

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Petition of Consolidated Edison Company of
New York, Inc. for Approval of a Voluntary
Renewable Electricity Supply Program

Case 20-E-_____

**PETITION OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. FOR
APPROVAL OF A VOLUNTARY RENEWABLE ELECTRICITY SUPPLY PROGRAM**

I. Introduction

Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”) hereby petitions the New York State Public Service Commission (the “Commission”) for approval to provide residential and small commercial full-service customers with a renewable, carbon-free energy option (the “Green Power Program”). Under the program, Con Edison would purchase renewable energy certificates (“RECs”) on behalf of participating customers. The Company would procure these RECs from renewable generators located in or delivering power into New York State.

The Green Power Program would increase residential and small commercial full-service customers’ access to, and help address unmet demand for, renewable energy. Over 70% of recently surveyed Con Edison residential customers expressed interest in purchasing renewable power from the Company to help reduce the carbon footprint of their electricity supply. Participating customers would elect to have Con Edison buy RECs on their behalf. Because the voluntary purchases would retain RECs in New York State that in other circumstances might be

exported, these purchases would initially increase the amount of RECs available to meet the State's renewable power goals, and could ultimately decrease the number of incremental renewable energy projects needed to meet the State's goals, thereby reducing compliance costs for all customers over time.

Voluntary renewable energy programs offer numerous benefits beyond helping to meet New York State's renewable power goals. Voluntary renewable energy programs increase customer awareness and engagement and signal to electricity generators a willingness to pay a premium for clean energy. The Commission noted the benefits of voluntary programs in its original 2004 Retail Renewable Portfolio Standard ("RPS") order, stating that "an important objective of the RPS program is to stimulate and complement voluntary/competitive renewable energy sales and purchases (or "green markets") so that these competitive markets, not government mandates, sustain renewable activity."¹ As the Commission noted, a vibrant market for renewable power can best allocate costs and generate support for clean energy goals.

Assuming Commission approval by December 31, 2020, the Company plans to market the program during 2021 and start fulfilling Green Power Program subscriptions by January 2022.

¹ Case 03-E-0188, *Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard*, Order Regarding Retail Renewable Portfolio Standard (issued Sept. 24, 2004).

II. Background

A. History of the New York State REC Market

A REC is a commodity that represents the renewable attributes of a unit of generated electricity, which can be traded and sold for market value. The New York Generator Attribute Tracking System (“NYGATS”) issues a REC for each megawatt-hour (MWh) of electricity generated and delivered to the New York State electricity grid from an eligible renewable energy resource. New York State and load-serving entities (“LSEs”) within the state purchase RECs to meet renewable energy goals, to comply with regulatory obligations, or to supply voluntary renewable energy programs like the Green Power Program for sale to retail customers.

In 2004, the Commission adopted an RPS to increase the proportion of New York State renewable energy to at least 25 percent of total generation by 2013.² To meet this goal, the New York State Energy Research and Development Authority (“NYSERDA”) introduced “Main Tier RECs” to fund new renewable projects. In 2005, NYSEDA established a new REC for financially distressed in-state renewable generation (“Tier Two Maintenance”).³ In 2010, the Commission increased the RPS goal to 30 percent by 2015. To meet these program goals, NYSEDA purchases Main Tier and Tier Two Maintenance RECs from individual generators.

² *See id.*

³ Case 03-E-0188, *Retail Renewable Portfolio Standard*, Order Approving Modifications to Maintenance Resource Category (issued Oct. 31, 2005).

In 2016, the Commission issued its order adopting a Clean Energy Standard (“CES”).⁴ The CES mandated that 50% of the State’s electricity must come from renewable energy sources by 2030. NYSERDA established “Tier One” RECs to fund new renewable projects. All renewable energy attributes that are purchased on behalf of New York State entities contribute to meeting the CES goal, including State renewable procurements and voluntary REC purchases. In 2018, the Commission established an Offshore Wind Standard and offshore wind renewable energy certificates (“ORECs”) for new offshore wind projects that count towards CES goals.⁵ Unlike Main Tier RECs and Tier Two Maintenance RECs, which are purchased by NYSERDA and retired on behalf of all customers, the Commission required that LSEs themselves procure a certain percentage of Tier One RECs and ORECs in proportion to the total amount of energy each LSE’s retail customers consumed in the State. This percentage rises each year according to a schedule established by the Commission.

