

NYSERDA Bulk Storage Incentive Program Aims to Jumpstart Utility Transition Following New York Storage Order

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On March 11, the New York State Energy Research and Development Authority (“NYSERDA”) [filed](#) its proposed [Implementation Plan](#) to administer its Energy Storage Market Acceleration Bridge Incentive Program and support the ambitious New York Public Service Commission (“PSC”) order issued in December 2018 requiring 1.5 GW of energy storage in New York by 2025 and 3 GW by 2030 (the “Storage Order”). The Implementation Plan breaks down the state’s incentive strategy primarily between “Retail Storage Incentives” and “Bulk Storage Incentives,” and provides essential preliminary details for sponsors, investors, and lenders considering energy storage projects in the state. Both programs will officially launch in Q2 2019. This article summarizes the key attributes of the Bulk Storage Incentives program (the “Bulk Storage Program”) and associated [NYSERDA Bulk Storage Incentive Program Manual](#) (the “Program Manual”). A prior article focuses on New York’s incentive strategy more generally and Retail Storage Incentives (see [NYSERDA Unveils \\$350/kWh Retail Energy Storage Incentive in Implementation Plan and Program Manual](#)).



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Bulk Storage Funding and Scope

The Storage Order authorized a \$310 million investment in energy storage deployment to be administered by NYSERDA, in addition to \$40 million previously made available solely to energy storage paired with solar projects. The Implementation Plan preliminarily allocates \$150 million to Bulk Storage Incentives. The Implementation Plan notes that an additional \$53 million in Regional Greenhouse Gas Initiative (“RGGI”) funds will later be made available for Retail and Bulk Storage projects specifically located on Long Island.

The Retail Storage Incentive will be a fixed amount per usable kilowatt-hour (“kWh”) of installed storage capacity for projects greater than five megawatts (“MW”) of alternating current (“AC”) capacity that “primarily” provide wholesale market energy, ancillary services, and/or capacity services. For projects less than 20 MW in size, the incentive level is determined by the year in which a project application is submitted to NYSERDA. For projects greater than 20 MW, the incentive level is determined by the applicable New York Independent System Operator (“NYISO”) Class Year in which the project will be examined. Projects that only provide energy arbitrage or ancillary services will receive 75% of the incentive rate. The Program Manual provides the following incentive levels:

The Implementation Plan states that the Program Manual will set forth a maximum incentive per project, but the first version of the Program Manual includes no cap. NYSERDA staff have indicated a cap will be included in the next version of the Bulk Storage Program Manual.

The following projects are not eligible for the Bulk Storage Incentive:

- Projects with a paired renewable and storage system and compensated through a NYSERDA-awarded Renewable Energy Credit (“REC”) contract;

- Projects that have been dispatched by the NYISO into the day-ahead, real-time, or ancillary services markets prior to March 11, 2019;
- Projects owned by IOUs or the New York Power Authority;
- Projects awarded an IOU Bulk Dispatch Rights contract (discussed below); and
- Projects that receive a NYSERDA Retail Storage Incentive.

NYSERDA reserves the right to adjust the final incentive levels based on “market factors” and as necessary to “optimize the...ability to achieve overall program goals.” However, any such changes will not reduce the size of incentive amounts for projects that have already received awards.

Initial Award Reservation and Staggered Payments

An applicant will initially receive an award notice and issued contract reserving incentive funds for the given project. Thereafter, the “Participating Contractor” of record must demonstrate progress on various major project milestones outlined in the Program Manual, including interconnection, permits, construction, and financing. Contractors must submit progress updates every 90 days. A project size may not increase without re-applying at the current incentive level. Projects up to 20 MW have 18 months to achieve commercial operation. Projects greater than 20 MW have 24 months from completion of the NYISO Class Year process to achieve commercial operation. Otherwise, an award will be canceled unless NYSERDA approves an extension.

Generally, the incentive amount will be paid in four equal amounts, with the first payment occurring after the system receives utility permission to operate and achieves commercial operation, and, thereafter, on the first, second, and third annual anniversaries of the commercial operation date. In the case of projects seeking capacity rights, the third and fourth payments will not be issued until the project receives and begins providing capacity services.

Application Tips

Prospective applicants should strongly consider project characteristics emphasized in the Implementation Plan that are likely to be viewed favorably by reviewers. The Implementation Plan is intended to pursue various specific grid benefits: reducing peak demand, increasing grid flexibility and resiliency, and time-shifting cleaner generation to displace higher-emitting generation sources. The Implementation Plan also makes clear that an overarching goal is market acceleration to encourage a flourishing, self-sustaining market that ultimately operates without incentives. Finally, the Implementation Plan reflects an eagerness for the developers to invest in establishing or growing New York business operations, as well as target projects to benefit low-to-moderate income (“LMI”) communities. All prospective projects should be evaluated through the prism of these desired energy, market, and economic outcomes.

Coordination with Utility Bulk Storage Dispatch Rights RFPs

Developers should take special note that projects entering into utility contracts pursuant to bulk storage dispatch rights RFPs will not be eligible for the Bulk Storage Program. NYSERDA states in the Implementation Plan that such contracts’ fixed revenue streams for terms of up to seven years will result in a comparatively lower cost of capital for projects. Accordingly, NYSERDA intends to conduct an economic evaluation of RFP proposals and work with each IOU to determine an appropriate incentive for such contracted projects. This approach may cause concerns for developers whose financing parties generally rely on up-front transparency with respect to project economics and incentives more specifically.

