

# **Appendix D**

## **TIER III - PERFORMANCE-BASED INCENTIVES FOR CHP SYSTEMS**

## **SECTION 1: PROGRAM DESCRIPTION**

Tier III incentives are designed to promote the installation of clean, efficient, and commercially available Combined Heat and Power (CHP) Systems that provide summer on-peak demand reduction in the commercial, industrial, institutional, and governmental sectors in Con Edison's electric service territory regardless of the underlying contract structure between the customer and the contractor. CHP installations have the potential to improve air quality and significantly reduce total fossil-fuel consumption by achieving overall annual energy efficiencies above 60 percent lower heating value (LHV), exceeding the typical efficiency of existing large-scale central power plants. To date, through an annual solicitation, NYSERDA has funded approximately 100 DG-CHP demonstration projects. Information is available for almost all of these projects at <http://chp.nyserda.org/home/index.cfm>. Additional information about DG/CHP can be found at Con Edison's Distributed Generation website <HTTP://M020-W5.CONED.COM/DG/DEFAULT.ASP>.

CHP performance-based incentives are available to any party willing to guarantee the CHP system's performance (i.e. customer site, developer or other contractor). Program requirements are included in the CHP Systems Manual. The manual may be found on NYSERDA's web site under PON 1101 or you may request a copy.

In order to participate in Tier III of the Enhanced C/I Performance Program, Applicants and host sites must meet minimum eligibility criteria, comply with all program rules and procedures, submit standard forms and supplemental documentation describing their projects, and enter into a Standard Performance Contract (SPC) Agreement with NYSERDA. Applicants must also adhere to measurement and verification (M&V) guidelines and reporting requirements throughout the term of the SPC Agreement.

## **SECTION 2: ELIGIBILITY**

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### **2.1 APPLICANT ELIGIBILITY FOR CHP SYSTEMS**

The Applicant for CHP incentives under this PON may be the host site, a project developer, or a contractor willing to guarantee the CHP project performance to NYSERDA in exchange for incentives as described herein. Applicants are limited to three signed CHP System SPC Agreements at any one time, regardless of the PON they were offered under (i.e. if an Applicant already has three signed CHP System SPC Agreements from PON 984 they are not eligible to apply to this PON). For purposes of these limitations, corporate affiliations will be aggregated, with the applicant defined at the highest level of vertical corporate integration, including all subsidiaries.

Under Tier III, an Applicant may not collect more than \$2,000,000 per CHP project.

Note : Under Tier II, an Applicant may receive up to \$500,000 for efficiency improvements to an existing CHP System.

Eligible customers for CHP Systems are Con Edison electrical distribution customers paying the Monthly Adjustment Clause (MAC) or the Systems Benefits Charge (SBC). The MAC tariff is paid by customers served under the Full Service Schedule, except for SC 11, and by customers served under the Retail Access Rate Schedule, except for SC 15-RA. Customer sites must be paying the MAC or SBC at the time of application in order to be eligible for CHP system installation incentives.

NYSERDA does not provide a list of pre-approved contractors that can participate in the Enhanced C/I Performance Program for CHP. NYSERDA plans to offer an updated list of contractors who have participated or are participating in performance-based CHP projects. The contractor list will be located on NYSERDA's website under PON 1101.

## **2.2 CHP SYSTEM ELIGIBILITY**

A CHP System must:

- Result in electrical peak demand reduction during the summer capability period;
- Be capable of operating independent of grid power;
- Have an annual fuel conversion efficiency, based on a lower heating value (LHV), of at least 60% at design;
- Meet the definition of Clean Distributed Generation ("Clean DG") in the PSC Order on Demand Management Action Plan (Case 04-E-0572) (<http://www.dps.state.ny.us/fileroom.html>), effective March 16, 2006;
- Be a new installation of at least 500 kW installed capacity or;
- Be an existing CHP System installing additional capacity resulting in an increase of at least 500 kW of demand reduction from the grid.

