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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER)

40.2 VALUE STACK

40.2.1.2 A mass market customer (defined as a customer served under a residential or small commercial service class that is not billed for demand) that has installed on-site generation that is not used to offset consumption at any other site, where the Facility is interconnected the later of January 2, 2020 or a Commission order directing modifications for such projects;

40.2.1.3 A large on-site customer (non-residential, demand-billed customer) that installs on-site generation that is not used to offset consumption at any other site, for which the Eligibility Date is after July 17, 2017. The Eligibility Date is defined herein as the date at which 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required;

40.2.1.4 A project eligible for RNM, pursuant to Rules 36.7 and 37.10, for which the Eligibility Date is after July 17, 2017. The requirement that satellite accounts must be in the same load zone as the host account Customer-Generator specified in Rule 36.7.2 and 37.10.2 shall not apply to RNM projects compensated under this Rule 40.2;

40.2.1.5 A project eligible for CDG, pursuant to Rule 29, for which the Eligibility Date is after July 17, 2017. The requirement that CDG Hosts and associated CDG Satellites must be in the same load zone as specified in Rule 29.1.2 shall not apply to CDG projects compensated under this Rule 40.2;

40.2.1.6 A CDG, RNM, or large on-site customer as specified in Rule 40.2.1.1 with a Facility paired with energy storage ("Hybrid Facility"), subject to the additional requirements in Rule 40.2.3.2;

40.2.1.7 A CDG, RNM, or large on-site customer who has not met the requirements in Rule No. 40.1.3 to qualify for Phase One NEM; or

40.2.1.8 A customer with a Facility compensated pursuant to Rule No. 36 or 40.1 may opt to take service under this Rule. Such election shall be a one-time election and shall be irrevocable.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (continued)

40.2.2 Requirements:

~~40.2.2~~ All projects compensated under the VDER Value Stack must be equipped with interval meters, in accordance with Rule No. 25 – Meter, capable of recording net hourly consumption and injection. The customer will be responsible for the cost of such interval meters. Alternatively, customers can arrange for their Facility to be separately metered from their consumption with the additional metering cost to be borne by the customer in accordance with Rule No. 25 – Meter.

40.2.2.1 For new RNM and CDG projects, interval metering must be installed by the time of interconnection.

40.2.2.2 For large on-site projects, where an insufficient meter may be present, interval metering should be installed as soon as practicable.

40.2.2.3 Any mass market customer that opts into the VDER Value Stack tariff must have an interval meter installed before VDER Value Stack compensation can be received.

40.2.3 VDER Value Stack Crediting:

~~40.2.3~~ In each billing period, the Company shall pay a credit to the project for net hourly injections from the Facility by summing the credits available from the individual VDER Value Stack components as calculated ~~below~~in Rule 40.2.3.1 for Facilities that are not paired with energy storage and in Rule 40.2.3.2 for Hybrid Facilities.~~:~~

40.2.3.1 Projects Not Paired with Energy Storage:

i. Value Stack Energy Component - based on the NYISO day-ahead hourly zonal LBMP, inclusive of losses, applied to the project's hourly net injections in the billing period; losses will vary by voltage delivery level as specified in 39.18.1.1. For CDG projects, the VDER Value Stack Energy Component calculated will be determined for each satellite by multiplying the sum of the hourly components calculated above by the satellite's allocation percentage in effect for the Billing Period as provided by the CDG project sponsor. The Energy Component associated with any percentage remaining when the sum of the satellite percentages is less than 100% ("Unallocated Satellite Percentage") will be banked for later distribution by the CDG project sponsor as specified in 40.2.5.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

ii. Value Stack Capacity Component - the Customer-Generator may select Alternative 1, Alternative 2, or Alternative 3 for intermittent technologies. All dispatchable technologies and technologies eligible under Rule 40.2.1.1.1 and 40.2.1.1.2 may only select Alternative 3:

a. Alternative 1 – The VDER Value Stack Capacity Component compensation will be calculated by multiplying the sum of the project's net injections (kWh) for the billing period by the Alternative 1 VDER Value Stack Capacity Component ($/kWh) in effect at the time of billing. The Alternative 1 VDER Value Stack Capacity Component will be determined as the capacity portion of the kWh supply charge applicable to SC2-ND customers for the applicable billing period and will be shown on a statement filed with the PSC.