System Eligibility and Application Requirements

Eligible systems must be operated to serve New York’s electrical system. Systems may be interconnected at transmission, sub-transmission, or distribution levels in all investor-owned utility service territories and associated NYISO Zones, as well as on Long Island in NYISO Zone K. The Bulk Storage Program excludes Con Edison’s service territory, as incentives will be exclusively administered through Con Edison’s Bulk Storage Dispatch Rights RFP.

Each project must satisfy the following requirements:

1. The energy storage system must be comprised of new products, electrically interconnected within New York, and that are NYISO-eligible to provide energy, capacity, and/or ancillary services.
2. Systems must consist of commercially available chemical, thermal, or mechanical storage products. “Experimental, beta, or prototype equipment” is not eligible.
3. Manufacturer warranties must cover the entire energy storage system, including ancillary equipment and power electronics. Unlike the Retail Program, Bulk Storage Program Manual does not require a minimum

warranty term.

4. The system must be designed to maintain a minimum round-trip efficiency of 80%.
5. The storage system must be “permanently installed” in New York, which is generally defined in the Program Manual as the greater of twenty years or until end of life. The system may not be relocated within New York without NYSERDA’s written approval. If the project is relocated outside of New York, NYSERDA may seek recapture of a portion of the incentive amount (see “Clawback” provisions discussed below).
6. The system must satisfy minimum UL listings detailed in Section IX of the Program Manual. The Program Manual is somewhat imprecise in specifying the timeframe in which the listings must be obtained. Section I and Section V of the Program Manual state that UL listings must be obtained by the time that the system “enters commercial operation,” but Section IX of the Program Manual states that the listings must be obtained by the time the project is “seeking permission to operate” from the utility. NYSERDA staff have since clarified that the UL listings must be obtained by the time the system enters commercial operation. The next version of the Program Manual may revise this language in Section IX.
7. Energy storage systems and components must comply with all manufacturers’ installation requirements, applicable laws, regulations, codes, licensing, and permit requirements.
8. NYSERDA will only award one project per meter or per NYISO single point identifier (“PTID”).

Project Development Milestones and Verification

Once fully launched, the NYSERDA website will contain a portal for online applications. Application submissions must include the following information, among other materials identified in the Program Manual:

- Completed Facility Study in the NYISO interconnection process or the equivalent distribution utility study if connecting directly into the distribution system;
- Executed agreement evidencing site control for the project’s lifespan;
- Completed draft Environmental Impact Study with a negative declaration as evidenced by meeting minutes of the local government or written approval;
- For a project 25 MW or greater, proof that the required Public Service Law Article 10 Application has been deemed compliant;
- Intended system design and description, including manufacturer equipment specifications, use case(s), MW and megawatt-hours (“MWh”), and round-trip efficiency;
- Site plan including location and layout of all components, interconnection, and metering;
- Special Use Permit from the local municipality;
- Installation schedule;
- Detailed estimate of total project costs; and
- Completed and signed NYSERDA project application.

NYSERDA will conduct pre- and post-commissioning field or photo inspections for every awarded project, along with a 90-day measurement and verification period following installation.

All projects must use a NYISO or electric distribution utility revenue grade meter to record charge and discharge activity. Applicants must provide 15-minute interval data to NYSERDA through automated data transfer, for a period of at least five years.

Contractor Eligibility and Assignments

Participating Contractors are fully responsible for all aspects of a project, much like the Retail Program. However, the Bulk Storage Program does not require a separate contractor certification process aside from requiring that the Contractor is registered to do business in New York State. Rather, in its first application to NYSERDA, the Participating Contractor must provide key personnel and organizational material, as well as evidence of experience developing bulk energy storage or similar utility-scale energy installations. NYSERDA will also consider an applicant’s prior track record with NYSERDA initiatives, if applicable.

Contractors are free to assign a project or its incentive payments to another party at any stage of the Bulk Storage Program, provided the Contractor provides NYSERDA with documentation that the assignee otherwise meets Program Manual eligibility and the Contractor and assignee sign the project application agreeing to the assignment. If the assigned project has not commenced commercial operation, the Contractor shall provide evidence of the assignee’s experience developing bulk storage or other energy projects.

Clawback

Unlike the Retail Program, the Bulk Storage Program Manual provides specific Clawback provisions subjecting incentive payments to recapture. NYSERDA may seek reimbursement if any of the following occur at any time:

- The project is never installed;
- The project is “completely installed” prior to NYSERDA’s approval of the application;
- The project is not installed in conformance with the system design approved by NYSERDA; or
- The project is not initially installed in compliance with the requirements of the Bulk Storage Program or NYSERDA Agreement, or the project later falls out of compliance after completion;
- If the project is relocated outside of New York after receiving an incentive payment, NYSERDA may recapture a portion of the incentive amount that is proportional to the amount of time the system will not be located in New York, assuming a 20-year useful life.

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