

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on March 9, 2017

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair  
Gregg C. Sayre  
Diane X. Burman

CASE 14-M-0101 - Proceeding on Motion of the Commission in  
Regard to Reforming the Energy Vision.

CASE 16-M-0429 - In the Matter of Earnings Adjustment Mechanism  
and Scorecard Reforms Supporting the  
Commission's Reforming the Energy Vision.

ORDER DIRECTING MODIFICATIONS TO THE JOINT UTILITIES' PROPOSED  
INTERCONNECTION EARNING ADJUSTMENT MECHANISM FRAMEWORK

(Issued and Effective March 9, 2017)

BY THE COMMISSION:

INTRODUCTION

On May 19, 2016, the Commission issued its Reforming the Energy Vision (REV) Track Two Order.<sup>1</sup> In the Track Two Order, the Commission noted that the distributed generation (DG) interconnection process will promote market development of distributed energy resources (DERs), and directed the New York

---

<sup>1</sup> Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016) (Track Two Order).

State electric utilities<sup>2</sup> to propose a DG interconnection survey process and Earning Adjustment Mechanism (EAM) metrics by August 1, 2016. On July 20, 2016, the Secretary of the New York Public Service Commission issued a notice extending the deadline to September 2, 2016.<sup>3</sup> On September 2, 2016, the Joint Utilities filed a common interconnection survey process and proposed earning adjustment mechanism to appraise distributed generation applications above 50 kW. Further, the Joint Utilities proposed that specific targets and incentives be developed on a utility-specific basis as part of rate cases or other company-specific filings.

The Commission finds that the Joint Utilities' proposed frameworks for the DG interconnection survey and metric require modifications. The Joint Utilities are directed to submit a revised filing that address the directives in this Order within 60 days.

#### BACKGROUND

In the Track Two Order, the Commission directed the Joint Utilities to propose a DG interconnection survey process and EAMs. Earnings Adjustment Mechanisms offer the utilities diverse, balanced financial incentives, allowing the Commission and stakeholders to provide guidance focused on meeting the demands of the modern electric grid and the desired REV

---

<sup>2</sup> Central Hudson Gas and Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), Orange and Rockland Utilities, Inc. (O&R) and Rochester Gas and Electric Corporation (RG&E) (collectively the Joint Utilities).

<sup>3</sup> Case 14-M-0101, Notice Extending Deadline (issued July 20, 2016).

outcomes.<sup>4</sup> The Commission advised that the DG Interconnection EAM would be established with the following components:<sup>5</sup>

- 1) A threshold condition based on adherence to the timeliness requirements established in the Standard Interconnection Requirement (SIR); and
- 2) A positive adjustment based on an evaluation of application quality and the satisfaction of applicants with the process, as measured by: a) a survey of applicants to assess overall satisfaction, and b) a periodic and selective third party audit of failed applications to assess accuracy, fairness, and key drivers of failure in order to support continual process improvement.

The Joint Utilities' Filing

The Joint Utilities filed a common survey and EAM metrics for DG applications above 50 kW. Of the three metrics identified in the Track Two Order, the Joint Utilities view SIR timeliness and satisfactory survey response as the more important elements for incentives, and are the only elements in their proposed EAM. For these items, the Joint Utilities proposed specific targets and incentives be developed on a utility-specific basis as part of rate or other utility-specific filings. Conversely, for failed applications, the Joint Utilities do not propose an incentive opportunity associated with the results of an independent audit of failed applications. Rather, the Joint Utilities proposed to reclassify failed applications as "withdrawn or abandoned" applications with no EAM.

---

<sup>4</sup> See Melissa Whited et al., *Utility Performance Incentive Mechanisms: A Handbook for Regulators*, Synapse Energy Economics, Inc. (March 9, 2015).

<sup>5</sup> Case 14-M-0101, supra, Track Two Order, p. 86.

The Joint Utilities proposed an EAM for meeting three timelines in the SIR, where the Utilities state they have direct control over the timeliness outcome. The proposed SIR-timelines the Joint Utilities associate a metric with are: 1) the 10 business day requirement to review and determine application completeness; 2) the 15 business day requirement to complete the preliminary screening; and, 3) the 60 or 80 business day requirement to complete the Coordinated Electric System Interconnection Review (CESIR). The Joint Utilities propose a scalable metric with a minimum target. If performance is equal to or below this minimum target, no incentive would be paid.

