internal and subcontract labor costs, including hourly labor rates and assumed escalations to hourly rates over time. Requiring this level of detail would reduce the opportunity for erroneous costs to be included at the outset and allow the developer to understand and review the full scope of required upgrades. The current utility practice of providing aggregated, generalized cost estimates does not require this degree of precision and could lead to cost overruns down the road. To ensure this provision has teeth, SEIA further agrees with NYSEIA's proposal to disallow the inclusion of any indirect costs that cannot be itemized by the utility.

Reducing interconnection costs (and providing greater certainty as to those costs) ultimately benefits ratepayers, as developers can pass on these savings in the form of lower energy costs. Absent these amendments, developers will need to "price in" the risk of potential cost overruns and unexpected reconciliation payments into their project financing. This would likely result in higher development costs, and in turn, a greater need for incentives to make those projects viable.

[2] *Id.* at 13.

III. Utilities are the Party in the Best Position to Reduce and Control Interconnection Upgrade Costs but Presently Have Little Incentive to do so as the SIR Makes the Developer Responsible for All Cost Overruns

Under the SIR, the costs of designing, engineering, procuring, and constructing interconnection upgrades are almost exclusively within the utility's control. Among other things, the utility is the party that decides what equipment is needed to interconnect the proposed DER, how and when such equipment will be procured, and the cost and quantity of the necessary labor. However, the current SIR places responsibility for these costs not on the utility, but on the developer. As a result, the utility has little motivation to reduce those costs or even accurately estimate them. Such costs, and any associated overruns, are in most cases passed onto the developer on a dollar-for-dollar basis.

To ameliorate this misaligned incentive, the Petition suggests implementing a fifteen percent hard cap on DER interconnection cost overruns borne by DER interconnection customers. Under this limit, developers would only be responsible for paying for distribution upgrades up to a maximum of 115% of the original CESIR cost estimate.[3] The Petition suggests the cost cap be binding for thirty-six months from issuance of the CESIR. The hard cap would protect the interconnecting customer against paying for unreasonable utility cost overruns, while still allowing a reasonable margin for error.

Incentivizing utilities to reduce the frequency and magnitude of cost overruns will likely lead to lower average interconnection costs actually incurred, not just for DERs, but for utility-scale projects and ratepayer-funded grid upgrades more generally. Efficiencies in utility interconnection projections and procurements could apply to non-DER interconnection and grid development processes as well. Further, transparency reforms may also have a salutary effect on

[3] Petition at 13.

upgrade costs generally, and requiring greater utility focus on actual costs may result in new procurement practices or opportunities for greater efficiency. SEIA supports the proposed amendments as they would ensure the validity of cost estimates and better incentivize utilities to avoid cost overruns by increasing accountability.

IV. Retroactive Cost Increases in the Form of Reconciliation Payments are Particularly Difficult for Developers to Mitigate or Finance

Retroactive cost increases in the form of unexpectedly high reconciliation payments under the SIR are especially challenging for developers to predict or manage. These costs are presented at the very end of the SIR's interconnection process, after the upgrades have been constructed and the developer has made other key investments in the project's development. Significant retroactive increases of 30%, 50%, or 100% of the original CESIR estimate simply cannot be allowed to become an accepted practice in New York. Financing parties should be able to rely on the CESIR cost estimates as reasonably indicative of what the actual costs will be. If market participants begin to perceive these estimates as unreliable or subject to significant revision at some unknown later date, they will price that risk into the expected value of the project and require a greater expected return on their investment. This, in turn, will raise the cost of NYSERDA's NY-Sun incentives needed to achieve the Climate Leadership and Community Protection Act's decarbonization goals. Notably, the market will charge this "risk premium" even for projects for which there is no subsequent change to the CESIR estimate, as that will not be known at the time of financing or commencing construction.

To address this problem, the Petition puts forward an improved approach for reconciliation and recovery for utility cost overruns, accounting for projects which stay under the projected cost, those which slightly exceed the projected cost, and those which significantly exceed the projected cost.[4] When projects stay under the deposit paid by the interconnection customer, the utility should issue a refund. If projects exceed costs, up to a fifteen percent contingency should be the responsibility of the interconnection customer. Should final costs exceed 115% of the projected costs under the CESIR cost estimate, the utility should be responsible. SEIA supports this approach as it balances the need to protect DER interconnection customers and ratepayers from unforeseen and unreasonable cost overruns on the one hand, and the need to give utilities a fair mechanism for cost recovery if projects exceed projected costs on the other.

V. Measures Requiring Greater Transparency and Audits are Crucial to Avoid Utilities "High-Balling" CESIR Estimates

If the Commission implements NYSEIA's proposed SIR amendments to hold utilities accountable for certain upgrade costs exceeding the CESIR cost estimate, the Commission should also implement mechanisms that dissuade utilities from inflating CESIR cost estimates to avoid subsequently going over a "not to exceed" cap. Absent such mechanisms, utilities may be incentivized to inflate initial CESIR estimates to avoid being on the hook for increases in the upgrade costs over those estimates. Utilities do not suffer a penalty for overestimating these costs under the SIR; if the actual costs end up being lower than what the CESIR study indicated, the utility can simply make a reconciliation payment to the developer. Systemically overestimated CESIR costs would negatively impact distributed solar costs and deployment in New York. Such projects would appear to be more expensive to interconnect than they actually are, and a significant subset of otherwise-viable projects would not go forward after being presented with inflated CESIR estimates.

[4] Petition at 15.

The Petition aims to address this potential risk by requiring increased transparency and auditing through the following: (1) regular audits to promote transparency, prevent inefficiency, and protect ratepayers; (2) requiring utilities to provide each DER customer paying for a distribution upgrade with an itemized accounting of how funds were used to help customers understand why cost overruns occurred; and (3) public review of and comment on the "Distribution Upgrade Cost Estimate Matrix" before adoption by the Commission to help stakeholders find discrepancies and check for accuracy.[5] These measures are essential to counteract any incentive for the utilities to inflate CESIR estimates and we encourage the Commission to adopt them.

VI. Recent Macroeconomic and Federal Regulatory Headwinds Increase the Need for New York to Derisk Solar Projects.

Recent macroeconomic and federal regulatory challenges make it even more important for New York to reduce soft costs in the policy areas that the State controls. In New York and elsewhere, the solar industry is facing unprecedented development headwinds. Recent import tariff volatility has created new obstacles to the deployment of solar projects, increasing costs and delays while reducing certainty for investors. Key federal tax incentives, including the Investment Tax Credit, are the subject of Congressional debate and it is not clear in what form they will be available for future projects. Granting NYSEIA's Petition will not solve those problems, but it would lower the cost and reduce the risk of solar projects in New York, and ensure the solar industry can continue to help New York achieve its clean energy goals in this new political climate.

VII. Conclusion

As a representative for hundreds of solar developers, manufacturers, and lenders, SEIA fully supports NYSEIA's proposed amendments to the SIR. For the reasons set forth above, SEIA

[5] Petition at 13, 14, 15.

respectfully requests the Commission adopt the proposed changes to the SIR. These changes will ensure a more transparent and accountable interconnection process, helping to reduce ratepayer costs in the deployment of clean energy projects.

_/s/_ Valessa Souter-Kline
Valessa Souter-Kline
Solar Energy Industries Association
Director, State Affairs, Northeast Region