**TO**: North Carolina Municipal Power Agency Number 1 City Managers and Utility Directors

**FROM**: Kathy L. Moyer
Chief Operating Officer

**DATE**: May 12, 2023

**SUBJECT: Updated Policy Regarding Distributed Generation on Participant Systems**
At its meeting on April 21, 2023, the ElectriCities Board of Directors approved changes to the NCMPA1 Policy Regarding Distributed Generation on Participant Distribution Systems (the "DG Policy"). These changes were also reviewed by the NCMPA1 Rate Committee and the NCMPA1 Board of Commissioners.

The DG Policy defines how renewable and non-renewable generation is metered and compensated at wholesale for NCMPA1 Participants and its customers. The proposed changes to the policy align metering and compensation methodologies for all types of generation.

The updated DG Policy effective date is April 21, 2023.

## North Carolina Municipal Power Agency Number 1

## Policy Regarding Distributed Generation on Participant Distribution Systems
**April 21, 2023**

# Background

Pursuant to the Supplemental Power Sales Agreements between North Carolina Municipal Power Agency Number 1 ("NCMPA1") and its Participants, NCMPA1 is obligated to provide, and the Participants are obligated to purchase, "All Requirements Bulk Power Supply". All Requirements Bulk Power Supply is defined as all electric power and energy required by the Participant at its Delivery Point(s), exclusive of any purchases of power and energy by the Participant from the Southeastern Power Administration ("SEPA"). NCMPA1 is responsible for, among other things, planning, negotiating, acquiring, contracting for, and administering all generation and transmission arrangements and power purchases necessary to effect the delivery and sale of All Requirements Bulk Power Supply to the Participants. Further, pursuant to the Renewable Energy Development and Service Agreements with its Participants, NCMPA1 has been appointed by the Participants as their agent to develop, coordinate, and administer a plan for compliance with the North Carolina Renewable Energy Portfolio Standards ("REPS") requirements on their behalf.

City-owned and Customer-owned generation, the integrated or stand-alone use of small, modular electric generation located in close proximity to a given load, traditionally fueled by diesel, oil, gas or natural gas, has been (and continues to be) a popular means to shave peak demands and provide standby power for emergency purposes for NCMPA1's Participants and their retail customers. Such distributed generation ("DG") can also provide Participants a tool for economic development. With the REPS requirements comes an opportunity for the investment in renewable energy generation ("REG"), such as solar photovoltaic panels located on residential, commercial or industrial customer or Participant sites. Due to the nature of these generators, they can provide energy to NCMPA1 when available and meet the goals of the REPS requirements but may not be conducive to use as peak shaving generation or standby power for emergency purposes. Because the operational and rate implications of REG are different from traditional DG, the Agency has developed separate renewable generation categories and avoided cost credits.

Most of the DG and REG (collectively referred to as "Generation") on the NCMPA1 Participants' systems is installed at the load site (on the customer premises) and most Generation is sized to meet the expected load of a single retail customer. Such Generation is operated in either a "switched" or "parallel" configuration. A "switched" configuration refers to a switch that disconnects a given load from the distribution system in order to serve such isolated load from the Generation. A "parallel" configuration is one in which the Generation operated while it is synchronized to the distribution grid.

Most of the DG installed on the NCMPA1 Participants' systems operates at generation levels equal to (or less than) a single customer's load (some switched, some in parallel), effectively serving a demand-side management function. However, certain NCMPA1 Participants' DG is operated in a "parallel" configuration at generation levels that may exceed a given single customer's load, with the excess generation serving the load of other retail customers. This DG serves more of a power supply resource function than a demand-side management function in that it can deliver energy to multiple retail customers on Participants' distribution systems.

It is anticipated that most REG installed on the NCMPA1 Participants' systems will operate in "parallel" configuration. Due to their nature (e.g., solar, wind, etc.), REG will not be "dispatchable"; rather, they will operate when available to serve load on the Participants' systems.

In connection with new City-owned Generation projects, NCMPA1 must first obtain, on behalf of its Participants, the "Certificates of Public Convenience and Necessity" from the North Carolina Utilities Commission. Generation owned by retail customers on Participants' Distribution Systems must first obtain a Certificate of Public Convenience and Necessity from the North Carolina Utilities Commission. NCMPA1 is also required by Duke to maintain an updated list of all Generation and coordinate with Duke regarding operation of Generation under its Network Integration Transmission Service Agreement and Network Operating Agreement (Facility Connection Requirements). The installation and operation of Generation at all times must comply with all applicable laws, regulations and requirements.