ICF Resources, LLC (ICF) developed the Joint Utilities' proposed survey to measure the DG applicant's satisfaction with the DG interconnection process and associated metric processes for DG projects above 50 kW. According to the Joint Utilities, the survey was developed to address all important stages of the DG interconnection process. The survey is to be administered monthly to project managers with completed (energized) DG interconnection applications, since only those applicants can be expected to have knowledge of the entire process. The proposed survey contains questions in five categories: screening, overall satisfaction, process specific, general process, and benchmarking. The survey uses a 0-to-10 scale for many of the questions, and certain survey questions were assigned a weight. A utility's cumulative performance on the weighted survey questions will be used to determine if the utility is eligible for an EAM. The actual weights of the questions were not included with the Joint Utilities' filing.

The Joint Utilities advise that they will perform a cognitive test by surveying and interviewing eight to ten individuals for in-depth feedback on respondents' understanding of the survey and process. The Joint Utilities explain that the

field test is a mimic of the actual survey, done to fine-tune the survey questionnaire and protocols after the completion of the cognitive test.

To limit the frequency and duration of the survey on project managers, no more than three completed DG applications will be included in one project manager interview, and surveys will be conducted once per month. To achieve a margin of error of +/-10 percent, the Joint Utilities suggest that each utility performance will need to be based on a survey of at least 100 project managers.<sup>6</sup>

The Joint Utilities propose to reclassify failed applications as either: 1) a withdrawn application - a complete application for which the applicant initiates exiting the queue by contacting the utility, or in response to utility inquiry; or 2) an abandoned application - a complete application where the applicant is removed from the queue by missing a milestone defined in the SIR. According to the Joint Utilities, this reclassification is more aligned with current practice.

The Joint Utilities desire to acquire more information on why applicants withdraw and abandon applications through an application closeout process. Under this application closeout process, the utility will ask the applicant to identify the business reasons for withdrawing or abandoning the application. The Joint Utilities recommend engaging in a stakeholder process to further develop the following list of business reasons an application might be withdrawn or abandoned for use in their closeout process: unanticipated financing, siting, cost overrun, other contractual difficulties, as well as utility DG interconnection queue backlog. According to the Joint

---

<sup>6</sup> The Joint Utilities explain that the targeted survey respondent is that person who is most familiar with the application process, whom they refer to as "project manager."

Utilities, this process may reveal improvements that can be implemented by all stakeholders to reduce the number of withdrawn or abandoned applications.

NOTICE OF PROPOSED RULEMAKING

A Notice of Proposed Rulemaking concerning the proposal made by the Joint Utilities under consideration here was published in the State Register on November 9, 2016 (SAPA 16-M-0429SP1). The minimum time for submission of comments pursuant to the State Administrative Procedure Act (SAPA) §202(1) expired on December 27, 2016. Comments were filed by the City of New York (City), and the Interstate Renewable Energy Council, Inc. (IREC), Pace Energy and Climate Center, the Natural Resources Defense Council, and Citizens for Local Power (collectively, IREC) jointly filed comments.<sup>7</sup> The comments received are addressed below.

COMMENTS

City of New York

The City indicates it is inappropriate to use a uniform statewide survey instrument for evaluating the utility DG interconnection process, and advises such uniformity is not required by the Track Two Order. The City claims there are fundamental differences in the type, size, and volume of DER projects that are developed in Con Edison's service territory compared with the DER projects developed in upstate New York. The City requests that the Commission direct the Joint Utilities to revise the survey instrument to include a core sequence of questions applicable to all utilities for the purposes of benchmarking, and direct Con Edison to include supplemental

---

<sup>7</sup> IREC filed its comments under Case 14-M-0101, on December 27, 2016.

survey questions targeted to the unique DG interconnection issues present in New York City.

The City objects to limiting surveys to applicants with DG projects that are 50 kW and above. Furthermore, the City states such limitation would fail to capture a statistically robust sample of DER projects being interconnected in the Con Edison service territory where DER projects are developed in large quantities but on a smaller scale. As such, the City proposes a pilot program, using the survey developed by the Joint Utilities, to review customer satisfaction of smaller DER projects.

The City finds it is improper for the utilities to determine the weighting of the survey question in their sole discretion, and explains that a utility setting the metric by which it will be permitted to earn shareholder incentives is imbalanced. The City proposes that the weighting of the survey questions be determined through consultation between the utilities and interested stakeholders.

