

Proposal Concerning Modifications to LIPA's Tariff for Electric Service

Requested Action:

The Long Island Power Authority ("LIPA") staff ("Staff") proposes to modify LIPA's Tariff for Electric Service (the "Tariff"), effective January 1, 2027, to establish a LIPA-administered, performance-based Retail Storage Performance Component under LIPA's Value of Distributed Energy Resources ("VDER") program in lieu of the New York State Energy Research and Development Authority's ("NYSERDA's") statewide retail storage incentive program in the near-term.

Background:

New York State has established a goal of deploying six gigawatts ("GW") of energy storage by 2030 to support the clean energy transition, improve electric system reliability, and facilitate the integration of renewable energy resources. In March 2024, the New York State Energy Research and Development Authority ("NYSERDA") and the Department of Public Service Staff ("DPS Staff") issued New York's 6 GW Energy Storage Roadmap: Policy Options for Continued Growth in Energy Storage ("Roadmap"). In June 2024, the Public Service Commission adopted many of the Roadmap's recommendations, including the establishment of NYSERDA's Residential and Retail Energy Storage Procurement Program, which provides separate incentives for residential and retail energy storage projects.¹

The NYSERDA Program is intended to encourage the development of residential and retail energy storage projects through declining-block financial incentives. Eligible retail storage projects may be interconnected behind an existing utility-owned meter serving a customer account or directly to LIPA's distribution facilities. Successful storage projects provide customer and system benefits by reducing costs associated with peak demand, enabling participation in demand response programs, and generating compensation for customers through New York's VDER program.

Participation in the NYSERDA Program is mandatory for New York's regulated electric utilities, but is not mandatory for LIPA. Under the Roadmap's cost allocation methodology, LIPA contributed approximately \$4.1 million during the initial 2024 through 2026 implementation period.

LIPA supports New York State's policy targets and recognizes the benefits of retail storage. LIPA has evaluated whether a Long Island-specific retail storage program could similarly advance New York State's energy storage objectives while providing greater value to LIPA customers. Staff consulted with stakeholders, including Department of Public Service and NYSERDA, reviewed retail storage economics, and gathered input from the energy storage industry to identify ways to improve the economics of retail storage projects on Long Island. Based on this evaluation, Staff determined that a retail storage program with performance-based incentives would provide greater value by linking customer-funded incentives to operational benefits to LIPA's electric system.

¹ Case No. 18-E-0130, In the Matter of Energy Storage Deployment Program, Order Establishing Updated Energy Storage Goal and Deployment Policy (issued and effective June 20, 2024).

Proposal:

Staff proposes to amend the Tariff to establish a new Retail Storage Performance Component within LIPA's VDER program to encourage the development of retail energy storage projects ("Projects") within LIPA's service territory to replace LIPA's participation in NYSERDA's statewide retail storage program in the near-term.

The proposed incentive is limited to front-of-meter distribution-connected energy storage projects. Staff anticipates that most Projects will be developed in Load Serving Relief Value ("LSRV") zones to take advantage of the additional existing LSRV payment and provide localized reliability benefits. However, Projects located outside LSRV zones remain eligible for the Retail Storage Performance Component. Eligible Projects would be limited to installations between 1 MW and 5 MW of discharge capacity and would be required to maintain communications capability with LIPA's Supervisory Control and Data Acquisition ("SCADA") system.

The proposed incentive will be provided as an additional Value Stack component called the Retail Storage Performance Component. The Retail Storage Performance Component is designed to support Projects that provide operational value to LIPA's electric distribution system. LIPA will maintain operational visibility through its SCADA system. The Retail Storage Performance Component would effectively pay an annual performance payment of up to \$24 per kWh-year,² credited on a monthly basis, of installed energy storage capability³ for a maximum of ten (10) years, with payments beginning upon commencement of the Project's commercial operation.

To ensure that customer-funded incentives are tied to measurable system benefits, the Retail Storage Performance Component will be administered using an availability-based incentive structure. Eligible storage projects will earn incentive payments based on their demonstrated availability during designated Demand Reduction Value ("DRV") / LSRV Contracted Hours,⁴ which represent periods when energy storage resources provide the greatest value to the electric system. Projects that maintain at least 90% availability during DRV/LSRV Contracted Hours will receive the full incentive amount, while projects with lower levels of availability will receive a proportionately reduced incentive payment. Projects with availability below 50% will not be eligible to receive an incentive payment for a one-year period. This approach ensures that incentive payments are commensurate with actual operations that support LIPA's objectives of improving resource adequacy, reducing peak demand, integrating renewable generation, and may defer future investments in electric infrastructure. The proposed structure is intended to incentivize energy storage system dispatch during summer peak hours, when retail storage provides the greatest contribution to system reliability, peak reduction, and capacity value.

