

CUSTOMER-SITED TIER

The New York Public Service Commission (Commission) is considering specific design details and methodologies pertinent to the Customer-Sited Tier to ensure that photovoltaic generation, small wind systems, and fuel cells, as well as any similar technologies that may become eligible for Renewable Portfolio Standard (RPS) Program support in the future, will continue to play a role in diversifying the New York State's (State) energy mix and stimulating economic development in the State.

The Commission defined Customer-Sited Tier eligibility requirements in its Order Regarding Retail Renewable Portfolio Standard, issued on September 24, 2004 (September Order) to include only generation facilities, including self-generation, located in New York that have been or will be placed into service on or after January 1, 2003. Technologies eligible for support are solid oxide fuel cells, molten carbonate fuel cells, proton exchange membrane fuel cells, phosphoric acid fuel cells (collectively, fuel cells), solar photovoltaic generation, and wind turbines rated at 300 kW or less (small wind).

The September Order directed that funding to support technologies be allocated based on a comprehensive review of the relative costs and benefits, including the potential for specific projects to create or sustain jobs in New York, the ability of the resources to support load pockets throughout the State's by reducing demand from the grid during peak demand periods, support for greater fuel diversity, opportunity for residential and small business customers to participate, and environmental benefits.

In its Order Approving Implementation Plan, Adopting Clarifications, and Modifying Environmental Disclosure Program that was issued on April 14, 2005 (April Order), the Commission further directed the New York State Energy and Research Development Agency (NYSERDA) to develop metrics and weighting factors to determine how funds would be allocated among projects and technologies. The Commission asked NYSERDA to take into account the technical and market risks resulting from implementation of each technology.

NYSERDA and Department of Public Service Staff (Staff) presented to interested parties at a workshop held on July 13, 2005 a general approach of assigning weights and scores for the technologies that comported with the Commission's direction in the April Order that the base level of funding was to be limited, with additional funding of a specific technology dependent upon satisfaction of various criteria. Many participant comments suggested that there is a need to provide certainty for developers and investors by allocating relatively large blocks of the funds at the outset of the program. There was also interest in allowing annual allocations to roll over to the next year to encourage the respective industry to build stronger momentum in market demand.

- Based on the evaluation of technical and market risks and comments received at the July 13, 2005 workshop, the Commission is considering the following proposal to provide a level of funding commitment to encourage industrial investment: 80% of the annual Customer-Sited Tier RPS Program funding would be allocated to the three currently-eligible technologies. Of this 80%, for years through 2009 (as suggested by industry representatives), 43% will be allocated to solar photovoltaic generation, 43% will be allocated to fuel cells, and 14% will be allocated to wind.
- The remaining 20% will be allocated, on a discretionary basis, to technologies the Commission may add to the eligible list or will be distributed on an as needed basis to the eligible technologies.
- Annual funding levels will remain constant through 2009. The Customer-Sited Tier will be evaluated as part of the RPS Program review in 2009. Future funding recommendations will be made at that time.
- Unused funding will remain with the technology until the allocation is evaluated in 2009.

Regarding implementation of the Customer-Sited Tier RPS program for solar and small wind projects, the Commission is considering allowing the use of buy-down incentives similar to the ones currently used in the System Benefits Charge (SBC) program administered by NYSERDA. For fuel cell projects, the Commission is considering allowing the use of buy-down

incentives and performance-based incentive programs, along with competitive solicitations. The Commission is also considering authorizing NYSERDA to evaluate the effectiveness of the individual programs and modify them as necessary to meet changing market needs. Any changes in the structure of payments would be brought to the Commission for approval. The Commission is also considering eliminating the size limitation on wind projects to accommodate development of that generation source.

The Commission may accept, reject, or modify any proposals relating to these matters.