Most recently, the Commission is considering expansion of the Clean Energy Standard to include goals for procuring energy from offshore wind, and increasing the State’s renewable energy targets,⁶ to align the Commission’s renewable energy programs with the Climate

⁴ 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 (issued Aug. 1, 2016).

⁵ See Case 18-E-0071, *In the Matter of Offshore Wind Energy*, Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement (issued July 12, 2018).

⁶ See Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, White Paper on Clean Energy Standard Procurements to Implement New York’s Climate Leadership and Community Protection Act (issued June 18, 2020).

Leadership and Community Protection Act (“CLCPA”).⁷ The CLCPA mandates that at least 70% of New York’s electricity come from renewable energy sources such as wind and solar by 2030, and that the State’s electricity consumption be 100% carbon free by 2040.

B. REC Leakage and NYSERDA’s Proposal for a New Tier Two REC

According to NYSERDA, New York State wind and hydro-electric generators, whose construction costs were mostly subsidized by New York State electric customers, sold over one terawatt hour (“TWh”) of renewable energy into neighboring states in 2018.⁸ Those exports reduced New York’s total RECs by 4%, a reduction that will likely grow in the coming years.⁹ The RECs associated with an additional two TWh of renewable resources could leave New York State as their Main Tier NYSERDA REC contracts expire by 2024 and neighboring states increase their demand for RECs, potentially tripling the amount of in-state renewable generation that does not count toward New York State’s clean energy goals.¹⁰

⁷ Chapter 106 of the Laws of 2019, the Climate Leadership and Community Protection Act (“CLCPA”), *available at* <https://legislation.nysenate.gov/pdf/bills/2019/S6599>.

⁸ See 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 Annual Progress Report, 2018 Compliance Year (filed Dec. 31, 2019).

⁹ See “The New York ISO Annual Grid & Markets Report, Reliability and a Greener Grid Power Trends 2019,” New York Independent System Operator, *available at* <https://www.nyiso.com/documents/20142/2223020/2019-Power-Trends-Report.pdf>. ConEdison analysis of Figure 16 on pg. 27 of the report indicates 36,619 GWh renewable statewide generation took place in 2018 as compared to the 1,000 GWh that was sold externally.

¹⁰ See Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Policies to Cost-Effectively Retain Existing Renewables in New York Synapse Energy Economics, Inc. (filed Dec. 22, 2017), (“Synapse Report”). Figure 8 pg. 11 of the report indicates over 3.5

To retain existing generators' RECs within New York, NYSERDA petitioned the Commission for the authority to purchase RECs from these renewable generators on behalf of all electricity users (the "Tier Two Petition").¹¹ NYSERDA would offer three-year contracts procured on a rolling basis and would establish a new Tier Two REC purchase obligation for LSEs, based on load share. The Commission has not yet ruled on this petition.

C. Voluntary Renewable Programs

Voluntary renewable programs predate New York State's 2004 clean energy goals. Energy Service Companies ("ESCOs"), Community Choice Aggregators, and other New York State investor-owned utilities ("IOUs") offer voluntary renewable products, which typically are comprised of Tier Two RECs and wholesale energy commodity purchases to create a fully renewable electricity product. In terms of IOU voluntary renewable programs, New York State Electric & Gas and Rochester Gas and Electric ("NYSEG/RGE") have a well-established "Catch the Wind" program and National Grid offers a renewable energy product named GreenUp. Con

TWh of NYS renewable generation resources are expected to sell their output to New England by 2024. That export would reduce the State's renewable generation to 33,100 GWh. NYISO's reported 2018 renewable electricity generation of 36,619 GWh.