Fuel cells, microturbines, and multi-family facilities are not eligible for CHP incentives under this PON. More information on CHP system eligibility, including the definition of "Clean DG", can be found in the CHP Systems Manual Section 1.0.

## **2.3 AGGREGATION OF SITES**

For CHP System installations only one host site per application is permitted. Aggregation of sites is not allowed. A site may consist of one or several adjacent buildings owned or operated by a single customer.

## **2.4 EXISTING COMMITMENTS INELIGIBLE**

A CHP system is ineligible if the purchase/installation of equipment has occurred prior to December 22, 2006.

By Order dated March 24, 2005, in case 04-E-0572, the New York State Public Service Commission (PSC) approved a Joint Proposal for implementing a Con Edison System-Wide energy efficiency, load management, and distributed generation program. In accordance with the terms of the Order, NYSERDA agreed that such programs would be incremental to System Benefit Charge (SBC) funded programs. Accordingly, a CHP system contracted before December 22, 2006 for installation under an SBC or SWP funded program is ineligible to participate in this PON.

## **2.5 OTHER LIMITATIONS**

NYSERDA reserves the right to conduct additional case-by-case review of project sites that are currently Con Edison steam customers and to seek Con Edison's input as appropriate.

CHP Systems eligible to submit to the customer sited tier of the Renewable Portfolio Standard when available, will be ineligible to apply to this PON.

## **2.6 STATE ENVIRONMENTAL QUALITY REVIEW ACT (SEQRA)**

NYSERDA is subject to the provisions of the State Environmental Quality Review Act (SEQRA), implementing regulations of the New York State Department of Environmental Conservation (DEC), and implementing regulations of NYSERDA. Funding will not be released for a Project that has not complied with SEQRA. Activities may qualify as Type I, Type II, or unlisted actions. A Type I activity is likely to have a significant effect on the environment and requires an environmental impact statement

(EIS); a Type II action has been determined not to have a significant effect on the environment; an unlisted action must be reviewed to determine if an EIS is appropriate. NYSERDA will require the Applicant to provide an Environmental Assessment Form (EAF) with each Project Application (PA).

In addition to the EAF, CHP systems must complete an Environmental Assessment Checklist. Electronic versions of the this and the remaining CHP application forms can be obtained from NYSERDA's web site under PON 1101. Further information on SEQRA and permitting requirements for CHP Systems is located in Section 4.0 of the CHP Systems Manual.

## **SECTION 3.0: CHP FUNDING AND INCENTIVES**

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Up to \$11.5 million in funding is available on a first-come, first-serve basis for the installation of eligible new CHP systems in existing buildings. Estimated funding will be set aside upon NYSERDA receipt of a completed project application (PA). PA requirements are location in Section 5.0. Funds will not be contracted for until a signed SPC Agreement is in place.

### **3.1 CHP SYSTEM INCENTIVES**

CHP system incentives include both an electricity generation and a peak demand reduction component.

**Electricity Generation incentive:**  $\$0.10 \times \text{kWh}_a$

**Peak Demand Reduction incentive:**  $\$600 \times \text{kW}_p \times [\text{PR}^2 \text{ or } 1, \text{ whichever is less}]$  where:

**kWh<sub>a</sub>** - Total electricity generated by the CHP system in a 12 month period net of parasitic electricity use. NYSERDA's incentive will not be paid for electricity generated beyond on-site electricity usage. The comparison between the electricity generated by the CHP System and that used on-site will be assessed on an hourly basis.

**kW<sub>p</sub>** - Average power produced by the CHP system during the summer capability period, net of parasitic electricity use. Electricity generated beyond on-site electricity usage will not be included in the calculation of kW<sub>p</sub>. The comparison between the electricity generated by the CHP System and that used on-site will be assessed on an hourly basis.