Generally, the purpose of this Policy is to establish clear requirements for the planning, operation, and billing aspects of existing and new Generation installations by Participants and their retail customers. In addition, the Policy is intended to maintain and ensure an equitable allocation of All Requirements charges to Participants, recognizing the existence of DG installed by Participants prior to the implementation of this Policy.

## DG Subject to this Policy

This Policy is intended to apply to all customer and Participant installed Generation that is installed on a Participant distribution system behind the "second meter" (defined below) near a given single customer load site. The "second meter" means a single meter or configuration of meters installed for the purpose of measuring a designated customer's load (the "first" meter, of course, is the delivery point meter). Installation of Generation that is not behind the second meter is prohibited, unless special arrangements have been made with NCMPA1.

To ensure NCMPA1 has the necessary information for power supply planning and reporting as well as for monitoring compliance with this Policy, the Participants must notify NCMPA1 at least six months prior to placing any new City-owned Generation in service. The Participants must notify NCMPA1 at least two months prior to placing any new Customer-owned Generation in service if the Customer-owned DG (single or multiple units on contiguous sites) is 350 kW or larger (nameplate rating or actual output) or the Customer-owned REG (single or multiple units on contiguous sites) is 20 kW or larger (nameplate rating or actual output) and if either is operated in parallel with the Participant's electrical system. Monthly demand and energy credits and avoided cost credits will commence upon operation of the Generation, but no sooner than either two months or six months, as appropriate, after notice is received by NCMPA1. The notification shall be submitted in the form as provided by NCMPA1 (Referred to herein as the "Generation Notification Form").

For purposes of this Policy, there are five categories, or "types", of DG, with the difference related to the size and mode of operation of such Generation.

**Type 1 DG** – DG installations where:
(i) the combined output or nameplate capacity rating of units comprising such installation is equal to or greater than 350 kW;
(ii) the DG is operated in a "parallel" configuration; at generation levels that may exceed a given retail customer's load with the excess generation serving the load of other retail customers; and

(iii) the DG will be operated by NCMPA1 based upon economic dispatch of power supply resources (Dispatched Operation).

**Type 2 DG** – DG installations where:
(i) the combined output or nameplate capacity rating of units comprising such installation is equal to or greater than 350 kW;
(ii) the DG is operated in a "parallel" configuration at generation levels that may exceed a given retail customer's load with the excess generation serving the load of other retail customers; and
(iii) the DG continues to be operated by such customer (or its host Participant) in a peak-shaving mode.

**Type 3 DG** – DG installations where:
(i) the combined output or nameplate capacity rating of units comprising such installation is less than 350 kW; or
(ii) DG (of any size) is operated in a "switched" configuration to serve a single retail customer's load.

**Type 4 REG** – REG installations where:
(i) the combined output or nameplate capacity rating of units comprising such installation is greater than 20 kW;

**Type 5 REG** – REG installations where:
(ii) the combined output or nameplate capacity rating of units comprising such installation is less than or equal to 20 kW;

Upon mutual agreement between NCMPA1 and any Participant or its retail customers, Type 2 existing DG may be re-classified as Type 1 DG. However, all new customer and Participant DG installed after the effective date of this Policy must be installed and operated as Type 1 DG (unless it qualifies as Type 3 DG) or, in limited special circumstances and upon the consent of NCMPA1, Type 2 DG. Such consent will be documented on the Generation Notification Form and approved by the Participant Utility Director and the Manager, NCMPA1 Power Operations. In the case of Type 1 DG, NCMPA1 will be responsible for the cost of control equipment necessary for remote start capabilities. Also, since NCMPA1 would have dispatch rights over Type 1 DG, any current agreements with NCMPA1 regarding the output for Load Management Generation involving Type 1 DG will terminate upon the effective date of this Policy.

## DG Credits under the Wholesale Power Service Schedule – Concepts

For all Generation subject to this Policy, the following rate treatment under NCMPA1's Wholesale Power Service Schedule (described in more detail below) will be implemented. Type 1 and Type 2 generator output and excess Type 4 generator output will be metered per NCMPA1's metering requirements at the expense of the DG or REG owner and the meter will be read at the expense of NCMPA1. After adjustment for distribution losses, generator output will be added back to the host Participant's wholesale delivery point metered hourly loads.