Using a 2018 baseline of 135,585 GWh total electric generation, the renewable portion of the State's power consumption would fall from 27% to approximately 24% by 2024 assuming no changes in the total electric consumption and no additions to the renewable generation fleet.

¹¹ Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Petition Regarding Clean Energy Standard Competitive Tier Two Program for Baseline Renewable Generation (filed Jan. 27, 2020). In response to this petition, Con Edison and the other Joint Utilities stated that they support the "growth of a robust voluntary market for these resources, providing those entities and customers with an interest in financing these projects the ability to do so but without mandating that all customers pay the cost." The Joint Utilities urged "the Commission to reject the Tier 2 proposal and adopt a more market-based and cost-effective solution." See Joint Utilities May 18, 2020 letter in Case 15-E-0302.

Edison's customer outreach indicates there is customer interest that it also establish a voluntary renewable program. Most notably, in a 2019 survey of residential customers, 73% indicated that they would be willing to pay a price premium for 100% renewable electricity service; 46% would be willing to pay an extra \$5-10 a month; and 60% expressed a preference for purchasing green power from Con Edison.¹²

III. Proposed Green Power Program

A. Program Design

Con Edison plans to purchase New York State Tier Two RECs equivalent to subscribers' total monthly electricity consumption, less the compliance RECs that the Company purchases on their behalf pursuant to the Clean Energy Standard.¹³ The Company plans to procure those Tier Two RECs from New York renewable generators that are not currently, or will soon no longer be, selling their RECs to NYSERDA. On a periodic basis, the Company will procure available RECs from the open market and other qualified REC suppliers who produce or deliver the RECs within New York. Upon bill payment from program subscribers, the Company would retire

¹² Results from a 2019 Company survey of 1,333 residential full-service customers.

¹³ As discussed above, Con Edison is required to procure a certain percentage of Tier One RECs and ORECs . Because the Green Power Program is designed to allow customers to offset the carbon emissions of their total electric consumption, the Company would account for compliance RECs before purchasing incremental RECs on behalf of participating customers. For example, if the Company is mandated to purchase Tier 1 RECs and ORECs equivalent to 10% of all full service customers energy consumption, it would purchase Tier Two RECs equivalent to the remaining 90% of energy consumption for Green Power Program customers.

RECs equivalent to program participants' energy consumption in NYGATS.¹⁴ The Company will provide participating customers with environmental disclosure labels confirming their REC purchases equal to 100% of their electricity usage.¹⁵

Con Edison has considerable experience purchasing and retiring RECs. As a participant in NYSERDA's Tier One REC program, the Company already procures and retires RECs in NYGATS for millions of its full-service customers. The same employees responsible for those Tier One REC activities will carry out this program's REC market operations and related administrative matters.

To gauge the market availability of Tier Two RECs, the Company conducted in June 2020, a Request For Information ("RFI") that included a market-type auction to inform price discovery. The auction results revealed that up to 1,000,000 RECs not currently under NYSERDA contract may be available for purchase in 2021. An additional 300,000 Tier Two RECs are expected to become available in 2022 after their NYSERDA contracts expire. While these RECs are at risk of being exported to neighboring regions, robust voluntary customer participation in a Green Power Program could absorb a portion of those available RECs. The Company projects that it will purchase approximately 72,000 RECs annually if 20,000

¹⁴ The process of registering, procuring, and retiring RECs on a tracking system such as NYGATS confirms that renewable attributes for generated electricity are only sold once. Only renewable power generators that are electrically connected to New York State are allowed to be registered on the NYGATS.

¹⁵ As discussed below, participating customers will pay a subscription price that is incremental to all otherwise applicable rates and charges.

residential program participants (our first year program target) choose to participate in the program.¹⁶

Con Edison initially plans to purchase only Tier Two RECs because the Company's RFI results indicate Tier Two RECs are readily available and can be procured for approximately half the price of Tier One RECs. The Company will continue to monitor other New York REC markets to determine if the program should offer other REC products in the future.