The City states that there are important areas in the DG interconnection process that the survey does not address. Specifically, the City recommends that the survey be modified to include questions related to the payment process, system upgrades, metering, billing, and the closeout process.

Finally, the City asserts that survey feedback should be solicited on a voluntary basis. The City indicates that a voluntary survey will prevent potential biases or pressures with respect to the working relationship between the developer and the utility during the DG interconnection process.

Interstate Renewable Energy Council, Inc. (IREC)

IREC urges the Commission to direct the Joint Utilities to expand the EAM's timeliness metric. IREC recommends the metric be modified in one of two ways.

Preferably, IREC suggests the Commission require utilities to track the status of all DG interconnection applications and measure their overall performance in meeting the approved timeframes. IREC specifically recommends New York follow the Massachusetts' Timeline Enforcement Mechanism (TEM). IREC explains that under the TEM, Massachusetts utilities each calculate the total aggregate average time, in business days, that it has taken to interconnect projects and compares that calculation with the total aggregate number of business days that its DG interconnection tariff allows. In the event performance deviates from the allowed timeframes by more than five percent, the utility will either incur a penalty or earn offsets, which it can carry forward into the next reporting year.

As a less desirable alternative, IREC proposes the Joint Utilities' SIR timeliness metric be supplemented with other key timelines. In addition to the Joint Utilities proposed measurement periods, IREC recommends the timeliness metric include: 1) the utility's 20-day deadline to complete the Supplemental Analysis; 2) the negotiated and agreed-upon timeframe for the utility to perform project construction; and, 3) the applicable timeframe for the utility to execute and return the DG interconnection contract.

IREC states that there are some important areas and steps in the SIR process that the proposed survey instrument does not address. IREC encourages the Commission to direct the Joint Utilities to expand the survey to include questions on the additional subjects proposed by the City.

IREC asserts that there is a fundamental flaw with the Joint Utilities' proposal to administer the survey only to DG applicants with completed projects. IREC urges the Commission to direct the Joint Utilities to administer the survey to all

applicants who have initiated the DG interconnection process, explaining that the proposed survey will fail to capture any feedback from applicants that have withdrawn or abandoned their applications. IREC disagrees with the Joint Utilities' proposal to exclude the audit of failed applications from the EAM. IREC states the audit must be meaningful, it must be conducted on equal footing with the DG interconnection survey process, and notes that the Joint Utilities acknowledge the review of withdrawn or abandoned applications is important to improving the DG interconnection process.

IREC encourages the Commission to reconsider the decision to limit the EAM to DG projects above 50 kW in size. IREC indicates "a timeline compliance mechanism is just as important for small projects as it is for large ones," and that there is a "significant track record of delay and missed timelines for smaller projects in New York." IREC indicates that limiting DG interconnection survey participation to projects above 50 kW would fail to capture a statistically robust sample of smaller projects being developed throughout the state.

IREC urges the Commission to establish a consistent DG Interconnection EAM for all New York utilities. Finally, IREC requests that the Commission ensure that its decision and all relevant utility proposals concerning the DG Interconnection EAM be filed in this case. IREC explains that a confusing process has developed and utilities are filing both joint and individual EAM proposals on differing timelines in several proceedings.

DISCUSSION

As stated in the Track Two Order, the Commission will continue its efforts to improve the processes for the interconnection of DG projects.<sup>8</sup> Implementing an EAM associated with the satisfaction of DG applicants holds the utilities accountable for making improvements to its internal interconnection process. The Commission finds that the Joint Utilities' proposed frameworks for the DG interconnection survey and metric does not go far enough to adequately address this need for improved interconnection processes. Therefore, the Joint Utilities are to submit a revision to the September 2, 2016, filing in Case 16-M-0429 within 60 days from the issuance of this Order, which address the directives discussed below.

SIR Timeliness

The Joint Utilities' proposal for an incentive based on compliance with the SIR Timelines is rejected. The Joint Utilities proposal is not consistent with the Track Two Order which states that, "[a] positive earning opportunity will be developed based on satisfaction surveys of DER providers."<sup>9</sup> The Track Two Order further states that, "[s]atisfactory achievement of a baseline level of SIR timing requirements will be a threshold condition for earning positive adjustments."<sup>10</sup> The Joint Utilities are required to meet the timelines as specified in the SIR before qualifying to receive an EAM associated with interconnections. Due to the implementation of the queue management process, as discussed further below, the Commission will not consider implementation of the Massachusetts' TEM at

---

<sup>8</sup> Case 14-M-0101, supra, Track Two Order, p. 19.