**kW<sub>SPC</sub>** - The projected and contracted peak demand reduction, as agreed to between the applicant and NYSERDA in the SPC agreement.

**PR** - Power ratio.  $\text{PR} = \text{kW}_p / \text{kW}_{\text{SPC}}$ . PR must equal or exceed 0.6 to receive an incentive. kW<sub>a</sub> and kW<sub>p</sub> will be determined by NYSERDA and its contractors based on metered data collected and transferred to the NYSERDA CHP Data Integration Website.

The **summer capability period** is between the hours of 12 pm and 6 pm, Monday through Friday, from May 1 through October 31, excluding legal holidays.

CHP Systems are subject to performance penalties for not achieving minimum fuel conversion efficiency and air emissions requirements. NYSERDA reserves the right to adjust project incentives at its sole discretion. Additional information on incentives and program procedures can be found in the CHP Systems Manual.

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## **3.2 TOTAL PROJECT INCENTIVE FOR CHP SYSTEMS**

The total contracted project incentive, the sum of the kWh incentive and kW incentive, is included in the SPC Agreement. The total contracted project incentive paid to an Applicant may not exceed \$750/kW nameplate, or \$900/kW nameplate for those systems with NO<sub>x</sub> emissions of 0.6 lb/MWh or less.

A progress payment of 10% of the incentive may be issued by NYSERDA upon the Applicant's request after the construction documents are submitted to and approved by NYSERDA. A second progress payment of 20% of the incentive may be issued by NYSERDA upon the Applicant's request upon proof of purchase and delivery of the generation equipment and heat exchangers (i.e bill of lading). An additional payment, the "project installation payment", of 10% may be issued upon request and NYSERDA approval to start the M&V period.

The final two payments of up to 30% of the incentive will be made after the completion of each one year M&V period. Depending on the M&V results, the performance payment(s) will be for up to the balance of the total contracted project incentive due under the SPC Agreement. Incentives will not be paid in excess of 100% of the total contracted project incentive.

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## **SECTION 4.0: CHP SYSTEMS PROGRAM PROCEDURE OVERVIEW**

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### **CHP SYSTEMS**

The Combined Heat and Power (CHP) incentive tier includes five basic phases:

1. Project Application(PA) reviews;
2. SPC agreement offer;
3. Design approval;
4. Installation and commissioning; and
5. Project measurement and verification (M&V) activities which occur after the system is operating.

The Program Procedures for each CHP system phase can be found in the CHP Systems Manual Section 2.0.

The Applicant will be required to complete a survey at the project application phase and again following project completion. The survey can be obtained on NYSERDA's website under PON 1101.

## **SECTION 5.0: APPLICATION PROCEDURES AND FORMS FOR CHP SYSTEMS**

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This section presents the procedures for submitting the PA and a discussion of its content. See Section 2.7 of this PON for additional information.

### **5.1 SUBMITTING THE APPLICATION FOR CHP SYSTEMS**

The submittal of a PA is the first step. A PA for CHP Systems consists of:

1. Application forms ( See Table 5.1 for a list)
2. A Detailed Energy Analysis (DEA) in accordance with NYSERDA's requirements as outlined in the CHP Systems Manual.
3. An Environmental Assessment Form (EAF)
4. A copy of a recent electric and gas, or other fuel source, utility bill.

By submitting the PA, NYSERDA approval is being sought to proceed with the development of a CHP project that may be eligible for inclusion in the program.

#### **Submittal and Notification Schedule**

NYSERDA will accept applications for CHP projects until March 31, 2008 or until the funding has been fully committed, whichever comes first. The terms of this PON are effective as of **July 23, 2007** and will apply to applications received on or after that date. NYSERDA will reserve funding at the point of SPC agreement on a first-come, first-served basis.

An original and electronic version of the application forms with DEA, EAF, and utility bills must be submitted. (See Section 6.1 for additional instructions.)

Only single-site applications will be accepted.

