PSC EXPANDS VDER PROJECT SIZE TO 5 MWS: STILL WORK TO DO

Renewable Energy Alert
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On February 22, 2018, the New York Public Service Commission (PSC) issued an Order on Phase One Value of Distributed Energy Resources [1] (VDER) increasing the size cap from 2 megawatts (MWs) to 5 MWs for projects eligible to receive compensation under the VDER program. The 2 MW limit was seen as an arbitrary cut-off and often compelled developers to build two or more 2 MW projects side by side to meet economic requirements for such projects to be constructed. Such duplication caused utilities to review and approve multiple applications for interconnections that otherwise could have been consolidated, made zoning and permitting unnecessarily complex and expensive and required subdivisions of land to maintain the separate systems in compliance with Public Service Law (PSL) § 66-j. By raising the cap to 5 MWs, the Commission intends to this change to drive the development of Distributed Energy Resources (DER) as developers would take advantage of economies of scale offered by larger project sizes.

A major point of discussion among stakeholders focused on the expansion of existing 2 MW projects in the New York Independent System Operator (NYISO) queue to 5 MW. The Commission determined that any project in the queue can expand up to 5 MW but in doing so must accept VDER Value Stack compensation, regardless of the compensation for which the existing project had qualified. Thus, no project greater that 2 MW can receive compensation based on net metering or Phase One net energy metering (NEM) as these compensation mechanisms are applicable only to projects that would have been eligible for net metering prior to the issuance of the VDER Phase One Order. The Order confirms that VDER compensation programs and eligible technologies for projects in the 2 MW to 5 MW range remain the same as those below 2 MWs.

Still Work to Do. The Order addresses only a portion of the issues confronting the daunting and costly interconnection process that delays and even threatens the ability of solar energy projects to fulfill the State's expectations in meeting its renewable energy goals. For example, at this time, separate projects in queue cannot be combined to meet the 5 MW cap even if they are physically adjacent to one another. Concerns over calculating the compensation for two projects potentially in different tranches or subject to different valuation methodologies such as with grandfathered remote net metering and community distributed generation valuations. The Commission stated it will address that issue in the near future together with proposed revisions to the Standardized Interconnection Requirements (SIR) in the pending proceeding (Case No. 18-E-0018). Stakeholders have submitted comments on the SIR through the Interconnect Policy Working Group and individually.

In addition, stakeholders, including developers and utilities, are examining Pilot projects seeking to further streamline interconnection by making certain substations "shovel ready". The Pilot projects seek to have utilities proactively undertake improvement of particular substations to further drive DER development. The proponents believe that by upgrading certain substations in areas likely to receive a substantial number of distributed generation projects, soliciting committed projects with a defined percentage of upgraded capacity and seeking to recover the costs from Discovery Grant (DG) applicants through a pro-rated one-time fee. This is intended to avoid delay in project interconnections and the

"first-mover" exposure to interconnection costs and attract more DER projects.

[1] *Order on Phase One Value of Distributed Energy Resources ("VDER") Project Size Cap and Related Matters* (Case No. 15-E-0751) issued and effective February 22, 2018.