GENERAL INFORMATION

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

40.1.3.1.2 Project eligible under Rule 40.1.3.1 where 25% of interconnection costs have been paid, or an SIR contract has been executed if no such payment is required, on or after January 1, 2020 will receive compensation under Rule 40.1 until such time as a new compensation methodology for these types of projects is directed by Commission order. Projects eligible under Rule 40.1.3.1 that become eligible on or after such Commission order's effective date will begin to receive compensation under the new methodology and cease to be compensated under Rule 40.1.

40.1.4 RNM projects (as defined in Rule 36.7), large on-site projects (defined as Customer-Generators served under a non-residential demand or mandatory hourly pricing (MHP) service classification), and CDG projects with eligible generating equipment under PSL Section 66-j for which, by July 17, 2017, 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required, will be compensated based on Phase One NEM subject to the following additional limitation:

40.1.4.1 CDG projects will be subject to market capacity limitations which the Commission has established as 100 MW for the Company.

40.1.5 RNM projects, large on-site projects, and CDG projects with eligible generating equipment under PSL Section 66-j that do not qualify for Phase One NEM will be compensated under the Value Stack tariff.

40.1.6 Phase One NEM is identical to net metering in Rule 36.1 except that projects eligible for Phase One NEM will be subject to a compensation term length of 20 years from the date of interconnection and will have the ability to carryover excess credits to subsequent billing periods and annual periods as follows:

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 Host will be given a two-year grace period beyond the end of the annual period to distribute any credits retained by the CDG Host at the end of the annual period. The two-year grace period begins at the end of the annual period when the credits are reallocated to the CDG Host. The CDG Host may furnish to the Company, up to once per CDG Host billing cycle and with no less than 30 days' notice, written instructions for allocating any excess credits banked to the CDG Host's account.

d. If at any time during the grace period the CDG Host has credits in its account throughout the grace period, then at the end of the grace period the CDG Host 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 Host will only be permitted to retain credits for distribution during the two-year grace period if those credits remain after the CDG Host has distributed as many credits as practicable to members, such that each CDG Satellite's consumption in the final month of the annual period is fully offset by the credits provided.