A portion of the Type 1 and Type 2 DG output will be assigned to a given single retail customer load and such portion will reduce that Participant's billing demands and energy for purposes of applying NCMPA1's Wholesale Power Service Schedule. Capacity credits provided for the balance of (or excess) Type 1 and Type 2 DG output will be based on NCMPA1's "avoided costs" as defined for

non-renewable energy resources. Basing the credits for excess DG output on "avoided costs" is consistent with NCMPA1's obligation to sell and each Participant's obligation to purchase All Requirements Bulk Power Supply. NCMPA1 effectively will purchase the excess Type 1 and Type 2 DG output as part of its supplemental power supply. NCMPA1's avoided costs, initially established at the cost of NCMPA1's most recent DG Project, will be reviewed annually by the Rate Committee and changed, from time to time, as appropriate.

Capacity and energy credits for all of the Type 4 REG output will be based on NCMPA1's "avoided costs" as adopted for renewable energy resources. Basing the credits for REG output on "avoided costs" is consistent with NCMPA1's obligation to sell and each Participant's obligation to purchase All Requirements Bulk Power Supply. NCMPA1 effectively will purchase the Type 4 REG excess output as part of its supplemental power supply and may use such output to meet its Participants' REPS requirements.

NCMPA1 will have dispatch rights to Type 1 DG. Accordingly, rather than Participants operating the DG in a "peak-shave" mode each month (as is the case with Type 2 or Type 3 DG), NCMPA1 will call upon such Type 1 DG (i) at times when it will be cost effective to NCMPA1, given the DG operating costs, and (ii) at other regular intervals for testing purposes. NCMPA1 will provide advance call notice to the extent reasonably possible. Participants will, of course, have physical operational control over Type 1 DG and have first priority for operations in the event of a distribution system emergency (Non-Dispatched Operations), just like Type 2 and Type 3 DG. NCMPA1 will "test" the operations of the Type 1 DG at agreed upon regular intervals and NCMPA1 will operate such DG with no pattern of adverse distinction as compared to its own units.

Excess output from Type 1 DG will receive both avoided cost capacity and energy credits. Since NCMPA1 will not have dispatch call rights to Type 2 DG, excess output from Type 2 DG will receive avoided cost capacity credits, but no avoided cost energy credits, which recognizes the reduced value to NCMPA1. However, excess output from Type 2 DG will receive energy credit through reductions in the Monthly Energy charge under NCMPA1's Wholesale Power Service Schedule.

Type 3 DG and type 5 REG will be treated like other demand-side management efforts by the Participants. To the extent Type 3 DG and Type 5 REG operates at the time of the monthly On-peak billing demand (and other times throughout the month), that Participant's billing demands and associated delivered energy will be reduced accordingly. Type 3 DG output may be metered at the option of NCMPA1 and at NCMPA1's expense. Type 5 REG will be metered by the Participant for purposes of REPS compliance reporting.

## Generation Credits under the Wholesale Power Service Schedule – Detailed Mechanics

For all Type 1 and Type 2 DG subject to this Policy, the Participant will designate a single retail customer load for which such DG is dedicated to serve. NCMPA1 will meter both the retail customer load and the Type 1 and Type 2 DG output.

For any given month, hourly metered kW and kWh output of all Type 1 and Type 2 DG and Type 4 REG excess subject to this Policy, adjusted for distribution losses as appropriate, will be added back to metered delivery point loads of the Participant for purposes of applying the basic Wholesale Power Service Schedule (see further adjustments to billing demands and energies below).

In connection with DG credits under the Wholesale Power Service Schedule, the following definitions and methodology will apply:

"Average Generating Capacity" (for purposes of Type 1 DG), in any given month, will equal the total metered kWh output of the DG, during the hours of Dispatched Operation, divided by the same number of hours.

"Retail Customer Demand," in any given month, will equal the average integrated clock hour metered gross demands (in kW) of the designated retail customer during the On-peak period used for NCMPA1 billing purposes. The term "gross" demands means the total metered load of the retail customer, adjusted for any DG output designated for such customer load. If multiple meters are used to measure the load of one contiguous customer, meter readings would be totalized for this purpose.

## Type 1 DG – Wholesale Power Service Schedule Credits

For Type 1 DG, in any given month, Monthly Demand, as defined in the Wholesale Power Service Schedule, will be reduced by an amount equal to the lesser of:
(i) Retail Customer Demand; or
(ii) Average Generating Capacity;

the result adjusted for distribution losses as appropriate.
For Type 1 DG, in any given month, Monthly Energy, as defined in the Wholesale Power Service Schedule, will be reduced by an amount equal to the ratio (not greater than 1.0) of:
(i) Retail Customer Demand; to
(ii) Average Generating Capacity;

the result multiplied by the total metered kWh output of the applicable DG, adjusted for distribution losses as appropriate.