Alternative 1 will be the default VDER Value Stack Capacity Component compensation methodology for intermittent resources if Alternative 2 or Alternative 3 is not otherwise selected by the Customer-Generator.

b. Alternative 2 – The VDER Value Stack Capacity Component compensation will be calculated by multiplying the sum of the project's net injections (kWh) for each on-peak hour in the summer months of June, July, and August by the effective Alternative 2 VDER Value Stack Capacity Component ($/kWh). The Alternative 2 VDER Value Stack Capacity Component will be the sum of the historical monthly capacity charges calculated for SC2-ND service class for the previous calendar year divided by the 460 peak summer hours to determine a $/kWh compensation value to be applied during the following summer season. The on-peak hours are defined as the hours of 2 pm to 7 pm each day in the months of June, July, and August.

A Customer-Generator must elect Alternative 2 by May 1 to be eligible to receive the rate beginning June 1 of that year. A Customer-Generator electing Alternative 2 after May 1 will be compensated under Alternative 1 until April 30 of the following calendar year.

The Alternative 2 rate will be revised by June 1 of each year and will be shown on a statement filed with the PSC.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

iii. The Environmental Component will be calculated by multiplying: i) the sum of the project's total net injections for the billing period (kWh), by ii) the Environmental Component established at the time of the project's Eligibility Date. The Environmental Component will be the higher of:

a. the Tier 1 Renewable Energy Certificate ("REC") weighted average procurement price from the most recent solicitation as published by NYSERDA; or
b. the Social Cost of Carbon ("SCC"), net of the expected Regional Greenhouse Gas Initiative ("RGGI") allowance values, as calculated by NYS Department of Public Service Staff.

The Environmental Component will be shown in a statement filed with the PSC and will be fixed for the entire term of the project's 25-year compensation under the VDER Value Stack where such term begins with the project's interconnection date. Customer-generators have a one-time, irrevocable election at the time of interconnection to opt out of the Environmental Component in order to preserve the opportunity to participate in voluntary market environmental and sustainability certification programs by retaining the project's RECs. Customer-generators who do not exercise this opt-out election will transfer all RECs generated by the project to the Company and the Company will be the Responsible Party within the New York Generation Attribute Tracking System ("NYGATS") for all Tier 1 eligible Value Stack projects receiving compensation under the Environmental Component and will receive all associated RECs. This also applies to Tranche 0 customer-generators who opt-in to the VDER Value Stack but do not opt-out of the Environmental Component. Customer-generators who elect to retain their project's RECs will not receive compensation under the Environmental Component and must designate a Responsible Party within the NYGATS.

For CDG projects, the Environmental Component will be determined for each satellite by multiplying the applicable Environmental Component calculated above by the satellite's allocation percentage in effect for the Billing Period as provided by the CDG project sponsor. The Environmental Component associated with any Unallocated Satellite Percentage will be banked for later distribution by the CDG project sponsor as specified in 40.2.5.

Projects eligible under Rule 40.2.1.1.2 are not eligible to receive the Environmental Component compensation.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

vi. Market Transition Credit ("MTC") Component – The MTC Component will apply only to a CDG project's mass market satellites and those mass market customers who opt into the VDER Value Stack compensation per 40.2.1.8. Projects eligible under Rules 40.2.1.1.1 and 40.2.1.1.2 are not eligible to receive the MTC Component compensation. The MTC Component will be calculated by multiplying: i) the sum of the project's total net injections for the billing period (kWh), and ii) the MTC component rate applicable to the project's assigned tranche and applicable service class.

For CDG projects, the MTC Component will be calculated for each individual mass market satellite customer by multiplying: i) the sum of the project's total net injections for the billing period (kWh), ii) the MTC Component rate applicable to the project's assigned tranche and satellite's service class, and iii) the satellite's allocation percentage in effect for the Billing Period as provided by the CDG project sponsor. The CDG project sponsor will not be allowed to bank any MTC components related to Unallocated Satellite Percentages.