² Assuming dispatch consistent with Demand Reduction Value hours.

³ Capability of a battery/system to store energy (per kWh)

⁴ Tariff Leaf 34P defines "DRV/LSRV Contracted Hours" as follows: The five-hour period 2:00 pm to 7:00 pm within a weekday, Monday through Friday, from June 1, through August 31 excluding Independence Day for a total of 320 or 325 hours, depending on the calendar for that year.

The following table identifies incentive payment levels based on project availability during DRV/LSRV Contracted Hours.

Availability During DRV Hours (%)	Percentage of Incentive Adder Paid Out (%)
90% and above	100%
80% to <90%	90%
70% to <80%	80%
60% to <70%	70%
50% to <60%	60%
<50%	0%

Staff further proposes to recover the costs of the Retail Storage Performance Component through LIPA’s Power Supply Charge (“PSC”). Recovery through the PSC is consistent with LIPA’s recovery of other power related Value Stack components, such as the Energy Component, the Capacity Component, and the Environmental Component. The PSC also recovers other distributed energy resource costs and other energy storage-related costs in LIPA service territory.

Summary of Project Features:

Program Feature	Program Design
Incentive	Up to \$24 per kWh-year, credited monthly
Project Size	1 to 5 MW of Capacity
Payment Term	Up to 10 years
First Payment	Upon commercial operation
Operations	LIPA SCADA visibility
Projects	Projects will not be required to be in LSRV zones.
Retail Storage Performance Component payment	Full Retail Storage Performance Component payment will require Projects inject during DRV/LSRV Contracted Hours
LIPA Cost Recovery of Retail Storage Performance Component	Power Supply Charge

Financial Impacts:

The proposed Tariff amendment is expected to provide a more cost-effective approach to supporting retail energy storage development within LIPA’s service territory.

Under the proposed LIPA program, Staff anticipates supporting several retail storage projects, each with a capacity of 5 MW and with 20 MWh of energy storage capability. Based on the proposed maximum incentive of \$24 per kWh-year, the estimated annual incentive payment for each project is approximately \$480,000. In the first two years it is estimated that:

- 2027: Two projects in service, with a total cost of approximately **\$960,000**
- 2028: Two projects in service, with a total cost of approximately **\$960,000**

The cost of the Retail Storage Performance Component of Value Stack would be recovered through the PSC and is expected to be offset, in part, by operational benefits associated with improved resource adequacy, reduced peak demand, deferred distribution and capacity investments, and enhanced utilization of renewable energy resources.

Staff believes the proposed Retail Storage Performance Component provides a cost-effective mechanism to support retail energy storage deployment on Long Island while aligning customer-funded incentives with measurable electric system benefits. The proposal advances New York State's storage objectives, maintains compatibility with the VDER framework, and is expected to provide value to LIPA customers.

Affected Tariff Leaves: 34V, 34V-1, 34V-2, 34P and 34U are included for reference.

Affected Tariff Statement: Statement of Value Stack Credits (“VSC”)

Summary of Proposed Changes:

Staff proposes to modify LIPA’s Tariff to establish a LIPA-administered, performance-based Retail Storage Performance Component under LIPA’s VDER program.

I. General Information (continued):**C. General Terms and Conditions (continued):****1. Value of Distributed Energy Resources (VDER)****d) Definitions:**

- (1) Capacity Alternative 2 Contracted Hours: The hours of 2:00 pm to 7:00 pm within a weekday, Monday through Friday, from June 24 to August 31 excluding Independence Day for a total of 240 or 245 hours, depending on the calendar for that year.
- (2) Customer-generator's Annual Unforced Capacity (UCAP) Value: The value determined from the previous NYISO Capability Year by measuring net export onto the Authority's system by a Customer-generator at the time of the peak recorded for the Long Island Locality, Zone K. Customer-generator's UCAP Value is defined as a kilowatt value (kW).
- (3) Monthly Spot Market Capacity Price: The UCAP price of capacity in the Long Island Locality, Zone K, as determined by the NYISO Spot Market Auction measured in (\$/ (kW-month).
- (4) Planned LSRV Event: The Authority's request, on not less than 21 hours' advance notice, for Load Relief during the LSRV Contracted Hours. Planned LSRV Events will be called when the Authority's day-ahead forecasted load level is at least 94 percent of the forecasted summer system-wide peak. Day-ahead and summer peak forecast information for the system will be posted to the Manager's website.
- (5) DRV/LSRV Contracted Hours: The five-hour period 2:00 pm to 7:00 pm within a weekday, Monday through Friday, from June 1, through August 31 excluding Independence Day for a total of 320 or 325 hours, depending on the calendar for that year.
- (6) Previous Year's Annual Spot Market Capacity Price: Sum of twelve (12) Monthly Spot Market Capacity Prices from previous NYISO Capability Year (May-April) (\$/kW-year).