#### **Application Approval or Rejection**

NYSERDA will issue a letter to the Applicant specifying the receipt date of the PA and the estimated funding. The letter will also specify which NYSERDA Technical Consultant(s) has been assigned to perform the detailed PA review. Prior to receipt of the letter, the Applicant may be contacted by NYSERDA or a NYSERDA Technical Consultant(s) for clarification of the PA. The NYSERDA Technical Consultant(s) will have 90 days from application letter to conduct a review and a pre-installation site visit. Upon approval of the PA, NYSERDA will issue the SPC Agreement.

Estimated funding will be reserved at the time of application submittal. Funds will not be contracted for until a signed SPC Agreement is in place. NYSERDA will not reimburse for any costs incurred in preparing the DEA, SPC agreement, or other related documents through PON 1101.

NYSERDA may reject a PA for a variety of reasons, including, but not limited to, the following:

- NYSERDA's receipt of a CHP System application occurs after the deadline or after the Enhanced C/I Performance Program is fully subscribed for CHP System incentives.

- Applicant fails to meet *Enhanced C/I Performance Program* requirements.
- Applicant fails to submit all of the required supporting documentation, or application forms.
- Applicant willfully misrepresents the project, summer peak demand reduction, or energy generation.
- Applicant is already enrolled in another NYSERDA program for the CHP System installation, with the exception of the Loan Fund Program.
- Applicant fails to provide sufficient information in the DEA in accordance with NYSERDA’s DEA requirements outlined in the CHP Systems Manual.

If NYSERDA deems the PA incomplete or insufficient, NYSERDA will request clarification or additional information. The applicant has five days to respond to such request. If a timely response is not received, or the response is insufficient, NYSERDA may discontinue its review and reject the application. If the application is rejected, NYSERDA will notify the applicant in writing.

## 5.2 PARTS OF THE APPLICATION FOR CHP SYSTEMS

A PA for CHP Systems consists of one original hard copy and an electronic copy, not in PDF format, of the following:

- Application forms ( See Table 5.1 for a list)
- A Detailed Energy Analysis (DEA)
- An Environmental Assessment Form (EAF)
- A copy of a recent electric and gas, or other fuel source, utility bill.

Electronic versions of the forms that will simplify completion can be obtained from NYSERDA’s web site under PON 1101. [http://www.nyserdera.org/programs/Commercial\\_Industrial/cipp.asp](http://www.nyserdera.org/programs/Commercial_Industrial/cipp.asp)

**TABLE 5.1**

### APPLICATION FORMS

<b>FORM TITLE</b>	<b>Form Code</b>	<b>Required for Each</b>
General Contact Information	CHP.1	Application
Host Site Summary	CHP.2	Application
Applicant Short Form Agreement	CHP.3	Application
Site Control Letter	CHP.4	Host Site
Steam Statement Form	CHP.5	Applicable Host Sites
NYSERDA Environmental Assessment Checklist	CHP.6	Applicant

## **SECTION 6: ADDITIONAL CHP SYSTEM INCENTIVE REQUIREMENTS**

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### **6.1 PREPARING AND SUBMITTING MATERIALS**

All submissions for NYSERDA's Enhanced C/I Performance Program must be sent to the address listed below.

Enhanced C/I Performance Program Administrator  
New York State Energy Research and Development Authority  
17 Columbia Circle  
Albany, NY 12203-6399

NYSERDA will date-stamp and log all program materials as they are received. NYSERDA recommends that all program materials be sent via certified or registered mail. It is the sole responsibility of the applicant to ensure that NYSERDA receives applicable program materials at the designated address by close of business on or before the applicable due date. Applicants should retain proof of delivery (such as a return receipt for certified, registered, or overnight mail) for all program materials submitted.

In the Application approval letter, NYSERDA will name the Technical Consultant assigned to the project. The Project Installation Report and M&V reports should be sent to NYSERDA with a copy sent directly to the Technical Consultant. (For the Project Application submission, the original and copy are sent to NYSERDA.)