The MTC Component will be fixed for the VDER Value Stack's 25-year compensation term and will be shown in a statement filed with the PSC.

40.2.3.2 Hybrid Facilities

40.2.3.2.1 For customers taking service under this Rule 40 with Hybrid Facilities, the Company will calculate the Value Stack Capacity Component, the Environmental Component, and the Market Transition Credit ("MTC") Component pursuant to the rules set forth below. All other Value Stack components, including the Value Stack Energy Component, the DRV Component, and LSRV Component, will be calculated as specified in Rule 40.2.3.1. Consistent with Rule 40.2.3.1, the Environmental Component will only be provided where the electric generating equipment is eligible to receive Tier 1 RECs, the MTC Component will only be provided for eligible customers and consistent with the MTC rate applicable to the customer, and the Value Stack Capacity Component will be calculated based on Alternative 1, Alternative 2, or Alternative 3 based on customer election.

40.2.3.2.2 Customers operating Hybrid Facilities will have the opportunity to elect one of the four compensation methodologies described below. Customers will make this election at the same time they select a capacity compensation methodology in accordance with Rule 40.2.3.1. The default option, if no other election is made by the customer, is compensation methodology (d) below.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

Customers operating Hybrid Facilities will have a one-time option to change their initial election of (a) or (b) to election of (c) below. This one-time election may be made at any time following the initial election but will not become effective until such time that any required metering or telecommunications is installed.

a. Storage Exclusively Charged from Eligible Generator – For customers operating Hybrid Facilities who are able to demonstrate that the energy storage system charges exclusively from the qualified electric generating equipment, the Value Stack Capacity Component Alternative 1 or Alternative 2 (if elected), the Environmental Component, and the MTC Component will be based on net hourly injections to the Company's electric system as measured at the Company's meter located at the point of common coupling ("PCC") and calculated as described in Rule 40.2.3.1. Value Stack Capacity Component Alternative 3 (if elected) will be calculated as specified in Rule 40.2.3.1.ii.c. Customers will be responsible for any work and costs required to accommodate the appropriate controls and/or multiple meter configuration. The Company may require two (2) Company-owned time-synchronized revenue-grade meters if the energy storage system and electric generating equipment share a common inverter or three (3) Company-owned time-synchronized revenue-grade meters if the energy storage system and electric generating equipment each have a separate inverter.

b. Storage Controls Configuration – For customers operating Hybrid Facilities who install appropriate controls to ensure that net hourly injections are only made with the energy storage not in a charging or discharging mode from the electric grid, the Value Stack Capacity Component Alternative 1 or Alternative 2 (if elected), the Environmental Component, and the MTC Component will be based on net hourly injections to the Company's system and calculated as described in Rule 40.2.3.1. Value Stack Capacity Component Alternative 3 (if elected) will be calculated as specified in Rule 40.2.3.1.ii.c. Customers will be responsible for any work and costs required to accommodate the appropriate controls and/or multiple meter configuration. This controls demonstration may require separate Company-owned revenue grade interval meter(s) and appropriate telemetry on the AC side of the applicable inverter(s) and explicit Company acceptance.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

c. Storage Import Netting Configuration - For customers operating Hybrid Facilities with a separate Company-owned revenue grade interval meter and appropriate telemetry on the AC side of the inverter of the Hybrid Facility and whose storage configuration does not meet the requirements of (a) or (b) above, the Value Stack Capacity Component Alternative 1 (if elected), the Environmental Component, and the MTC Component will be determined by reducing the net hourly injections, as measured at the Company's meter located at the Customer's PCC with the Company's system, by the monthly consumption of energy recorded on the Company's separate Hybrid Facility meter. Value Stack Capacity Component Alternative 2 (if elected) will be determined by reducing the net hourly injections during applicable hours, as measured at the Company-owned meter located at the Customer's PCC with the Company's system, by the monthly consumption of energy recorded on the Company's separate Hybrid Facility meter. Value Stack Capacity Component Alternative 3 (if elected) will be calculated as specified in Rule 40.2.3.1.ii.c.

d. Storage Default Configuration - For all other Customers with Hybrid Facilities, the Value Stack Capacity Component Alternative 1 or Alternative 2 (if elected), the Environmental Component, and the MTC Component will be based on netting of all metered consumption and injections at the PCC over the applicable billing period. Value Stack Capacity Component Alternative 3 (if elected) will be calculated as specified in Rule 40.2.3.1.ii.c.

