ACE NY
ALLIANCE FOR CLEAN ENERGY NEW YORK, INC.
Promoting Clean Energy, A Healthy Environment And A Strong Economy For The Empire State.

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By Electronic Delivery

December 8, 2014

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

RE: CASE 14-M-0094 **Proceeding on Motion of the Commission to Consider a Clean Energy Fund**

CASE 10-M-0457 **In the Matter of the System Benefits Charge IV**

CASE 13-M-0412 **Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank**

CASE 07-M-0548 **Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard**

CASE 03-E-0188 **Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard**

Dear Secretary Burgess,

Enclosed for filing are the comments of Alliance for Clean Energy New York (ACE NY) on the New York State Energy Research and Development Authority's 2015 Reallocation Supplement, dated November 17, 2014, which is a supplement to the Clean Energy Fund Proposal, dated September 23, 2014, in Case 14-M-0094, Proceeding on Motion of the Commission to Consider a Clean Energy Fund.

Sincerely,

Anne Reynolds

Anne Reynolds, Executive Director
Alliance for Clean Energy New York

Encl.

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New York State
Public Service Commission

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COMMENTS OF ALLIANCE FOR CLEAN ENERGY NEW YORK ON NYSERDA'S 2015 REALLOCATION SUPPLEMENT TO THE CLEAN ENERGY FUND PROPOSAL

I. Introduction

The Alliance for Clean Energy New York (ACE NY) welcomes the opportunity to comment on the New York State Energy Research and Development Authority's (NYSERDA's) 2015 Reallocation Supplement, dated November 17, 2014, which is a supplement to the Clean Energy Fund (CEF) Proposal, dated September 23, 2014, in Case 14-M-0094, Proceeding on Motion of the Commission to Consider a Clean Energy Fund.

ACE NY is a unique alliance of private clean energy businesses and public interest environmental organizations. Our mission is to promote 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. ACE NY is acutely interested in the CEF Proposal and its potential effects on opportunities for clean energy businesses in New York, as well as the Reforming the Energy Vision (REV) proceeding, which is inextricably linked to the CEF Proposal.

ACE NY supports NYSERDA's proposal to reallocate funding, in the belief that this is necessary to maintain program continuity and to avoid disruption in the energy efficiency markets that have thus far been established in New York as a result of successful NYSERDA programs. We also use this opportunity to briefly raise concerns regarding the CEF Proposal and additional transition issues for energy efficiency, for non-PV on-site renewables, and for larger scale ("Main Tier") renewables. We urge that these concerns be considered and addressed when NYSERDA develops its CEF Information Supplement, due February 20, 2015.

II. Support for Reallocation Supplement

In the 2015 Reallocation Supplement, NYSERDA proposes to reallocate a total of $37 million in uncommitted funds ($34.8 million from SBC 3 gas and $2.2 million from EEPS 2). The reallocated funds would support EmPower NY, Assisted Home Performance with ENERGY STAR, the low-income and market-rate components of the Multifamily Performance Program, and the Industrial Process and Efficiency Program. In a related document, a November 17, 2014 letter to the NYS Department of Public Service, NYSERDA is also proposing to reallocate $18.8 million in EEPS 2 electric funds to support the Agriculture Energy Efficiency Program and the Industrial Process and Efficiency Program, and to reallocate $21.2 million in EPPS 2 gas funds to support Empower NY, the Multifamily Performance Program, and the Industrial Process and Efficiency Program.

ACE NY supports this reallocation proposal. It is our understanding that the programs that will receive these new allocations are highly successful and over-subscribed. Several of them target historically underserved market sectors, and continuation of funding for such programs is critical to addressing the issue of energy costs for the most vulnerable New Yorkers. Despite using 20% less energy than the average New York household, low-to-moderate income households can have energy costs accounting for 25% of total household income. Further, the need for this reallocation demonstrates customers' level of interest in the programs' benefits. We understand that recent improvements to the Assisted Home Performance with ENERGY STAR program, including automatic approvals and other streamlining, have shown meaningful results in the form of increased home energy audit applications. Reallocating funds to meet the demonstrated level of interest will maintain program momentum, and support NYSERDA's efforts to remove barriers to the deployment of distributed energy resources such as efficiency. For these reasons, and because interrupting the programs without a adequate advanced notice and an alternative policy structure will risk marketplace erosion for clean energy businesses and for New York homeowners, the requested funding should be reallocated.

III. Concern Regarding Transition of Energy Efficiency Programs

ACE NY supports the 2015 Reallocation Supplement in part because it will help avoid disruption of the existing, successful efficiency markets and thereby opportunities for clean energy businesses and customers. In the supplement, NYSERDA notes that low-to-moderate income, multifamily, and industrial customers all face the prospect of program disruptions in 2015 unless the Commission approves its request. Similarly, numerous sectors and entities face the prospect of program disruption at the end of 2015 under the current CEF Proposal.