e) Value Stack Terms:

- (1) Eligible Customer-generators will be compensated based on monetary crediting for net hourly injections into the grid.
- (2) Projects eligible for the Value Stack will receive compensation for a term of twenty-five (25) years from the date of interconnection and will have the ability to carry-over excess credits to subsequent billing periods and annual periods as follows:
 - (a) Excluding credits held by CDG project hosts, unused credits may be carried over to the next monthly billing period, including to the next annual period.
 - (b) At the end of a project's compensation term, twenty-five (25) years from the date of interconnection, any unused credits will be forfeited.

I. General Information (continued):**C. General Terms and Conditions (continued):****Value of Distributed Energy Resources (VDER) (continued):****(4) Value of Distribution**

Demand Reduction Value (DRV) and Locational System Relief Value (LSRV) will be based on the utility Marginal Cost of Service (MCOS) studies per Service Classification, and will be determined as follows:

- (a) For eligible Customer-generators, the DRV compensation will be calculated by multiplying the sum of the projects net injections (kWh) for each of the DRV/LSRV Contracted Hours by the project's DRV Value Stack rate (\$/kWh). The project's DRV rate will be set at the current DRV value as of the date the applicant makes an advanced payment of 30% of the estimated costs as per Step 7 of the Authority's Small Generator Interconnection Procedures or has its standard interconnection contract executed if no such payment is required. The rate shall be fixed for ten (10) years. After the first ten (10) years, eligible Customer-generators will be compensated the then applicable DRV rate and hours. The rate will be updated in a Statement of Value Stack Credits.
 - (i) Customer-generators may choose to waive the DRV compensation of the Value Stack and opt-in to the Commercial System Relief Program (CSRP). This voluntary election is a one-time, irreversible decision that may be made at any point during the project's Value Stack compensation period. The Customer-generator must notify the Authority of its intention to opt in to the CSRP.
- (b) Customer-generators located in designated project locations will receive a LSRV payment based on Load Relief when an LSRV Planned Event is called. PSEG Long Island will notify the Customer-generator of an Event twenty-one (21) hours in advance and the window may be between one (1) to four (4) hours long.
 - (i) Customer-generators will receive payments based on the lowest hourly net kW injection during each call.
 - (ii) The LSRV (\$/kW-year) is currently set at 50% of the DRV value identified in Statement of Value Stack Credits for all LSRV areas.
 - (iii) There must be a minimum of ten (10) calls each year. The \$/kW-year will be divided by ten (10) to determine the value of each call window. If there are less than ten (10) calls, at the end of the period identified in the DRV/LSRV Contracted Hours, the Customer-generator will be compensated for the calls that did not occur at the lowest hourly net kW injection for a total of ten (10) calls in their October Value Stack Bill Credit.
 - (iv) The project's LSRV rate will be set at the current LSRV value as of the date the applicant makes an advanced payment of 30% of the estimated costs as per Step 7 of the Authority's SGIP or has its standard interconnection contract executed if no such payment is required. The LSRV payment shall be fixed for a ten (10) year term of compensation for the Customer-generator, after which time the LSRV payment will be reset based on the then applicable LSRV.
 - (v) The LSRV will only be available to projects located in LSRV areas. Eligible LSRV areas that have been identified by the Authority may be found on Statement of LSRV Areas.
- (c) For each Customer-generator's billing period, the sum of the above listed components from Section I.C.18.c.(4) (a) to (b) will be added to Value Stack Calculation Bill Credit posted to the Customer-generator's account.

(5) CDG Community Credit

Large Offsite Projects will receive a CDG Community Credit (\$/kWh) as part of their Value Stack Calculation Bill Credit for twenty-five (25) years from their in-service date.