The Customer is responsible for any costs associated with additional metering requirements and telemetry necessary to facilitate options (a) through (d) above in accordance with Rule 40.2.2 and Rule 25.

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40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER) (Continued)

40.2.4. Project's Tranche Determination

CDG project eligibility for placement in a tranche will be based on the time stamp of the Eligibility Date as specified in 40.2.1.3. If an established tranche allocation has not yet been exhausted but the next eligible CDG project exceeds the MW allocation remaining in that tranche, then one of the following will occur as applicable:

i) if the project's size exceeds the remaining capacity in the current Tranche by less than or equal to 1 MW, the CDG project will be eligible to receive the MTC Component in that tranche for the full capacity of that CDG project. However, the amount of the CDG project's capacity that exceeds the MW capacity remaining in that tranche will count towards fulfillment of the subsequent tranche; or

ii) the project's size exceeds the remaining capacity in the current Tranche by more than 1 MW then the entire project will be placed in the next Tranche. At that time the original Tranche should be closed and the total size of the next Tranche should be increased by the unused size in the original Tranche.

Mass market projects that opt in to the VDER Value Stack compensation per 40.2.1.8 will be placed into the tranche available at the time the project elects to opt into the VDER Value Stack compensation.

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SERVICE CLASSIFICATION NO. 7 (Continued)

H.~~-~~ Emergency Generators

Customers who install an Emergency Power System (as defined in Rule 1.50) may be exempted from the requirement of service under this S.C. No. 7 if the customer commits in a written agreement with the Company that the on-site generators shall be subject to all of the following requirements:

1) Each such OSG shall be designated in the customer's Standby Service Application with the Company as an Emergency Power System ("Emergency OSG") pursuant to Rules 1.50;

2) Each such Emergency OSG is not capable of being operated in parallel with the Company's system other than for closed-transition transfer switching where the term "closed-transition transfer" is characterized as a momentary make-before-break switching sequence.

3) Each such Emergency OSG is connected to the customer's electric system using an automated or manual transfer switch or the electrical equivalent of such a switch approved by the Company.

4) The Emergency OSG is used exclusively for purposes of Emergency Power System (defined in Rule 1.50).

5) No load may be served by Emergency OSG while Electric Service is being provided by the Company to the premises except:

   (i) for the periods of time as required by statute or regulation, and

   (ii) in the absence of a statutory or regulatory requirement, such times so as to adequately test such systems, not to exceed 10 hours per month or as otherwise agreed to by the Company in the Standby Service Application, and

   (iii) for periods of time called by the NYISO for EDRP or ICAP(UCAP).

6) The customer shall maintain an operating log for each Emergency OSG indicating the date, time, hours, and purpose of each operation of each such facility. This log shall be made available to the Company upon request. If the customer fails to maintain this log or to provide it to the Company on request, the Company shall have the following rights:

   (i) to bill the customer for those amounts of Electric Service which the Company reasonably estimated were ~~-~~inappropriately supplied by the customer's generator during times when Electric Service from the Company was available to the customer; and

   In all cases, the customer shall remain obligated to execute and have the Company accept a Standby Service Application (Form G) as applicable under the special provisions of the applicable service classification for all Emergency Generators on the premises. The customer shall state its intended use of the OSG facilities on the Standby Service Application in the blank spaces provided for special conditions.

I. Customers served on SC-2D with a contract demand less than 50 kW may elect to remain on the SC-2D standard service classification or may choose to install an interval meter and receive standby rates.

J. Customers with on-site generation compensated under Rule 40.2, who are eligible for compensation in accordance with Rule 40.2.1.1.1~~, or~~ Rule 40.2.1.1.2, or Rule 40.2.3.2, shall be subject to service under Service Classification No. 7, unless the customer satisfies one of the other exemptions provided under this Section 4 but excluding the exemptions under 4.F.