



January 8, 2018

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza, Agency Building 3
Albany, NY 12223-1350

Re: Matter 15-E-0302 – Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard

In response to the Notice Soliciting Comments on Staff Report Regarding Retention of Existing Baseline Resources under Tier 2 of the Renewable Energy Standard issued October 20, 2017; H.Q. Energy Services (U.S.) Inc. (“HQUS”), the U.S. subsidiary of Hydro-Québec (“HQ”) in the United States, hereby submits these comments regarding the policy decision concerning ability of voluntary market activity to replace or reduce load serving entities’ (“LSE”) obligations in the Clean Energy Standard (“CES”).

In the November 17th Order approving the Phase 2 Implementation Plan, the Commission ruled that while voluntary market activity to purchase renewable energy is encouraged and will be tracked, these purchases will not reduce existing LSE obligations to purchase Tier 1 RECs.¹ This decision hinders the ability for renewable resources to contribute towards New York’s ambitious renewable mandate in cases where LSEs within New York seek to voluntarily contract with non-tier 1 renewable suppliers. Without some form of recognition within the CES of voluntary actions to procure renewables (such as reducing the LSE’s REC obligations, or other adjustment), voluntary actions are unlikely to occur, as LSEs cannot support the cost of both the voluntary actions and obligations to purchase RECs and ZECs. For example, an LSE looking to purchase 100% of their load share through voluntary renewable contracts would contribute considerably more renewable energy to New York compared to only complying with the minimum Tier 1 RES obligations (4.2% in 2021).²

While this decision on voluntary actions is significant, HQUS is concerned that the cumulative impact of this, and other actions in the CES, has largely eliminated the ability of HQ’s large-scale hydropower to contribute to New York’s clean energy objectives. For example, the August 2016 Order adopting the CES³ precludes large-scale hydro from Quebec as a Tier 1 eligible resource, which prevents HQ resources from competing to supply Tier 1 RECs for RES

¹ Case 15-E-0302: Order Approving Phase 2 Implementation Plan (Issued November 17, 2017), page 14

² Case 15-E-0302: Order Approving Phase 2 Implementation Plan (Issued November 17, 2017), page 4

³ Case 15-E-0302: Order Adopting a Clean Energy Standard (issued August 1, 2016)

compliance within the state⁴. Additionally, the subsequent implementation of the August Order failed to incorporate an obligation for LSEs to purchase Tier 2 RECs from existing renewable resources, which would have incented the continued delivery of HQ and other renewable generation historically delivered to New York and reflected in the renewable baseline. It's not obvious to HQUS that the Commission intended for this outcome but these combined actions remove the potential avenues that incent new and existing renewable deliveries from HQ into New York, depriving the state of the benefits enumerated in the comments submitted by HQUS in the CES proceeding in April and August 2016.⁵ HQUS would be pleased to provide additional information to the Commission on why this is the case.

HQUS commends New York for designing the CES with the ability to evolve, and meet the growing needs of New York in constantly changing market conditions, but we are urging the Commission to reconsider how voluntary purchases may play a more direct role in achieving state policy targets. As previously stated by HQUS⁶, New York will require a significant quantity of incremental renewable energy to achieve the 50% by 2030 target mandated in the CES. And as the Commission observed in the December 2016 Order on Petitions for Rehearing, questions remain on “how to treat new voluntary arrangements to purchase incremental existing renewable resources that do not qualify under Tier 1 but can provide long lasting benefits to New York”.⁷ HQUS recommends that this question continue to be considered, and if necessary, examined in the first triennial review. In the meantime, HQUS requests that the Commission explicitly allow for the consideration of the CES contribution of voluntary contracts on a case by case basis, and would welcome additional stakeholder engagement to establish such a policy. Without this option, the potential for long lasting clean energy benefits of such contracts will be lost or significantly delayed, and New York may lose valuable experience on how to best leverage the contribution of voluntary actions in achieving key policy goals.

HQUS would lastly like to reiterate that HQ resources are uniquely positioned to help New York meet a host of economic and environmental objectives. These resources are cost effective and readily available, and can simultaneously increase renewable penetration and support reliable operation of the bulk electric system. Since current CES regulations (including the most recent November order) largely prohibit HQUS' participation in the program, New York should examine how large-scale hydropower resources can contribute to state policy goals, in order to serve the interest of ratepayers most efficiently and cost effectively.

Respectfully submitted,



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HQUS

⁴ The Order Adopting a Clean Energy Standard prohibits Tier 1 eligibility for hydropower facilities with new storage impoundments

⁵ See HQUS comments in Case 15-E-0302 on April 22, 2016 and August 30, 2016

⁶ See HQUS comments in Case 15-E-0302 on April 22, 2016 and August 30, 2016

⁷ Case 15-E-0302: Order on Petitions for Rehearing (issued December 15, 2016), page 17