I. General Information (continued):**C. General Terms and Conditions (continued):****Value of Distributed Energy Resources (VDER) (continued):**

- (a) The project's Community Credit rate will be set at the current value as of the date the applicant makes an advanced payment of 30% of the estimated costs as per Step 7 of the Authority's Small Generator Interconnection Procedures or has its standard interconnection contract executed if no such payment is required. The project's Community Credit will remain at that fixed level (\$/kWh) for twenty-five (25) years from the project's in-service date.
- (b) The value of the CDG Community Credit is identified in the Statement of Value Stack Credits. The value may vary by resource technology or other characteristic recognized by Order of the New York Public Service Commission.

(6) Retail Storage Performance Component**Definitions:**

Annual Performance Payment Period: Is an annual period for which Retail Storage Performance Component payment is set. The period is from October 1 through September 30.

Project's Annual Designation of Capacity ("Annual Capacity"): Prior to May 31 of each year, the project owner of an Eligible Retail Storage Energy Storage System will notify the Authority of their hourly injection capacity (MWs per Hour of injections). Understanding the Authority will use a project's Annual Capacity in determining Performance-Based Incentive Payment, Annual Capacity should not be greater than 1/5 (one fifth) of a Project's Annual Capability. In the event a project owner of an Eligible Retail Storage Energy Storage System does not notify the Authority of their Annual Capacity prior to May 31, their prior established value with the Authority will be used for the next 12 (twelve) months of June 1-May 31.

Project's Annual Energy Storage System's Designation Capability ("Annual Capability"): Prior to May 31 of each year, the project owner of an Eligible Retail Storage Energy Storage System will notify the Authority of their Annual Capability (usable kWh of energy storage per system). Understanding the Authority will use a project's Annual Capability in determining Performance-Based Incentive Payment. In the event an Eligible Retail Storage Energy Storage System owner does not notify the Authority of their Annual Capability prior to May 31, their prior established value with the Authority will be used for the next 12 (twelve) months of June 1-May 31.

Retail Storage Performance Eligible and Calculation:

- (a) The Retail Storage Performance Component is intended to compensate Eligible Retail Energy Storage Projects that provide load relief to the Authority through dispatch of stored energy during periods of system need.
- (b) Eligible Retail Energy Storage Projects shall:
 - (i) Be interconnected directly to the Authority's distribution system (in front of meter) and have a capacity to inject between 1MW and 5MWs per hour;
 - (ii) Not be interconnected to the Authority's transmission system (23 kVa or above);
 - (iii) Satisfy all applicable interconnection requirements; and
 - (iv) Maintain communication capability with the Authority's Supervisory Control and Data Acquisition ("SCADA") system.

I. General Information (continued):**C. General Terms and Conditions (continued):****Value of Distributed Energy Resources (VDER) (continued)****(c) Performance-Based Incentive Payment**

Eligible Retail Energy Storage Projects shall receive compensation based on the Project's demonstrated availability during designated DRV/LSRV Contracted Hours. For each Annual Performance Payment Period, the Authority shall calculate the Project's Availability Percentage. Project's Availability Percentage will be calculated by summing up the amount of energy provided during DRV/LSRV Contracted Hours divided by (Project's Annual Designation of Capacity times the number of DRV/LSRV Contracted Hours). If an Eligible Retail Energy Storage Project's commercial operation date is during the summer, the DRV/LSRV Contracted Hours will be adjusted to account for the commercial operation date. The annual Retail Storage Performance Component payment shall be adjusted according to the following Availability Percentage schedule:

Project's Availability Percentage	Incentive Payment Percentage
90% or greater	100%
80% to < 90%	90%
70% to < 80%	80%
60% to < 70%	70%
50% to < 60%	60%
Less than 50%	0%

- (d) The Authority shall determine the Project's Availability Percentage using revenue-grade metering telemetry. A project that fails to maintain a Project's Availability Percentage of at least fifty percent (50%) during DRV/LSRV Contracted Hours shall not receive a Retail Storage Performance Component payment for the following Annual Performance Payment Period.
- (e) The Retail Storage Performance Component shall be paid at a rate of twelve (12) equal monthly payments based on Retail Storage Performance Incentive value at the time the project reaches Step 7 in the SGIP process times a Project's current Annual Energy Storage System's Designation Capability times the applicable Incentive Payment Percentage based on the Project's Availability Percentage for the Annual Performance Payment Period.
- (f) The Retail Storage Performance Incentive value is identified on the Statement of Value Stack Credits. The Retail Storage Performance Component shall continue for a period of ten (10) years provided the project remains operational and continues to satisfy all program and eligibility requirements. The Authority reserves the right to discontinue payments to projects that no longer meet the eligibility requirements above.
- (g) Monthly payments shall commence following in-service date of commercial operation of the eligible storage facility at 100% until a Project's Availability Percentage calculation can be performed.