ACE NY has concerns regarding the CEF Proposal and the lack of clarity about which NYSERDA efficiency programs will be affected by the initial, significant reduction in funding of $225 million per year as of January 1, 2016. While there is the suggestion in the Proposal, and elsewhere in the REV proceeding, that utilities take up some of the efficiency programs, there is no specificity about which programs and at what levels of investment. This makes it impossible to comment in an informed manner. We request that in the February 20, 2015 CEF Information Supplement, NYSERDA provide additional information regarding which specific programs will be affected by the reduction in investment levels, and recommend measures to mitigate these disruptive impacts, such as a gradual phase-out of program funding, a shift of the programs to utilities, or some combination of the two.

ACE NY appreciates the effort of NYSERDA to examine its programs and reorient them as necessary for greater efficiency and the ability to bring clean energy technology deployment up to scale. We recognize that a 10-year, $5 billion program signals a serious commitment by New York State to clean, advanced energy technologies. We appreciate that the CEF Proposal is one part in New York's overall effort to modernize state oversight and interaction with the electricity system, and that this proposal should be viewed in the context of REV, as well as RGGI and NYPA programs.

Still, to reiterate our general concern regarding energy efficiency, the CEF Proposal is not clear about which NYSERDA efficiency programs will be continuing and which will not. Based on the budget, we can infer that a significant portion of NYSERDA efficiency programs will be discontinued as of January 2016, but we are unable to determine, based on the budget information provided, exactly what the reduction in energy efficiency investment will be and which programs will be discontinued.

Further, language in the CEF Proposal indicates that utilities will be taking on more energy efficiency than they are currently implementing and that this increase will be delineated in their ETIPs, even though the minimum for the utilities, under the DPS Staff Straw Proposal, is the current EEPS goal. We believe that there is a significant risk that utilities will not take on more than their minimum requirements even as NYSERDA reduces its efficiency programs in 2016, leaving program gaps and potentially damaging the business climate for the state's currently thriving energy efficiency sector. If this occurs, and energy efficiency businesses falter or leave the state as a result, New York's goals with respect to the REV proceeding and the animated markets it envisions will be that much more challenging to realize.

IV. Concern Regarding Transition of Non-PV, On-Site Renewables Programs

Market players have a similar concern about potentially disruptive program changes for non-PV technologies traditionally supported through Renewable Portfolio Standard Customer-Sited Tier (CST), such as distributed wind, solar thermal, and fuel cells. On behalf of these member companies, ACE NY seeks a smooth transition that avoids putting clean energy business opportunities at risk.

A disruptive transition could result either from a precipitous drop in funding levels or the wholesale discontinuation of specific programs, a lack of advance notice of program changes, or a lack of clear commitments and goals for carbon emissions reductions and renewable energy deployment.

To avoid this disruption, and to provide for continued growth and deployment of the clean energy technologies New York needs to achieve its carbon reduction goals, NYSERDA should replicate aspects of funding programs scheduled to continue past 2015 (i.e. NY-Sun) for other technologies with demonstrated technical and market potential in New York. In this way, the Clean Energy Fund could provide those technologies with a multi-year bridge to the time when the REV cost-benefit framework can reveal and reward all the positive values of clean distributed technologies in a way that is technology-neutral and market-driven. Until that time, continued support through the Clean Energy Fund can help industries achieve economies of scale, reduce hard and soft costs, and build the experience required to adapt to the future REV infrastructure.

As an example, consider distributed (behind-the-meter) wind turbines, currently supported in New York by PON 2439, a rebate program that has stimulated exponential growth in the distributed wind market. This industry brings new carbon-free and fuel-free capacity to the rural and agricultural portions of central and western New York, and drives economic growth in the area. The greater demand brings greater need for installers and contractors, bringing more jobs to some of New York State's most economically depressed communities. However, the PON 2439 program is set to expire in 2014, and since distributed wind was not specifically considered in the CEF Proposal, uncertainty regarding future funding opportunities is beginning to negatively affect the market. For example, for small wind (installations of 100 kW or less), the ideal property conditions are land parcels of 5 acres or more and wind speeds greater than 5 meters/second. In New York, there is a technical and market potential of roughly 1,100 MW for small wind. By leveraging financing model innovations such as third-party leasing, the federal investment tax credit ("ITC"), and existing NYSERDA incentives, the small wind industry is beginning to thrive, and will place more wind turbines in service in 2014 than in the previous 6 years combined. With a decreasing MW block incentive structure beginning in 2016, a Clean Energy Fund investment would return stability to the fast-growing distributed wind market, continuing the trend of decreased hard and soft costs which are pushing the LCOE toward grid parity, and will subsequently result in a post-subsidy, self-sustaining market. Thus, the success of NY-Sun can be replicated for distributed wind, diversifying the renewable energy portfolio across New York State and enabling this type of renewable energy development to reach its market potential. For New York to achieve its carbon reduction goals, a comprehensive variety of renewable energy development potential must be tapped.

