AMIDST CORONAVIRUS, NEW YORK PUBLIC SERVICE COMMISSION AUTHORIZES NEW COMMUNITY CREDIT TRANCHE, EXTENDING RUNWAY FOR COMMUNITY SOLAR PROJECTS

Hodgson Russ Renewable Energy Alert
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On March 19, 2020, the New York Public Service Commission (Commission) issued an Order Regarding Community Credit and Community Adder Allocations, in response to a November 1, 2019 petition filed by the New York State Energy Research and Development Authority (NYSERDA). The Order directs National Grid, NYSEG, and RG&E to reallocate unused capacity for the Market Transition Credit (MTC), and to assign that capacity to create a new Community Credit Tranche with compensation at $0.02/kWh. Both the MTC and Community Credit are $/kWh values for community distributed generation (CDG), including community solar projects, under New York's Value of Distributed Energy Resources tariff. With present tranches at or nearing exhaustion, the Order provides a limited runway over the next six months for CDG projects. However, the solar industry continues to await what incentive will follow – a matter that the Commission will likely take up in the coming weeks or months.

The new Community Credit Tranche will be sized to maintain the previously authorized total capacity for MTC and Community Credits: 620 megawatts (MWs) for National Grid, 318 MWs for NYSEG, and 150 MWs for RG&E. The size of this Tranche 2 will be "equal to that total capacity allocation minus the capacity of active projects in all other [MTC and Community Credit] Tranches, as well as any remaining available capacity in Community Credit Tranche 1." Based on current data, this would result in a tranche size of approximately 31 MWs in National Grid, 20 MWs in NYSEG, and 40 MWs in RG&E.

However, unlike prior tranches, the size of this tranche will not be fixed. National Grid, NYSEG, and RG&E will continue to reallocate capacity to this new tranche as CDG projects that have received an MTC or Community Credit allocation cancel. Projects qualify for community credits when they pay 25% of their interconnection costs to the utility. Under the current regulations, developers then have 120 business days from when the utility confirms receipt of that payment to remit the remaining 75%. If the developer fails to pay their remaining interconnection costs by that deadline, the project is removed from the interconnection queue and cancelled.

Attorneys

Joseph Endres
Michael Hecker
Elizabeth Holden
Charles Malcomb
Paul Meosky
Daniel Spitzer
Jeffrey Stravino
Brianne Szopinski
William Turkovich
Sujata Yalamanchili
John Zak
Henry Zomerfeld

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This practice of reallocating capacity will continue at each utility until at least November 1, 2020, or until the Community Credit Tranche 2 at that utility is full and there have been no cancellations for one calendar month. Accordingly, if a significant number of non-viable CDG projects attrite in the coming months, the size of Tranche 2 could increase. Waiver or extension of interconnection deadlines by the Commission due to the coronavirus pandemic, in turn, could affect how many projects are cancelled in the months ahead, and consequently, the ultimate size of Tranche 2.

National Grid, NYSEG, and RG&E will each maintain a waitlist of projects that qualify when Tranche 2 capacity is full. When additional capacity in Tranche 2 becomes available due to project attrition, it will be allocated to projects on that waitlist, in order of qualification date, starting with the one that qualified earliest. Each utility will update the size of Community Credit Tranche 2 at least once per month. Projects on the waitlist may opt to receive a Community Adder instead, if one becomes available.

NYSERDA's November 1 petition also sought authorization to use uncommitted NY-Sun funds to support an upfront community adder incentive of $0.18/Wdc in utility territories where Community Credit capacity is exhausted. Solar industry stakeholders commented that $0.18/Wdc was too drastic a step-down from the $0.02/kWh community credit, and advocated for at least $0.26/Wdc community adder to keep CDG development afloat. The Commission deferred ruling on this until it had an opportunity to consider NYSERDA's pending NY-Sun 2.0 petition requesting $573 million for, among other things, future incentives and compensation for CDG and other distributed solar projects.

To learn more about regulatory changes in distributed solar and energy storage compensation and how it may affect your business, please contact either Peter Ross or Noah Shaw.

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