OFFICE OF CLEAN ENERGY
CLEAN ENERGY GUIDANCE

Layered Incentive Guidance

Version History Log:

Version	Date Issued	Approval	Changes
1.0	2016-10-03	Peggie Neville, Deputy Director	N/A

Purpose:

This Clean Energy Guidance document is developed to establish common principles and practices which all program administrators must adhere to ensure strategic program/initiative design, implementation, and ongoing coordination amongst program administrators in order to avoid duplicative incentives and facilitate complementary efforts.

All Clean Energy Guidance documents are in effect until revised, rescinded or superseded.

Background:

By order issued January 21, 2016 (January CEF Order),[1] the New York Public Service Commission (the Commission) established the Clean Energy Advisory Council (CEAC). Among other things, the Commission required the CEAC to undertake a review designed to identify overlapping incentives and market development activities from various funding streams, to eliminate wasteful duplication, and to leverage complementary efforts. The CEAC Steering Committee required its Clean Energy Implementation & Coordination Working Group (CEI&C Working Group) to inventory or otherwise gather program, funding source and incentive information about the various program administrators' (PAs') clean energy programs and initiatives, including utility, New York State Energy Research and Development Authority (NYSERDA), New York Power Authority (NYPA), and Long Island Power Authority (LIPA)/PSEG-Long Island clean energy programs and initiatives, demand response and load management programs, and REV demonstrations and non-wires alternative projects to identify overlapping programs or initiatives and current instances of multiple incentives from various funding streams. In addition, the CEAC Steering Committee assigned the CEI&C Working Group to develop recommendations for Staff guidance including the identification of tests to determine where layered incentives would be appropriate and where they should be disallowed as well as processes for sharing of information to determine when the tests should be applied.

On September 13, 2016, the CEI&C Working Group filed its Multiple Incentives Recommendations Report[2] for Staff consideration in the development of this Guidance Document.

[1] Case 14-M-0094 et al, Proceeding on Motion of the Commission to Consider a Clean Energy Fund, Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016).

[2] Matter 16-01005, In the Matter of the CEAC's Clean Energy Implementation & Coordination Working Group, Multiple Incentives Recommendations Report (filed September 13, 2016).

Definitions:

For purposes of this guidance, Staff adopts the definitions developed by the CEI&C Working Group and set forth in the Multiple Incentives Recommendations Report.[3]

Layered / Overlapping Incentives:

Layered or overlapping incentives generally refer to financial or non-financial incentives being offered to the same market segment, customer, or technology measure at the same time. The term can also refer to incentives that are being provided through the same delivery channel. Importantly, the definition of layered or overlapping incentives absent any context is a neutral term; the incentives can contribute added value to ratepayers or society and are therefore complementary, or they may be duplicative and therefore wasteful.

Duplicative Incentives:

Duplicative incentives and market development activities are those that provide no incremental value over another incentive or market development activity that is already being provided.
Types of duplicative programs, initiatives, or incentives can include:

- Uncoordinated rebates provided by two or more entities to the same customer for the same measure or measure performance
- Uncoordinated rebate incentives for a specific measure at both the upstream, midstream and downstream channels
- Two or more separate and distinct training or education programs offered to the same market partners that largely overlap in content

Complementary Incentives:

A complementary incentive is a layered or overlapping incentive that provides incremental value to ratepayers or society even when an existing incentive or market development activity is already being provided.

Types of complementary programs, initiatives, or incentives can include:

- More than one type of program incentive from multiple entities (e.g. tax, non-financial, upstream, midstream, downstream), that are coordinated and knowingly delivered in concert with each other to motivate increased market uptake, particularly in cases where one incentive by itself provides insufficient motivation for a customer to take action
- Similarly structured incentives for the same action by a customer, however each incentive addresses different value streams, either to ratepayers, to the administrator of the incentive, or to society as a whole.

Coordination Requirements:

Clean energy program administrators must avoid offering duplicative incentives and, when possible, should pursue complementary efforts or incentives. The requirements set forth below are intended to establish the framework that supports the initiation of necessary communication and coordination to

3 Multiple Incentives Recommendations Report at pages 6-7.

eliminate and prevent duplicative incentives and develop and implement complementary efforts or incentives that advance New York's clean energy goals.

Layered Incentive Criteria/Principles:

Utilities and NYSERDA should consider and adhere to the guiding principles recommended by the CEI&C Working Group in the development and modification of programs/initiatives.

- Where layered incentives exist or are proposed, ensure:
    - that each of the programs or initiatives offering the incentives address a different value stream, performance objective, or market barrier;
    - that there is a stated rationale or basis for why the layering will achieve greater or higher value results;
    - that coordination has occurred with regard to marketing and delivery channels to stimulate market uptake at least cost and avoid market confusion;
    - that programs maintain a clear objective and well-defined impact
- Where incentives are offered to advance a utility capital deferral project, flexibility should be afforded to the PAs to ensure that required action is taken in order to defer or avoid the capital investment.
- Where programs differ in geography, customer types, or technology targeted, they should always maintain clarity and focus on ease of use for markets and intended customers

Coordination Requirements:

The PAs must use the CEI&C Working Group as a venue for ongoing discussions regarding current and prospective programs/initiatives to ensure the appropriate level of coordination is occurring. Prior to adding or modifying a program to its portfolio, a PA must engage in active discussions with CEI&C members regarding potential overlap and coordination on program design and the implementation of complementary incentives and such discussions should be summarized in the CEI&C Working Group's updates to the CEAC Steering Committee.

In the development of the Multiple Incentives Recommendations Report, the CEI&C Working Group developed a program/initiative inventory. Utilities and NYSERDA are required to maintain an inventory and periodically file and/or otherwise make broadly available a revised version of the inventory, no less than annually. In addition to program design details, the inventory must include fields that align with information needed to ensure adherence to the Layered Incentive Criteria/Principles described above. Finally, the CEI&C Working Group must submit, on a quarterly basis, a revised program/initiative inventory to the CEAC Steering Committee for discussion at the CEAC Steering Committee meeting.