

# SHIFTING SANDS FOR PAIRING BATTERIES AND RENEWABLES; UTILITIES SEEK TARIFF CHANGES AND NYSERDA TO PROVIDE ADDER

*Hodgson Russ Renewable Energy Alert*  
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Key among the benefits of energy storage is its capability to reduce electric service costs through time shifting and enabling local renewables to displace more expensive generation while reducing transmission costs. Now New York's private utilities have taken direct aim at certain energy storage rate structures, seeking to expand expensive tariffs that have limited energy storage growth. How the Public Service Commission (PSC) responds may set a tone for whether New York will be on its path to the Climate Leadership and Community Protection Act's goal of three gigawatts of energy storage by 2025.

On May 19, 2020, the Joint Utilities[1] (JU) petitioned the PSC to amend the Value of Distributed Energy Resources (VDER) Hybrid Facilities Tariff. The Hybrid Tariff is used to compensate paired energy storage and renewable resources when the systems inject energy into the utility's distribution grid. The proposed amendments would apply standby and buyback charges to energy storage systems paired with electric generating equipment that is eligible for net-metering where the capacity of the energy storage system is larger than that of the paired resource. According to the Petition from the JU, since the PSC accepted the utilities' tariffs for interconnection and compensation of energy storage systems paired with electric generating equipment in 2018, "the Joint Utilities have further considered these tariffs in light of the Commission's observation that these Hybrid Facilities 'will offer the most benefit to their owners, the utilities, and society when the regulatory structure accounts for and provides appropriate price signals for all of the actions they take.'" [2] The JU asserts that these proposed amendments would ensure the proper sizing of battery storage resources with renewable generation – "the proposal promotes siting of at least as much renewable generation as [energy storage] in...Hybrid Facility configurations. This serves to encourage investments which contribute toward achieving New York State's renewable goals." [3] The utilities urged the PSC to approve these changes in short order to prevent what they purport to be gaming opportunities (e.g., pairing a large battery with just a few solar panels in order to qualify or the Hybrid Facilities Tariff), reduce cost shifts to non-participating customers, and send price signals desired by the utilities. [4] To "reduce the cost of integrating these...solutions and maximize on-site resiliency benefits," [5] NYSERDA's recently filed 2020-2025 NY-Sun Operating Plan includes additional

## Attorneys

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

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## SHIFTING SANDS FOR PAIRING BATTERIES AND RENEWABLES; UTILITIES SEEK TARIFF CHANGES AND NYSEDA TO PROVIDE ADDER

NY-Sun funding for paired solar and energy storage projects.

### **I. What Do the Tariff Changes Seek to Accomplish?**

The amendments would effectively undo a prior exemption from standby and buyback charges for Hybrid Facilities.[6] The cost of standby service makes a project more expensive. Thus, if the PSC approves the amendments, the State's energy storage deployment goal of 3 GW by 2030 could become materially more expensive to realize.

The application of standby rates to distributed energy resources has been a controversial topic throughout New York's Reforming the Energy Vision Proceeding. Owners, developers, and proponents of distributed energy resources have opposed the charges, arguing that the rates impose cost barriers to widespread deployment. Such costs have traditionally been accompanied by tariff provisions that add complexity for customer-generators exporting to the grid. Utilities assert that such charges are needed to compensate for distribution grid services and maintenance that are not reflected in other rates applicable to a distributed energy resource.

Under the petition, customer-generators that reached certain Standard Interconnection Requirement milestones prior to December 9, 2019 when the exemption was put in place would interconnect with the assumption that they are taking standby and buyback service. The JU petition states that these amendments are necessary to prevent gamesmanship of Value Stack Compensation, and offers the example of an energy storage customer with no grid export. By adding a single solar panel, the customer would be a customer-generator exempt from standby rates. Thus, by applying standby rates to paired facilities with larger storage capacity than generation, the JU states that the amendments would more accurately distribute the grid costs of these systems. Should the PSC issue an order approving the amendments, energy storage facilities that are larger than the paired renewable resource could face additional charges, depending on the applicable tariff and the availability of individual utility exemptions.

### **II. Which Hybrid Facilities are Subject to the Charges?**

The newly proposed tariff revisions would apply to energy storage paired with any of the technologies eligible for net-metering under the Public Service Law, with the exception of those used by residential, mass-market customer-generators. Thus, a battery paired with any of the following technologies could be subject to standby and buyback service rates, depending upon which option of the Hybrid Facilities Tariff they choose to bill under:

- Solar used for farm operations that does not exceed 100 kilowatts (kW);
- Nonresidential solar that does not exceed 2,000 kW;
- Farm waste electric generating equipment (i.e. biomass) that does not exceed 2,000 kW;
- Micro-combined heat and power generating equipment sized between 1 kW and 10 kW that produces at least 2,000 kWh of useful energy annually;
- Fuel cells that do not exceed 2,000 kW;
- Micro-hydroelectric systems that do not exceed 2,000 kW;[7] and

## SHIFTING SANDS FOR PAIRING BATTERIES AND RENEWABLES; UTILITIES SEEK TARIFF CHANGES AND NYSEDA TO PROVIDE ADDER

- Wind used for farm operations or by non-residential customers that does not exceed 2,000 kW.[8]

The Hybrid Tariff contains four options, based on different usage models – Options A, B, C, and D. The owner of the facility must choose an option before the system enters operation.[9]

Under Option A, the energy storage system is guaranteed to charge solely from the paired renewable. Thus, the storage system imposes no incremental grid costs because any export to the grid is either time-shifted or instantaneous with the paired resource. These technologies will continue to receive the otherwise applicable utility rates without buyback provisions.

