

FOR CONSIDERATION

December 18, 2024

TO: The Oversight and Clean Energy Committee

FROM: John Rhodes

SUBJECT: Recommendation to Authorize the Execution of a Memorandum of Understanding with the New York State Energy Research and Development Authority to Provide Funding for the Residential and Retail Energy Storage Procurement Program

Requested Action

The Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to recommend that the Board authorize the Acting Chief Executive Officer or his designee to execute a memorandum of understanding (“MOU”) with the New York State Energy Research and Development Authority (“NYSERDA”) to fund LIPA’s share of the State’s Residential and Retail Energy Storage Procurement Program.

Background

New York State, through the Climate Leadership and Community Protection Act of 2019 and further executive action by the Governor, has established a goal of 6 GW of energy storage by 2030. In March 2024, NYSEDA and the Department of Public Service Staff filed “New York’s 6 GW Energy Storage Roadmap: Policy Options for Continued Growth in Energy Storage” (“Roadmap”), which proposes a set of energy storage programs across the residential, retail, and electric utility sectors to meet the statewide energy storage goal. In June 2024, the Public Service Commission issued an order adopting many of the Roadmap recommendations, including a Residential and Retail Energy Storage Procurement Program (“Program”) to be administered by NYSEDA with a budget of \$814,600,000 for the purposes of procuring 200 MW of residential battery energy storage and 1,500 MW of retail energy storage by 2030, with “retail storage” defined as systems ranging in size up to 5 MW of installed storage capacity.

NYSEDA is to implement the Program with the regulated utilities and through the voluntary participation by LIPA. These participants are each expected to provide a portion of the funding for NYSEDA’s expenditures based on their proportionate share of the 2023 annual electric load delivered by all participating distribution companies, which in LIPA’s case amounts to 13.23%. The proposed MOU between NYSEDA and LIPA commits LIPA to pay its share of Program expenditures amounting to \$4.1 million for the first three years of the Roadmap implementation period, 2024-26.

Discussion

Energy storage helps integrate clean energy onto the grid, increases system efficiency, and increases reliability where energy storage is used in place of traditional T&D investments. Customer-owned energy storage can be used to keep critical systems online during outages, especially in the face of increasingly inclement weather events. The flexibility that energy storage offers is key to enabling the electric system to adapt to increasing load, respond to peak events, and shift load from on-peak to off-peak hours to relieve high loads on the network and reduce the cost of energy.

LIPA has offered rebate incentives for customer-owned storage since 2018. As of March 2024, 31 MW of behind-the-meter energy storage has been installed in LIPA's service territory comprising 20 MW of residential storage and 11 MW of retail storage. Included in the retail amount are two grid-connected 5 MW storage systems in Montauk and East Hampton, which were procured outside of the retail incentive program and are controlled by LIPA under long-term contracts.

The existing funding for LIPA's ongoing Residential Energy Storage Incentive Program is expected to be fully allocated by Q2 2025 at the current rate of customer enrollment. PSEG Long Island, under its "Utility 2.0" 5-year plan, has proposed an additional \$1.5 million of funding for residential storage incentives for 2025 and 2026, enough to incentivize an estimated 555 systems.

NYSERDA stopped offering Long Island retail storage incentives when the prior funding ran out, and there are no retail storage incentives proposed in LIPA's 2024 Utility 2.0 plan. However, PSEG Long Island and LIPA are launching a new initiative to evaluate potential enhancements to the commercial framework for Long Island-based retail storage projects, including the "value stack" compensation mechanism available to certain distributed energy resources, which may complement a new and enhanced retail storage incentive program by improving the overall economics for front-of-meter retail storage. The effort is intended to produce a plan for a renewed Long Island retail storage incentive program to be rolled out as part of the upcoming 2025 Utility 2.0 5-year plan, if warranted.

By increasing the budget for the Long Island residential and retail storage incentive programs from the current \$1.5 million to \$4.1 million over the next three years, LIPA is reinforcing its already strong commitment to the statewide clean energy transition. PSEG Long Island and LIPA will continue to coordinate with NYSERDA, DPS and other stakeholders on program design and implementation as part of the 2025 Utility 2.0 planning process.

Recommendation

Based on the foregoing, I recommend that the Trustees authorize the Acting Chief Executive Officer or his designee to take all actions, including, without limitation, executing the MOU with NYSERDA as described above.

Attachment

Exhibit "A" Resolution

RECOMMENDING THE AUTHORIZATION TO EXECUTE A MEMORANDUM OF AGREEMENT (“MOA”) WITH NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“NYSERDA”) FOR FUNDING FOR THE CLEAN ENERGY HUB PROGRAM

WHEREAS, LIPA and NYSERDA are in the process of negotiating the MOU relating to funding for NYSERDA’s Residential and Retail Energy Storage Procurement Program; and

WHEREAS, the total cost of the contribution by LIPA is calculated to be up to \$4.1 million over three years.

NOW, THEREFORE, BE IT RESOLVED, that the Oversight and Clean Energy Committee hereby recommends that the Board authorize the Acting Chief Executive Officer or his designee to execute and effect an MOU with NYSERDA consistent with the terms of the accompanying memorandum, and to perform such other acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Acting Chief Executive Officer or his designee, to implement LIPA’s participation in the Program.

Dated: December 18, 2024