B. Eligible Customers

The Company proposes to offer its Green Power Program to its approximately 2.7 million full-service residential (SC 1) and small commercial (SC 2) customers.¹⁷ These full-service customers account for approximately a quarter of the Company's annual electric deliveries. The Company will set a participation target of 20,000 customers for the first year¹⁸ and believes it could grow the program to 200,000 customers or more via ongoing marketing to attract new subscribers. At that expected participation level, the program would measurably increase the

¹⁶ Estimate based on a typical New York City residential customer with a monthly usage of 300 kWh.

¹⁷ "Full-service" means a customer who receives both supply and delivery service from Con Edison. Con Edison Service Class 1 serves residential, religious, supportive living facility, and certain non-profit customers. Service Class 2 serves small commercial customers with peak demand below 10 kW. For more information, please see Con Edison's electric tariff: https://www.coned.com/_external/cerates/documents/elecPSC10/electric-tariff.pdf

¹⁸ NYSEG/RGE's program has over 14,000 subscribers buying over 31 GWh of annual RECs. Given Con Edison's larger customer base, it has set its first year goal at 20,000 subscribers.

number of RECs available to meet State goals, while leaving a sizable supply of RECs for Community Choice Aggregation and other third-party voluntary offerings.¹⁹

Customers will be able to enter or leave the Green Power Program at any time and may do so online or by speaking to a customer service representative. Participating customers will be charged a \$/kWh price premium on their total monthly electricity consumption and will continue to pay all otherwise applicable supply related charges. Customers will receive advance notice of any changes in the \$/kWh price premium.

C. Program Costs, Cost Recovery, and Subscription Price

Prior to the launch of the program, the Company will incur incremental capital costs of \$2.0 million for billing infrastructure upgrades²⁰ and incremental operation and maintenance (“O&M”) costs of \$0.7 million, primarily for initial marketing of the program to customers.²¹

After program launch, the Company will incur ongoing incremental costs for program marketing to attract and retain subscribers, as well the cost for purchasing Tier Two RECs. As detailed

¹⁹ The Synapse Report projects that nearly five TWh of Tier Two RECs will be available by 2023. A 20,000 participant program would consume an estimated 1.5% of that pool. Please note that Tier Two REC availability could be impacted by demand from other buyers and the structure of the NYSERDA Tier Two program.

²⁰ The Green Power Program will be compatible with both the existing billing system (with upgrades) and the Customer Service System that the Company plans to deploy in 2023.

²¹ Based on feedback from other New York utilities that have experience with comparable programs, ongoing marketing support is a critical component to obtaining robust participation in voluntary renewable supply options. The Company’s planned marketing efforts include paid social media posts, online search advertising, and promotion of the program in New York City farmers’ markets and community-based events. Con Edison will also promote the program through customer emails and on the Company’s website. For instance, to facilitate customer adoption, customers viewing their bill or energy usage on the Company’s website will be offered program information and sign-up opportunities.

below, the Company expects to pass on pre-launch and post-launch costs to the customers participating in the program.

The Company will file a tariff change for a cost recovery mechanism that will initially recover the program costs via a component of the Merchant Function Charge (“MFC”), through a common rate that will be applied to SC 1 and SC 2 full-service customers only. Use of the MFC will convey the program costs through the Company’s supply charge, consistent with ESCO offerings of comparable products. After the program is launched, SC 1 and SC 2 full-service customers will be credited via the MFC with the subscription revenue collected from Green Power Program participants.²²

The \$/kWh subscription rate will be designed to collect all program costs, including pre-launch costs, from anticipated participants. The \$/kWh rate may be reset periodically to account for, among other things, variations in projected number of program participants and program costs. The Company will track all incremental program costs charged to the MFC and revenues from the Green Power Program participants in order to design an appropriate subscription rate.