## Type 2 DG – Wholesale Power Service Schedule Credits

For Type 2 DG, in any given month, Monthly Demand, as defined in the Wholesale Power Service Schedule, will be reduced by an amount equal to the lesser of:

(i) Retail Customer Demand; or
(ii) the average metered kW output of such Type 2 DG during the On-peak period used for NCMPA1 billing purposes;

the result adjusted for distribution losses as appropriate.
For Type 2 DG, in any given month, Monthly Energy, as defined in the Wholesale Power Service Schedule, will be reduced by the total metered kWh output of the applicable DG, adjusted for distribution losses as appropriate.

## Avoided Cost Credits for Type 1 and Type 2 DG

"Avoided Cost Credit for Non-renewable Energy Generation" will have two components, a capacity component and an energy component.

The "Avoided Cost Capacity Credit for Non-Renewable Energy Generation", in any given month, will equal the "Excess Generating Capacity", defined below, applied to the "Avoided Cost Capacity Credit Rate" set forth in Rider No. 11 of the Wholesale Power Service Schedule. For Type 1 DG,

Excess Generating Capacity in any given month will be equal to the Average Generating Capacity, less the Retail Customer Demand, but not less than zero. For Type 2 DG, Excess Generating Capacity in any given month will be equal to the average metered kW output of Type 2 DG during the On-peak period used for NCMPA1 billing purposes, less the Retail Customer Demand, but not less than zero.

For Type 1 DG, the "Avoided Cost Energy Credit for Non-Renewable Energy Generation", in any given month, will be equal to the "Excess Generating Energy", defined below, applied to the "Avoided Cost Energy Credit Rate", set forth in Rider No. 11 of the Wholesale Power Service Schedule. Excess Generating Energy in any given month will be equal to the ratio of:

(i) Excess Generating Capacity (if any); to
(ii) Average Generating Capacity;

the result multiplied "by the total metered kWh output of the applicable Type 1 DG, for such month. Type 2 DG will receive no Avoided Cost Energy Credit.

### Avoided Cost Credits for Type 4 REG

"Avoided Cost Credit for Renewable Energy Generation" will reflect both the capacity and energy avoided cost components, and be expressed as an energy credit.

For Type 4 REG, the "Avoided Cost Credit for Renewable Energy Generation", in any given month, will be equal to the Renewable Generating Energy applied to the "Renewable Energy Avoided Cost Credit Rate', set forth in Rider No. 16 of the Wholesale Power Service Schedule. Renewable Generating Energy in any given month will be equal to the excess metered kWh output of the applicable Type 4 REG, for such month.

### Type 3 DG and Type 5 REG

There will be no adjustments for Type 3 DG and Type 5 REG under NCMPA1's Wholesale Power Service Schedule. Output from Type 3 DG and Type 5 REG will effectively reduce Delivery Point metered loads and such Participant's corresponding Monthly Demand and Monthly Energy.

## Limitations on the Amount of Excess Generation

In the fall of each calendar year, NCMPA1 will set a limit on the aggregate amount of Generation output in excess of that assigned to retail customers for NCMPA1 (the "Excess Generation Limit"). The Excess Generation Limit will determine the amount of Excess Generating Capacity that will be eligible for Avoided Cost Capacity Credits under this Policy in the following calendar year. The Excess Generation Limit is intended to ensure that the total Generation capacity in NCMPA1's portfolio of resources does not exceed reasonable planning limits, considering that DG serves mainly a "reserve capacity" function and REG serves as a renewable energy resource. In arriving at the methodology establishing the annual limit described below, NCMPA1 has considered the existing Excess Generating Capacity, the amount of NCMPA1-owned Generation, and the prospects for new applications for Generation at customer sites (and the excess generation that might be associated with such Generation).

The Excess Generation Limit will be calculated based upon 3% of the highest aggregate annual peak demand of NCMPA1 (including load served by SEPA) at the delivery level, as measured over the

previous three summer seasons. For purposes of calculating the Excess Generation Limit, metered kW output of all Type 1 DG, Type 2 DG, Type 3 DG (installations with output greater than 350 kW), Type 4 REG and NCMPA1-owned Generation, after adjustment for distribution losses, will be added in to actual metered delivery point demands in order to arrive at NCMPA1's actual peak loads. The Excess Generation Limit will be allocated to each Participant based on the then current Allocated Demands of each Participant, but in no event will be less than 1500 kW for any one Participant. The resulting allocation, after applying the 1500 kW minimum, will be considered the "Allocated Excess Generation Limit". The sum of all Participants' Allocated Excess Generation Limit will be deemed to be the "Aggregate Excess Generation Limit".