Another example is fuel cells. Like solar and small wind, fuel cell technology developers are looking forward to the time when New York's REV has created a cost-benefit framework in which direct incentives are not needed and the regulatory structure is sending proper market signals. In this end-state, the correct market signals will help foster a modernized, more distributed and cleaner grid, where fuel cell technology will likely flourish. But in the immediate short term, federal investment tax credits for fuels cells, again like small wind and solar, are set to expire at the end of 2016.

If New York fails to provide complementary programs that will help bring fuel cell investment during the 2015 and 2016 timeframe, we may lose the opportunity to benefit from federal policy and expand the market in New York. Accordingly, if New York establishes a new program to support fuel cell technologies within the Clean Energy Fund's Market Development Portfolio, it could provide the certainty and continuity that will drive demand and allow New York customers to tap federal tax credits, as well as increase system resiliency and offset carbon emissions. Like the continuity in energy efficiency programs discussed above, this continuity will set the stage for more success of the REV framework in the future. In the case of fuel cells, deployment can lead to significant carbon offsets, as well as the peak load reductions and improved resiliency envisioned by REV. Fuel cells will likely fare well in the cost-benefit framework that will emerge from the REV proceeding, given their benefits and their ability to allow utilities to defer otherwise-required distribution system investments. Until that time, fuel cells should be addressed in the Clean Energy Fund's Market Development Portfolio along with other clean, customer-sited technologies, with some level of parity regarding deployment potential. This allocation of funding should be accompanied by an increase in the per-project cap for fuel cells, as has been done for CHP, anaerobic digesters, and on-site wind.

V. Large-Scale ("Main Tier") Renewables and the Clean Energy Fund

The CEF Proposal does not include additional financial support for the grid-tied ("Main Tier") renewables that are critical to New York's goals of carbon reductions, fuel diversity, achievement of the existing 30% RPS goal, and achievement of the US EPA's proposed Clean Power Plan targets for New York. This omission is appropriate only if this funding support will be replaced by a new policy construct, such as a shift of renewable energy procurement responsibilities to the utilities and other electricity providers as recommended in the DPS Staff Straw Proposal on REV Track One. ACE NY urges that this staff recommendation, which was supported by NYSERDA in the CEF Proposal, be acted on via a new fast-tracked proceeding. Without a signal that this is indeed the policy direction regarding grid-tied renewables, it is difficult to comment on the CEF Proposal in an informed way. Further, the November 6, 2014 Notice Soliciting Comments directed NYSERDA to discuss "Grid-Tied (RPS Main Tier) Transition" in the Information Supplement due February 20, 2015, which would include a discussion of the options for "extending the current NYSERDA administered Main Tier program through 2016 to allow a thorough consideration of alternate approaches and a period of transition in support of increasing grid-tied renewable capacity in New York." ACE NY supports exploration of extending the RPS Main Tier for an additional year, assuming this extension is accompanied by additional funding, and that the development of the next-generation RPS will be concurrent in another venue, such as a separate fast-tracked proceeding. In this scenario, a one-year extension of the current RPS construct would be valuable in avoiding a disruptive gap in opportunities for grid-tied renewables development.

VI. Conclusion

ACE NY appreciates the opportunity to comment on NYSERDA's 2015 Reallocation Supplement to the Clean Energy Fund Proposal, which we support. We also appreciate the chance to raise issues that could be addressed in the Information Supplement to the Clean Energy Fund Proposal, which we hope will allow for a fuller understanding of the Clean Energy Fund's impacts and more transparency regarding NYSERDA's future offerings in the Market Development Portfolio.

ACE NY believes that the development of the Information Supplement to the Clean Energy Fund, due February 20, 2015, offers an opportunity for the Commission and NYSERDA to articulate a comprehensive and clear, multi-year transition plan for New York's clean energy programs: energy efficiency programs, on-site renewables, and grid-tied renewables. Such a plan could be a transparent and comprehensive outline of how New York is going to move from the current state to the REV end-state in a way that is smooth and low-risk, as well as how NYSERDA is going to transition from its current suite of programs to a focus on other aspects of the marketplace.

Lastly, we raise the importance of aggressive but achievable long-term targets for efficiency, renewables, and carbon emissions. We also reiterate our position on the need for clear and aggressive energy efficiency savings goals. Without specific savings goals, it will be impossible to judge the performance of efficiency program administrators and the progress in implementation of REV.

Meanwhile, during this critical transition period, the state must ensure that New York does not unintentionally undermine the dramatic progress that its programs have achieved on efficiency and clean energy to date.

Respectfully submitted,

Anne Reynolds

Anne Reynolds, Executive Director
Alliance for Clean Energy New York
December 8, 2014
Albany, NY