NYSERDA announces MW block incentive program for commercial and industrial grid-connected solar energy systems

By Ruth Leistensnider, Ellen Friedman and Jennifer Simon Lento

On May 4, 2015, the New York State Energy Research and Development Authority (NYSERDA) announced the availability of $450,525,000 in available performance-based incentives for the installation of new commercial and industrial scale grid-connected solar photovoltaic (PV) systems with nameplate capacities between 200kW and 2MW. The incentive program, which is known as the NY-Sun Commercial/Industrial Incentive Program (“Program”), will accept applications for incentives on a first-come, first-served basis until December 31, 2023, or until all funds are fully committed.

Regulatory background

The Program arises in the context of New York State Public Service Commission’s (“NYSPSC”) Renewable Portfolio Standard and the consideration of two petitions, consolidated Case Nos. 14-E-0151 and 14-E-0422, which were filed to increase the statutory utility net-metering caps. The consolidated petitions initiated a broader consideration of the financial incentives and mechanisms that are or should be implemented in order to best support the growth of solar facilities—especially distributed generation systems—in New York State without unnecessarily burdening rate payers. The incentives described below were initially rolled out in November 2014 with a target effective date of March 2015, at a level premised upon the monetary credit for remote net metering continuing. However, the Program was delayed after the NYSPSC’s December 15, 2014 Order on the consolidated petitions instituted a prohibition against the issuance of monetary credits to non-demand host locations on a prospective basis. According to the Commission’s Order, the Commission felt that utilizing monetary credits for remote net-metering projects provided an unfair advantage to those projects over customers with on-site net-metered projects. Following industry push-back, the Commission issued a stay of that Order in January 2015, and then adopted another Order on April 17, 2015, creating a “Transition Plan” to set forth grandfathering provisions for remote net-metered projects which achieved certain milestones by June 1, 2015. NYSERDA thereafter revised the incentive levels to provide different incentive levels for volumetric versus monetary credited projects, as discussed below.
Program Features: MW blocks by region

The Program is based on a MW Block design that divides the state into two regions: (1) the region served by Consolidated Edison (“Con Ed”), and (2) the rest of the state except PSEG-LI (“ROS”). PV MW targets have been set for each region and incentives will be awarded according to a series of increasingly larger capacity blocks. Each successive capacity block will offer a diminishing incentive value.

The Con Ed region includes thirteen (13) capacity blocks ranging from 15,000kW with incentives set at .63/W (.179/kWh) in Block 1 to 55,000kW with incentives set at .07/W (.020/kWh) in Block 13.

The ROS region includes eleven (11) capacity blocks ranging from 120,000kW in Block 1 to 180,000kW in Block 11. Two incentive levels have been created for ROS region projects: (1) “Monetary Incentive” levels, which are available for remote net-metered projects that receive monetary crediting from a non-demand host meter and range from .34/W (.097/kWh) in Block 1 to .01/W (.003/kWh) in Block 11; and (2) “Volumetric Incentive” levels, which are available for all other projects in the ROS region and range from .40/W (.114/kWh) in Block 1 to .09/W (.026/kWh) in Block 11. The Monetary and Volumetric Incentive levels were designed to align with the NYSPSC's April 17, 2014 Order.

Installer/Contractor Applicants are eligible to receive the incentive value set by the block in effect at the time of their Incentive Application submission. Once a block is fully subscribed, that block will close and the next block will open. Once all of the blocks within a region are fully subscribed, no further incentives will be available in that region.

Although the base incentive for any given project may not exceed 50% of the total installed costs for the project, projects that incorporate PV/energy storage systems that reduce the energy-use intensity at the customer’s site by a minimum of 15%, or that install energy efficiency investments that reduce the electric customer’s usage by 15% or more, are also eligible to add an additional $50,000 incentive (or $100,000 if both storage and efficiency investments are incorporated) to the base incentives. Further, projects that are located in “utility identified strategic locations” are eligible for additional incentives that may also result in a total incentive value that exceeds 50% of the total installed project costs.

Once a project has received approval, the first payment under the Program may be invoiced by the Project Contractor/Installer upon the commercial operation date. The commercial operation date payment will be equal to 25% of the calculated base incentive. Three additional invoices may be submitted annually during the first three years of operations (“Three-Year Performance Period”). Incentives during the Three-Year Performance Period will be equal to the actual kWh output of the site for that year multiplied by 75% of the incentive value as determined by the block that was in place when the Application was submitted, multiplied by the base incentive. If the project is located in a “utility identified strategic location,” the base incentive value in the equation will be multiplied by 1.20. Energy storage and/or efficiency incentives may be invoiced no earlier than at the conclusion of the first performance year.

Program application process

Contractor/Installers must apply for the Program under one of two tracks. Track One – Project Maturity is designed for projects that have an executed binding financial agreement with an electric customer and an interconnection application that includes a preliminary review and determination
of interconnection viability by an investor-owned utility. Track One projects must also attest that all required jurisdictional permits and approvals have been submitted. Track Two – Application Security is designed for earlier stage projects. Track Two applications must also include an interconnection application that includes a preliminary review and determination of interconnection viability by an investor-owned utility, but must only attest that a Letter of Intent between the developer and the customer has been executed. Track Two applications must also include Application Security equal to $35,000 for projects up to 750kW; $80,000 for projects between 750kW and 1,500kW; and $135,000 for projects larger than 1,500kW. Funds may be provided in the form of certified funds or an irrevocable stand-by letter of credit payable to NYSERDA. Application Security funds will be returned to approved Track Two Contractor/Installers when the project is deemed complete, but will be forfeited and retained by NYSERDA if the Project is cancelled or is not in commercial operation within eighteen months of the Track Two Incentive application approval date.

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