

STATE OF NEW YORK

Public Service Commission

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PSC Votes to Adopt Aggressive Renewable Energy Policy for New York State – Goal to Increase Renewable Energy Purchases from 19 percent to 25 percent by 2013 -

Syracuse, NY – 9/22/04 – The New York State Public Service Commission today voted to adopt a renewable energy policy designed to increase to at least 25 percent by 2013 the proportion of electricity sold to consumers in New York State that is generated from renewable resources. By establishing a policy framework that seeks to increase the amount of renewable energy purchased by consumers from 19.3 percent to at least 25 percent by the end of 2013, New York State, under Governor George E. Pataki's leadership, has again demonstrated its commitment to pursuing a comprehensive energy strategy that includes the use of clean, environmentally sound energy technologies to meet its future energy needs.

"The development and use of more renewable energy resources has been a long-standing policy objective of New York State, and Governor Pataki strengthened that commitment when he proposed the 25 percent goal in his 2003 State of the State address," Commission Chairman William M. Flynn said. "The policy we are adopting today balances a wide range of interests. Not only will it help us meet our growing demand for electricity, but it also will provide additional benefits by increasing fuel diversity for our state's generation portfolio, reducing our exposure to fossil fuel price spikes and supply interruptions, increasing economic development activity from a growing renewable energy industry, and improving our environment. Our decision today is based on a detailed examination of the costs, benefits, and potential impacts on system reliability of implementing an efficient and forward-thinking renewable energy policy for New York State."

To meet the 25 percent target, it is estimated that New York State will need to add approximately 3,700 megawatts (MWs) of renewable resource generation capacity. By 2013, the Renewable Portfolio Standard (RPS) Program is forecast to reduce statewide air emissions of nitrogen oxide (NOx) by 6.8 percent, sulfur dioxide (SO₂) by 5.9 percent, and carbon dioxide

(CO₂) by 7.7 percent, with a greater proportion of emission reductions expected in New York City and Long Island.

In addition to establishing the 25 percent goal and a start date of January 1, 2006, the policy framework addresses the fundamental components of New York's RPS Program, including: determining what types of facilities should be eligible for participation in the RPS Program, choosing an appropriate procurement structure, and identifying issues that must be addressed during the RPS implementation phase. Other key policy decisions include establishing two tiers of eligible resources, recognizing the importance of the state's existing green marketing Program by relying on it to provide at least one percent of the renewable sales necessary to meet the overall 25 percent goal, and committing to a review of the RPS in 2009.

The RPS Program will consist of two tiers of eligible resources: a "Main Tier" consisting of medium-to-large-scale electric generation facilities, and a "Customer-Sited Tier" consisting of smaller, on-site -- or "behind-the-meter" -- technologies. As determined by the Commission today, renewable resources eligible to participate in the Main Tier of the RPS Program will include wind, hydroelectric, biomass (e.g., woody or herbaceous farm residue, harvested wood), biogas (e.g., methane, manure digestion), liquid biofuel, and ocean or tidal power facilities. Eligible resources in the Customer-Sited Tier include fuel cells, photovoltaic (solar) and wind technologies.

With respect to waste to energy (WTE), the Commission determined that electricity generated from the mass incineration of municipal solid waste is not eligible for the RPS Program. However, a WTE facility that meets the criteria for eligible renewable biomass and can separately convert the biomass portion of its fuel into energy will be eligible. Recognizing the rapid pace of change and the potential for development of new WTE and other generation technology, the Commission directed staff to develop a mechanism for considering the addition of appropriate renewable resources to the RPS Program eligibility list going forward. The Commission also called for the development of a method to provide RPS funding in the future for certain existing facilities that can demonstrate a financial need for RPS incentives to remain operational.

The RPS Program will facilitate the development of eligible renewable resources by using revenues derived from a non-bypassable, volumetric charge on the delivery portion of customers' electric bills. Collection of this charge will begin in the fourth quarter of 2005 and will be based initially on the estimated market price of the renewable resources needed to meet the RPS Program's 2006 target of approximately 1.3 million megawatt-hours (MWh – a unit of electrical energy which equals one megawatt of power used for one hour). This initial charge will be subject to review and adjustment to reflect actual costs.