I. General Information (continued):**C. General Terms and Conditions (continued):****Value of Distributed Energy Resources (VDER) (continued)****f) Value Stack Billing**

At the conclusion of a billing period, a Customer will be billed for the total consumption of energy measured at the rates specified in the Customer's otherwise applicable Service Classification, including applicable demand charges.

If there is a Value Stack Calculation Bill Credit for the month, such credit will be applied as a direct monetary credit to the Customer's current utility bill for any outstanding energy, customer, demand, or other charges. If the Customer's current month's Value Stack Calculation Bill Credit plus any prior period Value Stack Calculation Bill Credit exceeds the current bill, the remaining monetary credit will be handled as follows:

- (1) Large On-Site Customers, See Section C.15.h).(2)
- (2) For Remote Net Metered accounts, See Section C.16.b).(5)
- (3) For CDG accounts, See Section C.17.g)

g) Storage

- (1) Customers with stand-alone storage that is sized not to exceed 115% of the Customer's peak hourly consumption load may be on any rate for which they qualify and will be compensated at the Value Stack minus the Environmental credit and the CDG Community Credit for all excess generation.
- (2) Customers with stand-alone storage that is sized at 115% or above of the Customer's peak hourly consumption must be on a qualifying time-of-use rate and will be compensated at the Value Stack minus the Environmental credit and the CDG Community Credit for all excess generation.
- (3) Customers who pair energy storage systems with eligible electric generating equipment ("Hybrid Facility"), the Authority will calculate the Environmental Component Credit and the CDG Community Credit, pursuant to the rules set forth below. All other Value Stack components, including the Energy Component Credit, Capacity Component Credit, DRV Component Credit, and LSRV Component Credit, will be calculated as specified in Section I.C.18.c).(4) above. Consistent with Section I.C.18.c).(3), the Environmental Component Credit will only be provided where the electric generating equipment is eligible to receive Tier 1 RECs, the Community Credit will only be provided for eligible Customers and consistent with the Community Credit rate applicable to the Customer and the Capacity Component will be calculated based on Alternative 1, Alternative 2 or Alternative 3 based on Customer election.

Long Island Power Authority
Statement of Value Stack Credits (VSC)

Applicable to all metered accounts with Customer-generators subject to the Value Stack with rate codes within Service Classification Nos. 2-L, 2L-VMRP, 2-MRP or 12¹ as set forth in the Tariff for Electric Service.

Energy Component	
Average Monthly Energy Component (based on published day ahead NYISO hourly zonal LBMP energy prices) [averaged by zone]. https://www.nyiso.com/custom-reports	

Capacity Component	
Alternative 1 July 2026 Rate	\$0.0263/ kWh
Alternative 1 Proxy Capacity Factor	34.3%
Alternative 2 Rate	\$0.1797 / kWh
Alternative 3 July 2026 Monthly Capacity Market Price	\$11.2370 / kW Monthly

Environmental Component	\$0.03103 / kWh
--------------------------------	-----------------

Demand Reduction Value (DRV)	For hourly net injections during DRV contracted hours	\$0.4451 / kWh
Demand Reduction Value (LSRV)	For the lowest hourly net injection during a LSRV event	\$7.3450 / kWh per event

Community Credit	\$0.0500 / kWh
-------------------------	----------------

Community Credit Adjustment Factors	
<u>Technology</u>	<u>Adjustment Factor</u>
Fuel Cells	16%

Retail Storage Performance Component	
Retail Storage Performance Incentive	<u>Up to \$24/kWh-year, for Maximum of 20 MWh,</u>

Monthly Solar Production: for a 1 kW AC Solar System used in the calculation of Alternative 1; Consistent with monthly values issued in the State Public Service Commission Order Regarding Value Stack Compensation in Case 15-E-0751 issued April 18, 2019.

Monthly Solar Production			
Month	(kWh/kW)	Month	(kWh/kW)
1	56	7	147
2	71	8	141
3	113	9	112
4	123	10	90
5	143	11	66
6	148	12	51
Total	1260		

Note 1: Including only those SC-12 customers that would have been eligible for service under-SC-2L, 2L-VMRP or 2-MRP based on size, type and/or character of load.