

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of Offshore Wind Energy	Case 18-E-0071
In the Matter of the Value of Distributed Energy Resources	Case 15-E-0751
Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard	Case 15-E-0302
In the Matter of Carbon Pricing in New York Wholesale Markets	Matter 17-01821

**STATEMENT OF NUCOR STEEL AUBURN, INC. IN SUPPORT OF
PETITION OF MULTIPLE INTERVENORS AND
INDEPENDENT POWER PRODUCERS OF NEW YORK, INC.**

By joint petition dated July 9, 2018, Multiple Intervenors (“MI”) and the Independent Power Producers of New York, Inc. (“IPPNY”) request action by the Commission to forestall or mitigate excessive charges to New York consumers arising from potentially duplicative recovery of environmental attributes in long-term payment streams associated with Commission-mandated clean energy programs and a carbon pricing adder to wholesale energy prices that is currently under consideration by the New York Independent System Operator (“NYISO”) and its stakeholders. Nucor Steel Auburn, Inc. (“Nucor”) supports the joint petition, which is timely and seeks relief that is necessary and appropriate, and urges the Commission to act expeditiously to grant the requested relief.

To contribute to New York’s ambitious goal of reducing greenhouse gas emissions economy-wide 40% by 2030, the Commission has adopted a wide-ranging suite of clean energy

programs. Stemming from its foundational 2015 Reforming the Energy Vision (“REV”) order,¹ the Commission has embraced transformational regulatory changes tied to promotion of distributed energy resources and aggressive procurement of additional renewable energy resources through the Clean Energy Standard (“CES”).² Also, in the past year, the Department of Public Service has worked with NYISO staff and stakeholders in assessing whether to add a supplemental carbon charge to wholesale energy prices using a social cost of carbon to be determined by the Commission. These efforts require an attentive balancing of numerous considerations to achieve the State’s basic objectives while minimizing overall costs to consumers, windfall revenues that do not contribute to those goals, and market-distorting behaviors.

The overall costs to New York consumers of the various programs are significant. Expenditures of more than \$5 billion have been authorized for the Clean Energy Fund through 2025.³ Zero Emission Credit (“ZEC”) above-market payments to retain Upstate nuclear generation are expected to exceed \$7 billion through 2029. As the MI-IPPNY joint petition notes, NYSERDA already has contractual commitments of roughly \$100 million annually for REC payments for the period 2022-2041,⁴ and REC-based payments will significantly increase through future CES solicitations. Also, projects designed to satisfy the announced off-shore wind targets will require substantial above-market compensation in the form of “ORECs.” Further, as is described in the joint petition, the environmental value included in long-term contractual assurances to distributed

¹ Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, *Order Adopting Regulatory Policy Framework and Implementation Plan* (Feb. 26, 2015) (“REV Framework Order”); and Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, *Order Adopting a Ratemaking and Utility Revenue Model Policy Framework* (May 19, 2016).

² Case 15-E-0302, Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard, *Order Adopting a Clean Energy Standard* (Aug. 1, 2016).

³ Cases 14-M-0094, et al., *Order Authorizing the Clean Energy Fund Framework* (Jan. 21, 2016).

⁴ Joint Petition at p. 6.

energy resources pursuant to Commission orders in Case 15-E-0751 will be based on the Commission-determined social cost of carbon (“SCC”).⁵ Finally, New York consumers will be required to fund the transmission investments needed to deliver clean energy production, both land-based and off-shore, to load centers; as well as utility distributed system platforms required to optimize DER production for overall system benefit and expanded utility energy efficiency projects designed to meet recently augmented energy savings goals.

Collectively, this is a massive under-taking that will impose a large burden on all New York consumers and businesses. The joint petition correctly notes that pursuing similar objectives through multiple regulatory pathways inevitably poses hazards regarding inefficiencies and duplicative recoveries that New York consumers can ill-afford. Moreover, with contractual guarantees for RECs, ORECs, and VDER payments extending twenty years or more, duplicative recoveries permitted today will be a burden to consumers for many years. New York’s investor owned utilities correctly noted in comments in the Value of DER proceeding that “the State must make the best use of every customer dollar if the ambitious 50 percent renewable energy by 2030 goal is to be met,”⁶ and that admonishment applies with equal force to over-lapping Commission and NYISO carbon pricing initiatives. The Commission’s obligation under the Public Service Law to safeguard consumers against excessive or duplicative recovery through programs that it oversees could not be clearer.

More specifically, the joint petition accurately observes the long-term contractual commitments offered through RECs, and that compensation provided for environmental attributes

⁵ Case 15-E-0751, In the Matter of Distributed Energy Resources, *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (Mar. 9, 2017).

⁶ Case 15-E-0751, In the Matter of Distributed Energy Resources, *Comments of the Joint Utilities to Staff Whitepaper on Community Distributed Generation Compensation After Tranche 3* (Oct. 3, 2017) (supporting Staff recommend changes to limit cost shifts to non-participating customers).

is explicit in the Commission’s ZEC and VDER orders.⁷ In all such cases, the compensation for qualifying projects supplements wholesale energy and capacity payments provided by NYISO for injections to the grid.

Now, the NYISO Integrating Public Policy Task Force is contemplating a “Carbon Pricing Straw Proposal”⁸ that would add a Commission-determined cost of carbon to wholesale energy prices in addition to the carbon costs incurred by most generation suppliers today through the multi-state Regional Greenhouse Gas Initiative (“RGGI”). Under the Straw Proposal, suppliers to New York’s wholesale energy markets would incorporate a carbon charge reflecting the Commission’s determination of the social cost of carbon above expected RGGI costs. This added charge would increase wholesale energy prices paid to all generators that are dispatched. All infra-marginal units would realize an increase in net revenues, including in particular carbon-free resources funded in part by Tier 1 RECs under the CES, distributed renewable resources receiving the Environmental (“E”) Value as part of the value stack in VDER tariffs, and presumably off shore wind projects receiving higher cost “OREC” compensation. This necessarily creates the potential for a new carbon adder to wholesale energy prices to duplicate emission attributes in long-term compensation provided through the prevailing clean energy mandates overseen by the Commission.

Significantly, MI, which represents large consumers in New York, and IPPNY, which represents the generation sector, each see the danger in program implementation that permits duplicative windfall revenues. NYISO also has acknowledged this concern, and in a statement to

⁷ See Joint Petition at pp. 2-4.

⁸ Carbon Pricing Straw Proposal (Apr. 30, 2018), *available at* http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg_ipptf/meeting_materials/2018-04-23/Carbon%20Pricing%20Straw%20Proposal%2020180430.pdf.

the Integrating Public Policy Task Force on July 16, 2018, NYISO staff indicated an intention to adopt measures to avoid duplicative recoveries to REC contracts in place before January 1, 2020.⁹ This is an important first step, but it is incumbent upon the Commission to implement necessary consumer safeguards regarding subsequent REC solicitations and VDER-based compensation.

CONCLUSION

The cost consequences for New York energy consumers is a central issue that the Commission must address, and MI and IPPNY correctly seek relief from the Commission in CES contracting and the VDER tariffs before further long-term REC and VDER commitments are locked in. Nucor urges the Commission to grant the requested relief and adopt such remedial measures as are necessary and appropriate to protect New York consumers.

Respectfully submitted,

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Dated: July 19, 2018

⁹ That statement is available at:

http://www.nyiso.com/public/committees/documents.jsp?com=bic_miwg_ipptf&directory=2018-07-16.