<sup>9</sup> Ibid. at 3.

<sup>10</sup> Id.

this time, as proposed by IREC.<sup>11</sup> As stated in the Track Two Order, negative earning adjustments will be considered by the Commission for a utility not meeting established standards.<sup>12</sup>

DG Interconnection Survey Metric

The DG interconnection survey metric measures the level of satisfaction of DG applicants with a utility's DG interconnection process. The metric will be based on the survey results of DG applicants with projects above 50 kW and up to 5 MW that have begun the DG application process under the April 29, 2016, revised SIR.<sup>13</sup> The concerns and request made by the City and IREC to include smaller than 50 kW projects is denied for the same reasons discussed in the Track Two Order.<sup>14</sup> The Commission has not seen evidence of projects smaller than 50 kW encountering the same issues as larger projects above 50 kW and up to 5 MW, but we will continue to monitor this project group and will re-visit this determination if problems arise. While the Commission declines to associate an EAM with projects 50 kW and below, and projects above 5 MW, utilities are encouraged to survey these projects for informational purposes.

Each utility may have a different metric target. As proposed by the Joint Utilities, the target is to be considered

---

<sup>11</sup> The Commission notes that continuing the ongoing queue management effort in New York captures some positive aspects of the Massachusetts TEM.

<sup>12</sup> Ibid. at 25.

<sup>13</sup> Case 15-E-0557, In the Matter of Proposed Amendments to the New York State Interconnection Requirements, Order Modifying Standardized Interconnection Requirements, p. 25 (requiring the updated SIRs to become effective on or before April 29, 2016).

<sup>14</sup> Case 14-M-0101, supra, Track Two Order, p. 85 (declining to apply an EAM to applications below 50 kW in order to focus efforts on the more complex larger applications where there are more pronounced problems).

in the context of individual utility proceedings. The Commission recognizes that individual utility proceedings may not allow common issues to be addressed uniformly across the State, and notes that the framework in this Order establishes the baseline that will be implemented in rate cases or individual utility proceedings. In these proceedings, each utility is to have a collaborative process to obtain input from stakeholders on the appropriate target. The utility filing with the Commission, seeking approval of the target, should reflect collaborative discussions and provide the basis for the target proposed. The target is to be set at a level higher or equal to a baseline level to improve or maintain a certain satisfaction rating.

#### Survey Instrument

The Joint Utilities' proposal to only survey project managers on completed DG applications is rejected. As stated by IREC, surveying only DG applicants with completed projects will fail to capture feedback from other applicants. The Joint Utilities are required to survey DG applicants once the applicants that have received preliminary review from the utility (mid-point surveys), and another survey once the DG application is complete. The Joint Utilities acknowledged that at minimum, 100 surveys would be needed to obtain a margin of error of +/-10 percent.

Since there is a chance that utilities will not be able to obtain survey results with a margin of error of +/-10 percent or better with completed DG applications for a significant period of time for some utilities, the mid-point surveys should be able to achieve this margin of error and provide a good indication of how satisfied DG applicants are with the utilities' interconnection process up to the preliminary review. In addition, the mid-point surveys will be

done when applicants have a better recollection of their experience. The Commission agrees with the City that the utilities should not be allowed to solely determine the weighting of each survey question. Therefore, the Joint Utilities must submit a proposal for the weighting of mid-point surveys versus completed application surveys, and the weighting of each survey question for review by Department of Public Service Staff (Staff).

The Joint Utilities propose to implement the survey through phone surveys to be performed by a third party. In addition to the phone survey, a web-based survey should be implemented. A web-based survey will increase the options on how applicants can respond to surveys and presumably increase response rates. The Joint Utilities are to provide a proposal of when phone versus web-based surveys should be used in their revised filing. The results of the phone and web-based surveys will be shared with the utility in a way to ensure, as much as feasible, that survey participants are anonymous to allow survey participant candor.

At the time of the filing, the Joint Utilities proposed survey questions that were not finalized. These questions still needed to be vetted through cognitive and field testing. In addition, Con Edison has had the benefit of a collaborative process where stakeholders have provided specific questions to a Con Edison-specific survey, based on areas of concern from DG developers. The utilities are to submit a revised list of survey questions that address the requirements under this Order. The revised questions must incorporate the changes made to the survey based on the field and cognitive test results, and may include other changes based on Con Edison's insights from the collaborative process and comments received during the state-wide Interconnection meetings.

