Date Submitted: July 9, 2026

CAE-001 Q:

Decision, Dec. 17, 2025, Annual Energy Storage Solutions Program Review – Year 5, (Year 5 Decision), pp. 20-25.

a) Comment on whether the adoption of Construct 5 has adversely affected Energy Storage Solutions (ESS) Program enrollment or resulted in any unforeseen implementation challenges.
b) If the response to part (a) is yes, provide recommended solutions to address the identified issue(s). Any such recommendations must consider cost impacts to non-participating ratepayers.

CAE-001 A:

Since Construct 5 was implemented on April 1, 2026, The United Illuminating Company ("UI" or the "Company") has not observed any material adverse impacts on ESS Program customer enrollment activity within its service territory. UI has, however, identified two areas that may warrant further review due to their potential implications for customer experience, program administration, and the distribution of ratepayer-funded incentives.

The first relates to the option for customers to elect either annual or seasonal performance incentive payments at the time of enrollment.

The second concerns the use of the ESS Program (the "Program") Direct Payment Beneficiary Form[1] by certain third-party entities, including third-party owned ("TPOs") and aggregators, and whether the current form language adequately reflects the Program's intended eligibility and payment redirection requirements.

Seasonal vs. Annual Performance Payments

In the Final Decision, issued by PURA in Docket No. 25-08-05 on December 17, 2025, customers enrolling in Construct 5 were provided with the option to elect either annual or seasonal performance incentive payments at the time of Program enrollment. Following further evaluation of this requirement, UI has identified several operational and customer experience concerns associated with supporting both payment structures.

From an implementation administration perspective, UI has identified that supporting multiple performance payment methodologies would introduce additional system and

[1] Direct Payment Beneficiary Form, retrieved from https://energystoragect.com/wp-content/uploads/2026/02/Payment-Beneficiary-Form-2026.pdf

administrative complexity, including implementation requirements identified by the Program's Distributed Energy Resource Management System ("DERMS") platform provider, Uplight.

Uplight advised that transitioning to annual incentive payments would require significant system modifications, including the development of new reporting logic, creation and testing of said customized reports, and additional data warehouse configurations. These changes would increase both program administration costs and the overall cost of the existing DERMS implementation, ultimately resulting in additional costs borne by ratepayers.

UI further notes that seasonal performance payments provide a clearer connection between system performance and incentive compensation. By aligning incentive payments with seasonal performance periods, customers can more easily understand how their system performed and how the resulting incentive amount was determined. Conversely, annual performance payments may require customers to interpret performance data spanning multiple seasons, and in some cases, overlapping program years, making incentive calculations more difficult to follow and potentially reducing participant understanding and engagement.

To promote administrative efficiency, improve transparency of incentive calculations, and provide a more consistent customer experience, UI recommends that the Authority evaluate whether seasonal performance payments should serve as the sole performance incentive payment structure for Construct 5 participants.

Payment Beneficiary Form Concerns

The enhanced incentives to Low-income and Underserved customer segment under Construct 5 have increased interest and participation in the ESS Program. While increased enrollment supports both grid reliability and the State's goal of achieving 1,000 MW of energy storage capacity, UI has observed growing interest from third-party participants, including TPOs and aggregators, whose roles and eligibility within certain program processes may warrant further review.

Based on existing Program administration practices, UI understands that the Direct Payment Beneficiary Form is intended to allow customers who lease an energy storage system to direct incentive payments to the system owner and operator.

Recently, a contractor approached the Program Administrators indicating that it would assist customers with financing, enrollment, interconnection, and ongoing program participation, but would neither own nor control the customer-sited battery systems. This contractor stated they could submit a Direct Payment Beneficiary Form to request that incentive payments associated with participating customer projects be directed to the contractor. The contractor asserted that it qualified under the "Other" designation within the form.

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Based on this and anticipated future similar scenarios, UI is concerned that the current Direct Payment Beneficiary Form may permit interpretations that extend beyond the original intent of the process. Specifically, the existing language may create ambiguity regarding which entities are eligible to receive redirected incentive payment and under what circumstances such redirection is appropriate. While the Program Administrators are still processing and determining the exact nature of the application described and are not implying impropriety on the part of the contractor, this situation has highlighted the potential for misuse of the Payment Beneficiary Form that could result in customers unknowingly being taken advantage of, with a third party reaping the incentive benefits of their system without any financial or operational risk.

If incentive payments are redirected to entities that do not own, operate, or maintain the battery system, there is an increased risk that customers may not fully understand the economic implications of their participation in the Program or the ultimate recipient of incentive funds associated with their project. Such arrangements may result in Program incentives being captured by entities that assume little or no long-term ownership, and/or operational or performance responsibility for the system. This outcome could reduce the intended customer benefits of the Program and weaken the connection between ratepayer-funded incentives and the parties responsible for delivering and maintaining system performance.

Furthermore, widespread use of the Direct Payment Beneficiary Form for these purposes could create market incentives for third-party entities to prioritize the capture of incentive payments over the delivery of long-term customer value. This may lead to increasingly complex contractual arrangements that customers may find difficult to evaluate. Over time, such practices could contribute to customer confusion, increased complaints or disputes regarding incentive payments, and diminished confidence in the administration and objectives of the Program.

To preserve program integrity while this issue is evaluated, UI recommends suspending approval of new Direct Payment Beneficiary Form requests until the Program Administrators' legal teams have reviewed the form language and ensure that it aligns with applicable Program requirements and intent.