STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

CASE 15-E-0302 - Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard.

CLEAN ENERGY STANDARD IMPLEMENTATION PROPOSAL

INTRODUCTION

On August 1, 2016, the Public Service Commission issued an Order Adopting a Clean Energy Standard (CES Order).[1] The Clean Energy Standard (CES) is consistent with the State Energy goal that 50% of the electricity consumed by New Yorkers is to be generated by renewable sources by 2030 as part of a strategy to reduce statewide greenhouse gas emissions by 40% by 2030. As described in more detail below, Staff proposes that the Commission direct Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Rochester Gas and Electric Corporation, and Orange and Rockland Utilities, Inc. (collectively, the Utilities) to file tariff leaf amendments necessary to begin implementing the CES Order requirements.

BACKGROUND

The CES includes: (a) program and market structures to encourage consumer-initiated clean energy purchases or investments; (b) obligations on load serving entities to financially support new renewable generation resources to serve their retail customers; (c) a requirement for regular renewable energy credit (REC) procurement solicitations; (d) obligations on distribution utilities on behalf of all retail customers to

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[1] Case 15-E-0302, Proceeding to Implement a Large-Scale Renewable Program and a Clean Energy Standard, Order Adopting A Clean Energy Standard (issued August 1, 2016).

continue to financially support the maintenance of certain existing at-risk small hydro, wind and biomass generation attributes; (e) a program to maximize the value potential of new offshore wind resources; and (f) obligations on load serving entities to financially support the preservation of existing at-risk nuclear zero-emissions attributes to serve their retail customers.

The CES is divided into a Renewable Energy Standard (RES) and a Zero-Emissions Credit (ZEC) requirement. The RES consists of a Tier 1 obligation on every load serving entity (LSE) including the Utilities to serve their retail customers by procuring new renewable resources, evidenced by the procurement of qualifying Renewable Energy Credits (RECs) or through Alternative Compliance Payments (ACPs). Consistent with the policy established in the Clean Energy Fund, the cost of Tier 1 REC procurement and/or compliance through ACPs will not result in new charges to delivery customers; all charges will be to commodity customers.

The RES also provides for a Maintenance Tier which is to continue the maintenance program under the Commission previous Renewable Portfolio Standard (RPS). Costs of the RES Maintenance Tier will be recovered from delivery customers in the same manner as in the current RPS maintenance program from the Utilities' delivery customers.

The independent but related component of the CES establishes a mechanism and a price for zero-emissions attributes of nuclear zero-carbon electric generating facilities where public necessity to encourage the continued creation of the attributes is demonstrated. The New York State Energy Research and Development Authority (NYSERDA) will offer qualifying nuclear facilities multi-year contracts for the purchase of ZECs. Each LSE that serves end-use customers in New

York will be required to purchase the percentage of ZECs purchased by NYSERDA in a year that represents the portion of the electric energy load served by the LSE in relation to the total electric energy load served by all such LSEs. LSEs will make ZEC purchases by contract with NYSERDA and will recover costs from ratepayers through commodity charges on customer bills.

The CES Order also recognizes that NYSERDA's role as intermediary for RECs and ZECs, will require a guarantor to ensure the Authority has access to sufficient funds to meet its CES obligations to purchase RECs and ZECs. In the Order, the Commission directs development of an equitable mechanism for distribution utilities' customers to provide the necessary financing and guarantees, as necessary.

PROPOSED TARIFF FILINGS

The CES Order indicates a series of Commission actions directed through successive orders will be necessary to fully implement the CES. As part of the implementation phase, in order for the electric distribution utilities to begin implementation of the requirements of the CES Order, Department of Public Service Staff (Staff) proposes that the Commission direct the Utilities to amend certain tariff leaves to allow for recovery of the cost of Tier 1 compliant RECs, ZECs, and ACPs incurred in compliance with the CES Order, through a volumetric supply charge collected from their retail commodity customers. In addition, Staff proposes that the Commission also direct the Utilities to recover, on a volumetric basis, on all sales (including all NYPA sales), and from all retail delivery customers, the cost of Tier 2 maintenance resources. Lastly, Staff proposes that the Commission direct the Utilities to amend certain tariff leaves to recover the costs that may be incurred by the Utilities in their role as the financial backstop, as delineated in the CES Order.[2] Staff proposes that each tariff specify the mechanisms to be used by each utility to collect these costs through a supply or delivery charge.

[2] Ibid., p. 42.