NCMPA1 anticipates implementing a program related to the purchase and sale or lease of an individual Participant's Allocated Excess Generation Limit to other Participants. Such program could effectively increase a given Participant's Allocated Excess Generation Limit to the extent all (or a portion) of another Participant's Allocated Excess Generation Limit is purchased or leased for some period of time.

To the extent the combined amount of Excess Generating Capacity in any month exceeds the currently established Aggregate Excess Generation Limit, Avoided Cost Capacity Credits for DG will be reduced for those Participants whose combined Excess Generating Capacity exceeds their Allocated Excess Generation Limit. The reduction in Avoided Cost Capacity Credits will be administered pro-rata, in relation to the amount (if any) that each Participant's Excess Generating Capacity exceeds their respective Allocated Excess Generation Limit.

## Other Limitations on the Amount of Generation

Under NCMPA1's Network Operating Agreement with Duke (the "NOA"), NCMPA1 and its Participants are required to maintain good utility practices relative to the operation of generation that may be installed on the Participant distribution systems. In connection therewith, NCMPA1 has determined that 50% of the maximum non-coincident peak demand (in kW) during any of the most recent thirty-six months[1], including the current month, at any given Delivery Point is the maximum amount of Generation output that is consistent with the NOA (the "Maximum Output"). The 50% maximum may not be exceeded without the consent of NCMPA1. Such consent will be documented on the Generation Notification Form and approved by the Participant Utility Director and the Manager, NCMPA1 Power Operations. With such written consent, in any given month, to the extent that, for any given Delivery Point:

[1] Monthly non-coincident peak demands that occur during periods of transfers of load between Delivery Points will be excluded from the determination of the maximum non-coincident peak demand.

(i) the combined total Average Generating Capacity (from Type 1 DG); plus
(ii) the combined total average metered kW output of Type 2 DG during the On-peak billing demand period; plus
(iii) the average metered kW output of Type 3 DG (installations with output greater than 350 kW) during the On-peak billing demand period;
(iv) the average metered kW output of Type 4 REG during the On-peak billing demand period

exceeds the Maximum Output, the Excess Generating Capacity (for purposes of Avoided Cost Capacity Credits) will be reduced by an amount that would bring the average kW output of such Generation into compliance with the 50% limit.

In the absence of such written consent, the Participant will receive no wholesale rate schedule benefits or avoided cost credits for the portion of the generation installed that exceeds the 50% maximum above.

NCMPA1 will develop specific operating procedures that will dictate the timing and amount of dispatched Type 1 DG and NCMPA1-owned DG. Such operating procedures will take into account minimum load levels at Delivery Points, the expected Type 2 and Type 3 DG and Type 4 REG operations, and coordinate the "testing" of units in order to prevent generation output from back-feeding onto the Duke transmission system.

## Other Potential Cost Responsibilities

To the extent Duke may require installation of reverse power relay and other protective equipment at any given Delivery Point in order to assure that generation will not exceed load at any time (thereby eliminating the possibility of back-feed of generation onto the Duke transmission system), the cost of such equipment will be the responsibility of the affected Participant. However, if NCMPA1 has installed generation on the distribution system served by such Delivery Point, NCMPA1 will pay its appropriate allocable share of the cost responsibility of such reverse power relay equipment with such Participant.

## Applicability of Policy

This Policy, upon approval of the Board of Directors, will become effective April 1, 2015 and remain in place until such time as it is modified by the Board. This Policy does not in any way modify or supersede any provisions of the Supplemental Power Sales Agreements between NCMPA1 and its Participants. In addition, to the extent conditions change with respect to, among other things, NCMPA1's power supply arrangements, the terms of NCMPA1's Network Operating Agreement with Duke, or technological changes, there may be a need to modify this Policy to address such changed conditions.

## Distributed Generation on Participant Distribution Systems
## Glossary of Terms

**Aggregate Excess Generation Limit** – The sum of all Participants' Allocated Excess Generation Limit.

**Allocated Excess Generation Limit** – Allocation of Excess Generation Limit to each Participant based on the then current Allocated Demands of each Participant, but in no event less than 1500 kW for any one Participant.