²² As described elsewhere in this petition, Con Edison believes that this program will ultimately provide societal benefits that will benefit all of its customers. Typically, program costs for such programs are socialized to all customers, both full service and retail access. Under the particular circumstances of this program, where it is being offered only to SC 1 and SC 2 customers and Con Edison expects that the participants’ subscription fee will cover all program costs, Con Edison is proposing that only full service SC 1 and 2 customers will provide the backstop mechanism for cost recovery.

Currently, Con Edison estimates that the incremental monthly cost of subscribing to the Green Power Program will be less than \$10.²³

For pre-launch incremental capital costs, the Company proposes to depreciate the software upgrade costs of its legacy billing system in line with other Customer Information System upgrade costs. After the system upgrade is placed into plant in service, the Company proposes to recover the revenue requirement associated with the pre-launch incremental capital costs over the life of the underlying assets via the MFC. For pre-launch O&M costs, the Company proposes to defer such costs and recover them over a one-year period, with interest at the Other Customer-Provided Capital Rate, via the MFC. The Company proposes to recover the post-launch incremental costs as incurred via the MFC.

D. Implementation Milestones

If the Commission approves this petition to implement the Green Power Program, the Company will need to upgrade its billing system, develop operational procedures, train program administrators, prepare customer service representatives, modify its website, and launch a targeted marketing campaign. In addition, the Company will file changes for its electric tariff to include the Green Power Program offering and any necessary cost recovery modifications.

²³ Estimate based on a typical New York City residential customer with a monthly usage of 300 kWh and a 20,000-participant program.

The Company estimates upgrading its information technology systems will take up to one year. In parallel, the Company will follow up on the RFI to identify optimal strategies for procuring RECs for subscribers, considering any New York REC market changes resulting from Commission action on NYSERDA's Tier Two petition. Assuming Commission approval by December 31, 2020, the Company plans to make the necessary system, tariff and operational changes to start fulfilling Green Power Program subscriptions by January 2022.

Once the program has launched, Con Edison will provide program reports annually on the number of participating customers, customer energy consumption by service class, and average length of customer participation. The Company will regularly survey a sample of participants on customer satisfaction and to discern program impact.

IV. Green Power Program Benefits

Con Edison is proposing this program because it supports Con Edison's clean energy commitment, which includes a goal of moving to 100% green energy.²⁴ As detailed below, the Company's objectives for the Green Power Program also align with customer interest and State goals.

The Green Power Program increases clean energy options for customers. Rooftop solar and community distributed generation are not always accessible to many residential and small

²⁴ See Con Edison's Energy Vision, available at <https://www.coned.com/en/our-energy-future/our-energy-vision/our-energy-future-commitment>.

commercial customers. In addition, there are customers who either cannot participate in Community Choice Aggregation or who prefer to retain Con Edison full-service supply. The Green Power Program would provide a clean energy option for these customers.

The Green Power Program focuses on retaining RECs in New York State that in other circumstances might be exported. The voluntary purchases of these ‘at risk’ RECs would increase the consumption of renewable electricity in New York and, over time, could reduce the number of RECs all customers need to purchase on a mandatory basis to meet the CLCPA requirements. This approach differs from NYSERDA’s Tier Two Petition, which would result in all customers, including low-income customers, sharing costs on an equal \$/kWh basis.

Voluntary renewable energy programs also increase customer awareness and engagement and signal to electricity generators a willingness to pay a premium for clean energy. As noted above, a notable benefit of voluntary programs is that they stimulate green markets so that customer interest and competitive markets, rather than government mandates, sustain renewable activity.²⁵

V. Conclusion

Con Edison’s proposed Green Power Program will address an unmet full-service customer desire for clean energy options. In addition, the Program will aid in retaining RECs from existing, customer-supported renewable facilities, which could, over time, reduce financial

²⁵ See *supra* n. 1.

impacts of compliance RECs on all customers, including low-income customers. Finally, the Company would run an effective program because it would leverage its existing expertise to offer a compelling consumer product.

The Company therefore respectfully requests that the Commission approve its request to develop and offer a Green Power Program that will provide customers the option of purchasing a renewable, carbon-free energy option.

Respectfully submitted,

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