Under Option B, customer-generators will not be subject to buyback service, but will be subject to standby rates. In these configurations, the energy storage system is guaranteed to never export to the grid; only the co-located paired resource can export so there is no need to extend buyback service provisions to these facilities.

Under Option C or D, both standby and buyback service tariff provisions would apply. Option C applies to co-located Hybrid Facilities. Option D applies to separately-sited Hybrid Facilities. In these configurations, the storage resource may charge from both the renewable resource and the utility system, and both resources may inject energy into the utility system for compensation under the Value Stack.

### III. What Isn't Changing?

The Petition does not propose changes to any standby rate exemptions currently offered by the utilities. Thus, if a customer-generator meets the applicable standby rate exemption under their utility's tariff, they may continue to be billed under the applicable rate. Further, the Petition does not seek to apply standby or buyback charges to systems where the capacity of the energy storage system is less than or equal to that of the paired renewable. Lastly, because the proposed amendments would apply only to those Hybrid Facilities that are eligible for net-metering, the amendments would not apply to batteries paired with solar systems larger than 2 MW under current rules.

For the current state of charges for Hybrid Facilities compared to the amendments proposed in the Petition, see Petition tables 1 and 2.

### IV. Incentives for Hybrid Facilities

The recently expanded NY-Sun Program offers additional incentives for paired solar and energy storage projects. Incentives for the storage component of a paired project are available through NYSEDA's Market Acceleration Bridge Incentive Program, while the solar component is funded through NY-Sun.[10] In addition to these individual technology-based incentives, the 2020-2025 NY-Sun Operating Plan states that "NYSEDA plans to offer incentives adders for PV projects that pair PV and energy storage and provide resiliency and/or financial benefits to LMI customers and affordable housing." [11] The amount of the adder has not yet been announced. The amount of the adder and eligibility criteria will be included in the updated NY-Sun Program Manuals implementing the PSC's NY-Sun Expansion Order.[12]

## SHIFTING SANDS FOR PAIRING BATTERIES AND RENEWABLES; UTILITIES SEEK TARIFF CHANGES AND NYSERDA TO PROVIDE ADDER

The Market Acceleration Bridge Incentive and NY-Sun Incentive are meant to spur project cost declines to enable the growth of the battery storage and solar markets in New York State. Should standby rates be extended to Hybrid Facilities, developers may find existing incentives insufficient to deploy economic projects. Greater incentives may be needed to reflect changes in market conditions.

### V. What's Next?

The PSC will set a deadline for public comments on the Petition. Interested stakeholders should watch the Value of Distributed Energy Resources Docket No. 15-E-0751 for the notice, related filings and the process that will unfold over the course of the next 3-6 months, at least. The Petition includes redlined tariff amendments to Consolidated Edison's Hybrid Facilities Tariff. If approved by an Order of the Commission after at least a 60-day comment period, each of the utilities would file similar tariff language and the tariff rate changes would go into effect upon subsequent consideration and approval by the Commission. More details on the availability of and eligibility for NYSERDA's paired solar and storage adder will be included in forthcoming NY-Sun Program Manuals. Developers who are interested in the technology-based incentives for each component of the paired project should review the incentive requirements of both the NY-Sun Program and the Market Acceleration Bridge Incentive Program.

If you are interested in learning more about submitting comments to the Petition or have any other questions regarding these proposed amendments, please contact Sarah Main (518.433.2424), Noah Shaw (518.736.2924), Dan Spitzer (716.848.1420), or any other member of the Renewable Energy Practice.

If you received this alert from a third party or from visiting our website, and would like to be added to our Renewable Energy alert mailing list or any other of our mailing lists, please visit us [HERE](#).

[1] The Joint Utilities are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a/National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

[2] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Joint Utilities Petition to Amend the Energy Storage Systems Tariff to Require Standby and Buyback Service Provisions for Certain Energy Storage Systems Paired with Eligible Technologies* (May 19, 2020) (JU Petition) at 1 available at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b0DFEED89-8875-4AE1-83C1-BA27DFE7F84B%7d> (quoting *Order Implementing Hybrid Energy Storage System Tariff* (issued December 13, 2019)).

[3] *Id.* at 9-10.

[4] *Id.*

[5] Incentive funding for the storage component of a paired project is administered through the Market Acceleration Bridge Incentive Program; however, additional NY-Sun funding is available for soft-cost reduction. See NYSERDA, *NY-Sun 2020-2025 Operating Plan* (effective June 1, 2020), available at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B4F3CB5E3-BA5A-4182-AA44-94C3C24C2441%7D>.

SHIFTING SANDS FOR PAIRING BATTERIES AND RENEWABLES; UTILITIES SEEK TARIFF CHANGES AND  
NYSERDA TO PROVIDE ADDER

[6] Standby rates recover system delivery costs from customers that use on-site generation. Buyback rates are charges paid by the utility to on-site generators for their excess power.

[7] N.Y. Pub. Serv. Law § 66-j.

[8] N.Y. Pub. Serv. Law § 66-l.

[9] Case 15-E-0751, supra, *Order Implementing Hybrid Energy Storage System Tariff* (issued Dec. 13, 2018) at 16, available at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BB3CCA2B7-24A0-47E1-88B2-5FE0ED521720%7D>.

[10] The exception is paired residential solar and storage projects on Long Island, which are funded through the NY-Sun Program.

[11] *NY-Sun 2020-2025 Operating Plan*, supra, at 14.

[12] For more on the Expansion Order, see <https://www.hodgsonruss.com/newsroom-publications-12154.html>.