GENERAL INFORMATION

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

a. Excluding credits held by CDG project sponsors, 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, any unused credits will be forfeited.

c. CDG project sponsors will be given a two-year grace period beyond the end of the annual period to distribute any credits retained by the CDG project sponsor at the end of the annual period.

d. If at any time during the grace period the CDG project sponsor has credits in its account throughout the grace period, then at the end of the grace period the CDG project sponsor will be required to forfeit a number of credits equal to the smallest number of credits that were in its account at any point during the grace period, since that represents the number of credits that were held over from the previous period.

e. CDG project sponsors will only be permitted to retain credits for distribution during the two-year grace period if those credits remain after the sponsor has distributed as many credits as practicable to members, such that each member's consumption in the final month of the annual period is fully offset by the credits provided.

40.1.7 Excluding mass market on-site projects, all other projects compensated under Phase One NEM must be equipped with interval meters in accordance with Rule No. 25 – Meter, capable of recording net hourly consumption and injection. The Customer-Generator will be responsible for the cost of such interval meters. For RNM and CDG projects, interval meters must be installed by the time of interconnection. For large on-site projects, where an insufficient meter may already be present, the required metering should be installed by a date mutually agreed upon by the customer and the Company.

40.1.8 Mass market customers served under Phase One NEM that opt in to the VDER Value Stack tariff, must have an interval meter installed before the VDER Value Stack compensation can be received. Such mass market customers will be responsible for the cost of such interval meters in accordance with Rule No. 25 - Meters.

40.1.9 Mass market on-site projects subject to Phase One NEM compensation will be permitted to pair on-site energy storage with the eligible generating equipment under PSL Sections 66-j and 66-l and remain eligible under Phase One NEM. However, customers that wish to pair energy storage with a RNM, large on-site, or CDG project will be required to receive compensation based on the VDER Value Stack tariff.

40.1.10 The compensation methodology should be determined at the time that a project pays 25% of its interconnection costs or at the time the Standard Interconnection Contract is executed if no such payment is required. However, projects electing compensation under Phase One NEM will be provided a one-time, irrevocable opt in to the VDER Value Stack tariff. Changes in project ownership, as well as subscription changes for CDG projects, are not a basis for seeking a change in a project's compensation methodology.

40.1.11 Once the compensation term under Phase One NEM ends, projects still in operation and interjecting energy onto the Company's electric system will be compensated under the tariff then in effect.