AEE INSTITUTE

May 21, 2018

VIA ELECTRONIC FILING

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

Re: Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources
Case 15-E-0302 – Proceeding on the Motion of the Commission to Implement an Large-Scale Renewable and Clean Energy Standard Program

Dear Secretary Burgess:

The Advanced Energy Economy Institute (AEEI), on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the Northeast Clean Energy Council (NECEC), and their joint and respective member companies, submits for filing these comments in response to the Joint Utilities' *Petition for Clarification Regarding Order Approving Phase 2 Implementation Plan in the Clean Energy Standard Proceeding.*

Respectfully Submitted,

Ryan Katofsky
Vice President, Industry Analysis

Comments on the Joint Utilities' Petition for Clarification (Matter 15-E-0302)

Advanced Energy Economy Institute
Alliance for Clean Energy New York
Northeast Clean Energy Council

Preface

In order to respond to the Joint Utilities' *Petition for Clarification Regarding Order Approving Phase 2 Implementation Plan in the Clean Energy Standard Proceeding* ("JU Petition"), Advanced Energy Economy Institute (AEE Institute) is working with Advanced Energy Economy[1] (AEE) and two of its state/regional partners, the Alliance for Clean Energy New York (ACE NY) and the Northeast Clean Energy Council (NECEC), and their joint and respective member companies to craft the comments below. These organizations and companies are referred to collectively in these comments as the "advanced energy community," "advanced energy companies," "we," or "our."

Comments

We appreciate the Joint Utilities' Petition for Clarification Regarding Order Approving Phase 2 Implementation Plan in the Clean Energy Standard Proceeding ("JU Petition") on how to address the anticipated oversupply of Renewable Energy Credits (RECs) in some utility territories and support some of the proposed solutions. We agree that REC trading among Load Serving Entities (LSEs) should be allowed per the conditions laid out in the JU Proposal. Absent trading

[1] AEE is a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable. ACE NY's mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NECEC is a regional non-profit organization representing clean energy companies and entrepreneurs throughout New England and the Northeast. Its mission is to accelerate the region's clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies.

among the LSEs, a utility that has purchased more Value of DER Phase One Tariff RECs from its customers than are needed to meet its Renewable Energy Standard (RES) obligation would be at risk of losing the excess RECs that the utility cannot bank. As a result, its customers might end up spending more than is necessary to meet the utility's RES obligation. If, instead, the utility were allowed to sell their excess RECs to another utility at NYSERDA's REC price, then the resulting additional revenue could go toward offsetting or eliminating any amount that the utility paid for the excess Phase One Tariff RECs.

The JU Petition also includes a proposal to temporarily expand REC banking and borrowing limits. We propose an alternative, described below, for two reasons. First, expanded banking and borrowing would increase the complexity of determining the yearly supply and demand for RECs in New York. Second, allowing for additional banking and borrowing in addition to REC trading among LSEs might significantly lower the number of RECs that utilities purchase from NYSERDA in aggregate. The oversupply of RECs resulting from the Phase One Tariff (and the lowered RES obligation) would only be extended through expanded banking and borrowing, potentially leaving NYSERDA with RECs it cannot sell for several years. The Commission should aim to avoid a situation where NYSERDA has a supply of RECs that it has purchased but that it cannot sell because LSEs already have enough to meet their obligations.

Instead of allowing additional banking and borrowing, we recommend that the Commission raise the RES obligation on utilities to account for the additional supply of Phase One Tariff RECs. This would prevent a situation where NYSERDA might not have enough revenue from the sale of RECs to cover its long-term REC procurements. We recommend that the Commission avoid the potential for triggering the financial backstop mechanism for NYSERDA, which would be unfortunate, especially this early in the life of the Clean Energy Standard. Moreover, since these RECs will be generated on a long-term basis, they will need to be reflected in future LSE obligations anyway, raising the obligation for 2019 simply does now what will need to be done in the near future.

Raising the RES obligation is also justified given the contributing factors that have led to the oversupply of RECs. The Commission previously lowered the RES obligation with the expectation that there would be insufficient eligible resources to meet the original obligation. The Commission also simultaneously created an additional source of RECs through the Value of DER Phase One Tariff. While there was a rationale for each of these decisions, in combination they have increased the supply of RECs while decreasing demand, resulting in the current oversupply. Increasing the obligation for 2019 to account for the additional supply is a simple approach that would ensure that all the RECs count toward moving the state closer to the 50% goal while also providing NYSERDA with the revenue it needs to fund its procurements.

We also recommend that NYSERDA and Staff work together to publish LSE REC requirements at least 5 years out, with a clear path toward meeting the 50% goal. While the published requirements may need to be adjusted periodically to account for fluctuations in RECs from distributed resources, the estimate should provide the market with insight into future demand for RECs and will help LSEs better plan for meeting their RES obligations.