### **6.2 REQUESTS FOR CLARIFICATION**

NYSERDA, or the assigned Technical Consultant, may request clarification or additional information about any item within a PA. The Applicant has five days to respond to such requests during the PA review. If the clarification or additional information is not forthcoming, or is insufficient, NYSERDA may choose to discontinue its evaluation of the application and reject the application. If NYSERDA discontinues its review, NYSERDA will notify the Applicant in writing.

The Applicant has up to 90 days to respond to NYSERDA's PA Review Memo. The Applicant has 30 days to respond to any subsequent request for clarification or information made by NYSERDA, whether the request is a follow-up request on the response to NYSERDA's initial request or an additional request. However, the Applicant is allowed only two such subsequent requests by NYSERDA. If after an initial request and two subsequent requests the information needed is either not provided or insufficient, NYSERDA may elect to terminate the PA review.

### **6.3 PROPRIETARY INFORMATION**

The NYS Freedom of Information Law, Article 6, provides for public access to information NYSERDA possesses. Public Officers Law, Section 87(2)(d), provides for exceptions to disclosure for records or portions thereof that are "trade secrets or are submitted to an agency by a commercial enterprise or derived from information obtained from a commercial enterprise and which if disclosed would cause substantial injury to the competitive position of the subject enterprise." Information that the proposer wishes to have treated as proprietary, and confidential trade information, should be identified and labeled "Confidential" or "Proprietary" on each page at the time of disclosure. This information should include a written request to exempt it from disclosure, including a written statement of the reasons why the information should be exempted. Such information will be treated in accordance with the provisions of

Public Officers Law, Section 89(5) and the procedures set forth in 21 NYCRR Part 501. However, NYSERDA cannot guarantee the confidentiality of any information submitted.

## **6.4 FALSE, MISLEADING, OR INCORRECT INFORMATION**

NYSERDA reserves the right to discontinue its evaluation of all submittals from any applicant that NYSERDA determines has submitted false, misleading, or incorrect information.

## **6.5 OMNIBUS PROCUREMENT ACT OF 1992**

It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority- and women-owned business enterprises, as bidders, subcontractors, and suppliers on its procurement agreements.

Information on the availability of New York subcontractors and suppliers is available from Empire State Development, Division for Small Business, 30 South Pearl Street, Albany, NY 12245. A directory of certified minority- and women-owned business enterprises is available from Empire State Development, Minority and Women's Business Development Division, 30 South Pearl Street, Albany, NY 12245.

## **6.6 TIME EXTENSIONS FOR CHP SYSTEMS**

Time extensions beyond the standard program deadlines will be granted at the sole discretion of NYSERDA upon review of documentation of progress by the applicant. Time extensions will not be granted without evidence of substantial progress and a satisfactory explanation of the cause of the delay. Requests for extensions must be accompanied by a proposed revised schedule.

## **6.7 M&V REQUIREMENTS AND TIME PERIOD FOR CHP SYSTEMS**

CHP System M&V is based on the following standards:

Interim Distributed Generation and Combined Heat and Power Field Testing Protocol, Association of State Energy Research and Technology Transfer Institutions, Madison, WI, October 2004.

Monitoring and Data Collection Standard for Distributed Generation/Combined Heat and Power (DG/CHP) Systems <http://chp.nyserdera.org/home/index.cfm>.

Distributed Generation and Combined Heat and Power Long Term Monitoring Protocol, Association of State Energy Research and Technology Transfer Institutions, Madison, WI, April 2005.

The M&V period for CHP is two years. All M&V data must be transmitted to NYSERDA's CHP Data Integration Website. The Applicant is responsible for ensuring that data collected and transmitted to NYSERDA and its contractors accurately represents the operation of the CHP system.

More information about M&V for CHP is located in the CHP Systems Manual Section 3.