The Commission agrees with the City that the Joint Utilities should revise the survey instrument to include a core sequence of questions applicable to all utilities. These core questions will be used to determine the utilities' eligibility for an EAM. Utilities should work with Staff to finalize these core survey questions. Utilities may have other questions included in the survey, but the responses for these additional survey questions will be for informational purposes only. For example, the additional survey questions may include those discussed by the City and IREC to better address all important segments of the DG interconnection process.

Furthermore, the Commission agrees with the City that the survey responses are to be provided on a voluntary basis to eliminate an additional cause for delays of DG interconnection projects.

#### Failed Applications

The Track Two Order states that a positive adjustment will be based on "[a] periodic and selective third party audit of failed applications to assess accuracy, fairness, and key drivers of failure in order to support continual process improvement."<sup>15</sup> Subsequent to the Joint Utilities' filing the DG Interconnection EAM proposal, the Commission issued a Queue Management Order intended to address the current DG interconnection queue backlog.<sup>16</sup>

It is expected that during the implementation of queue restructuring, a number of projects may withdraw from the queue

---

<sup>15</sup> Case 14-M-0101, supra, Track Two Order, p. 87.

<sup>16</sup> Case 16-E-0560, Joint Petition for Modifications to the New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators 5 MW or Less Connected in Parallel with Utility Distribution Systems, Order Adopting Interconnection Queue Management Plan and Cost Allocation Mechanism, and Making Other Findings (issued January 25, 2017) (Queue Management Order).

for various reasons, some of which will not be attributable to the utilities' actions. Since the number of, and reasons for, withdrawn or failed applications during the restructuring period may be atypical, an EAM related to this metric would be inappropriate at this time. Therefore, failed applications will not be part of the EAM criteria at this time. This may be revisited in the future, if needed, after utilities have had time to implement the requirements of the Queue Management Order.

The Commission agrees with IREC and the Joint Utilities that the review of these applications is important to improving the DG interconnection process. Therefore, utilities are to collect data on failed applications, particularly more recent applications that are not directly impacted by the circumstances that led to the queue backlog. This data will provide insight into how to continue to improve the interconnection process going forward. In addition, the Joint Utilities are to provide supplementary information regarding the operation of their proposed closeout process and causes of withdrawn or abandoned applications in its revised filing.

DG Interconnection EAM

The EAM monetary value associated with the DG interconnection process should generally be consistent across utilities, unless there is a unique situation that warrants a different EAM value for a particular utility. As proposed by the Joint Utilities, the EAM monetary value is to be addressed in the context of individual utility proceedings. In these proceedings, each utility is to have a collaborative process to obtain input from stakeholders on the appropriate EAM monetary value. The utility filing with the Commission, seeking approval of the EAM monetary value, should reflect collaborative discussions and provide the basis for the EAM value proposed.

CONCLUSION

This order provides additional direction to the Joint Utilities on the framework for the DG interconnection survey instrument and EAM. The Joint Utilities are to work with Staff to ensure the requirements discussed in this order are appropriately addressed in their DG interconnection survey. Utilities shall file their proposed weightings along with the updated questions in Case 16-M-0429. The Joint Utilities must work with Staff to finalize the weighting of each survey and survey question. Each utility must obtain input from stakeholders on their proposed EAM monetary value and metric.

The Commission orders:

1. Central Hudson Gas and 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 shall file a revision to the September 2, 2016, filing within 60 days in Case 16-M-0429, in accordance with the discussion in the body of this Order for Commission action as necessary.

2. Central Hudson Gas and 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 shall include a proposal for weighting mid-point surveys versus completed application surveys, and the weighting of each survey question, in their revised filing.

3. Central Hudson Gas and 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 are to propose a web-based survey, and a plan outlining when phone versus web-based surveys should be used, in their revised filing.

4. In their revised filing, Central Hudson Gas and 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 are directed to provide supplementary information regarding their proposed closeout process and causes of withdrawn or abandoned applications, and to propose a process for collecting data on recent failed applications, as discussed herein.

5. Central Hudson Gas and 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 shall each have a collaborative process within the context of their individual utility proceedings to obtain stakeholder input on the DG interconnection survey metric, which target must be at or above a baseline level.

6. In the Secretary's sole discretion, the deadline set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

7. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS  
Secretary