**Average Generating Capacity** – For Type 1 DG, the total metered kWh output of the DG divided by the number of hours of Dispatched Operation.

**Avoided Cost Capacity Credit for Non-Renewable Energy Generation** – The Excess Generating Capacity applied to the "Avoided Cost Capacity Credit Rate" set forth in Rider No. 11 of the Wholesale Power Service Schedule.

**Avoided Cost Energy Credit for Non-Renewable Energy Generation** – For Type 1 DG: the Excess Generating Energy applied to the "Avoided Cost Energy Credit Rate" set forth in Rider No. 11 of the Wholesale Power Service Schedule; not applicable for Type 2 DG.

**Avoided Cost Credit for Renewable Generation** – For Type 4 REG the Renewable Generation Energy applied to the "Renewable Generation Avoided Cost Credit Rate" set forth in Rider No. 16 of the Wholesale Power Service Schedule.

**Dispatched Operation** – Operation of DG during the hours of operation requested by NCMPA1 for Type 1 DG.

**Distributed Generation ("DG")** – Non-renewable energy forms of small, modular electric generation located in close proximity to a given load. Traditionally diesel, oil, gas, natural gas driven generators used for peak shaving and emergency standby power.

**Excess Generation Limit** – 3% of the highest aggregate annual peak demand of NCMPA1 (including load served by SEPA) at the delivery level, as measured over the previous three summer seasons. For purposes of calculating the Excess Generation Limit, metered kW output of all Type 1 DG, Type 2 DG, Type 3 DG (installations with output greater than 350 kW), Type 4 REG and NCMPA1-owned Generation, after adjustment for distribution losses, will be added to actual metered delivery point demands in order to arrive at NCMPA1's actual peak loads.

**Excess Generating Capacity** – For Type 1 DG: the Average Generating Capacity, less the Retail Customer Demand, but not less than zero; for Type 2 DG: the average metered kW output of Type 2 DG during the On-peak period used for NCMPA1 billing purposes, less the Retail Customer Demand, but not less than zero.

**Excess Generating Energy** – For Type 1 DG: the ratio of (i) Excess Generating Capacity (if any) to (ii) Average Generating Capacity, multiplied by the total metered kWh output of the applicable Type 1 DG for such month; not applicable for Type 2 DG.

**Generation** – includes both renewable energy generation and other forms of distributed generation.

**Maximum Output** – 50% of the maximum non-coincident peak demand (in kW) over the most recent thirty-six months, excluding non-coincident peak demands that occur during periods of transfers of load between Delivery Points, at any given Delivery Point.

**Non-Dispatched Operation** – Operation of DG, by and at the discretion of the Participant or their retail customers, in hours other than the hours of Dispatched Operation.

**Renewable Energy Generation ("REG")** – Small modular electric generation located in close proximity to a given load powered by renewable energy sources such as solar photovoltaic panels, wind turbines, or biomass turbines that may be paired with Storage, provided such Storage is recharged exclusively from such renewable energy sources.

**Retail Customer Demand** – The average integrated clock hour metered gross demands (in kW) of the designated retail customer during the On-peak period used for NCMPA1 billing purposes. The term "gross" demands means the total metered load of the retail customer, adjusted for any generation output designated for such customer load.
**Storage** – A device that stores energy for use at a later time.
**Type 1 DG** – DG installations where: (i) the combined output or nameplate capacity rating of units comprising such installation is equal to or greater than 350 kW; (ii) the DG is operated in a "parallel" configuration; and (iii) the DG will be operated by NCMPA1 based upon economic dispatch of power supply resources.
**Type 2 DG** – DG installations where: (i) the combined output or nameplate capacity rating of units comprising such installation is equal to or greater than 350 kW; (ii) the DG is operated in a "parallel" configuration at generation levels that may exceed a given retail customer's load with the excess generation serving the load of other retail customers; and (iii) the DG continues to be operated by such customer (or its host Participant) in a peak-shaving mode.
**Type 3 DG** – DG installations where: (i) the combined output or nameplate capacity rating of units comprising such installation is less than 350 kW; or (ii) DG (of any size) operates in a "switched" configuration to serve a single retail customer's load.
**Type 4 REG** – REG installations where the combined output or nameplate capacity rating of units comprising such installation is greater than 20 kW.
**Type 5 REG** – RE installations where the combined output or nameplate capacity rating of units comprising such installation is less than or equal to 20 kW.

Effective April 21, 2023