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NEW YORK IMPLEMENTING CONSOLIDATED BILLING FOR COMMUNITY SOLAR PROJECTS

According to the National Renewable Energy Laboratory, 20 states and Washington, DC have passed some form of legislation enabling community solar, either through statewide programs or limited pilot projects. New York launched its Community Distributed Generation (“CDG”) program in 2015. In 2020, New York [ranked first](#) in the nation in community solar installations, with 549 megawatts of installed capacity.

In the early stages of the New York CDG program, compensation for energy generated by CDG projects was equivalent to the retail value that a customer would otherwise pay for a kilowatt-hour of energy. These “Phase 1” CDG projects are referred to as Net Energy Metering (“NEM”) projects. In December 2015, the New York Public Service Commission (“NYPSC”) opened a proceeding to refine the calculation for compensating CDG projects. The NYPSC adopted the Value of Distributed Energy Resources (“VDER”) or “Value Stack” compensation model for new CDG projects, comprised of several value components that are stacked on top of one another to calculate the total compensation for a CDG project. These components include:

- Energy Value (LBMP)
- Capacity Value (ICAP)
- Environmental Value (E)
- Demand Reduction Value (DRV)
- Locational System Relief Value (LSRV)

The New York program has continued to evolve. On December 12, 2019, the NYPSC issued an order (the “Order”) in [Case No. 19-M-0463](#) approving a new consolidated billing (also known as “net crediting”) model for CDG projects in New York. Under this new model, customers that subscribe to a portion of the output of a CDG project will receive a single bill from their utility company. The utility deducts subscription fees from any bill credits, issues one bill to the customer with a net credit and sends the CDG project owner its subscription fee. Absent consolidated billing, customers receive two separate bills – one from the utility for electric delivery service and another from the CDG project owner for subscription fees.

The NYPSC ordered the state’s utilities to file implementation plans for consolidated billing for VDER projects in early 2020. In its Order, the NYPSC found that consolidated billing should also be available to Phase 1 NEM projects but explained that the timeline for implementing consolidated billing for these projects would likely happen on a longer timeline. The utilities commenced consolidated billing for new and existing VDER CDG projects in 2021. CDG owners are not obligated to enroll their projects in consolidated billing with the utility, and may use consolidated billing for some projects but not for others.

Consolidated billing is a substantial change to the CDG market in New York. On the whole, it should be a positive development for CDG project owners. First, it provides the potential benefit of decreased administrative costs for the project as the utility will now perform the billing function on behalf of CDG project owners. The utilities charge an Administrative Fee of 1 percent of the total value of billing credits for this service, which is subtracted from the subscription fees that the utilities pay to the CDG

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project owners. Second, the consolidated billing model provides the benefit of shifting collections risk from CDG project owners to the utility companies. Taken together, these two benefits should enhance the predictability of revenue streams and increase net revenue by reducing billing and administrative costs.

The timing for implementation of consolidated billing for NEM projects remains uncertain. At a technical conference on June 21, 2021, the state's utilities made a presentation in which they outlined a proposed methodology for implementing consolidated billing for NEM projects. The utilities explained that they are updating existing net crediting manuals or developing separate manuals for NEM projects but did not indicate a specific timeframe for implementation. At this point, we do not expect statewide implementation of consolidated billing for NEM projects before 2022.

If you have any questions about the New York CDG Program or consolidated billing (net crediting), please contact Chuck Willing at cgw@rathlaw.com or Matt Campbell at mcc@rathlaw.com.