RPS Program funds collected by the state's regulated, investor-owned electric transmission and distribution companies will be transferred to the New York State Energy Research and Development Authority (NYSERDA), which will be responsible for administering an incentive-based procurement Program. Under this central procurement Program, NYSERDA will competitively select projects in both Program tiers. The Commission directed Department of Public Service staff and NYSERDA to develop an implementation plan that will include the details of NYSERDA's role as procurement administrator as well as the process for soliciting and selecting projects. Once developed, this plan will be issued for public comment and subject to Commission approval.

Customer bill impacts for the RPS are expected to be modest. In fact, wholesale energy prices will likely decline as a result of adding substantial amounts of renewable resources, thereby offsetting some of the Program costs and associated bill impacts. For residential customers, over the life of the Program, cumulative bill impacts are forecast to range from a reduction of 0.9 percent to an increase of 1.68 percent; for commercial customers, estimated bill impacts range from a 0.78 percent reduction to a 1.79 percent increase; and for industrial consumers, bill impacts could range from a reduction of 1.54 percent to an increase of 2.2 percent.

The cumulative cost of premium payments, projected to range between \$582 million and \$762 million for renewable projects, is expected to be offset by approximately \$362 million in wholesale energy cost reductions as New York reduces its reliance upon fossil fuels.

A major Commission objective in implementing an RPS Program is to sustain a market for renewables without perpetual dependence upon government-mandated subsidies. The Commission determined that an approach incorporating and supporting the growth of competitive retail markets for renewable resources and customer choice for renewables has a greater chance of producing a self-sustaining renewable energy industry that can build upon successes in developing renewable resources through the RPS Program. Therefore, it designed the RPS Program in a manner that relies upon a successful and thriving voluntary green power market to contribute at least one percent of the overall 25 percent goal. The complementary role for green marketing creates an incentive for proactive participation by consumers and other energy stakeholders to successfully meet or surpass the 25 percent goal and assist in the increased use of renewable energy resources.

"Ultimately, New York's ability to meet or exceed the ambitious goals we have laid out today will depend only in part on the design of this Program," said Flynn. "Equally critical to

our success is the willingness of consumers, our business community, green energy marketers and renewable technology manufacturers to support this initiative."

Other fundamental design policies in the RPS Program adopted by the Commission today include:

- **System Reliability:** The Commission re-affirmed that system reliability is of paramount importance and directed that the implementation plans should include a process for additional review and analysis of potential reliability impacts associated with intermittent resources, such as wind power, and any modifications that may be necessary to protect system reliability.
- **Delivery Requirement:** In order for energy generated outside New York State to be eligible, it must be delivered into the New York Control Area subject to monthly reconciliation. This policy will result in lower wholesale electricity prices in New York, will maximize Program benefits for New York, and is consistent with the policy objectives of the RPS Program.
- **Exemptions:** While all New York energy customers will benefit from the RPS Program, it exempts from contribution those customers currently exempt from System Benefits Charge contributions. These customers are generally provided electricity at reduced prices to promote economic development and the attraction or retention of jobs. The Commission strongly encourages entities not under its jurisdiction - including municipal-owned utilities, the New York Power Authority and the Long Island Power Authority – to consider adopting comparable renewable resource procurement Programs or to participate in the NYSERDA-run Program.
- **2009 Review:** The Commission will review certain aspects of the Program in 2009, including, but not limited to, Program costs and benefits, and recommendations for modifications to the list of eligible resources and for changes to the delivery requirement. Contracts awarded prior to the 2009 review will be honored regardless of Programmatic changes that might result from the review. To satisfy the Commission's desire to see competitive markets sustain the development of renewable resources, as part of its 2009 review, the Commission will review plans submitted by NYSERDA for transitioning the Program to a more market-based approach.

The Commission instituted its proceeding to explore and develop a Renewable Portfolio Standard in February 2003. Over 150 active parties, representing a broad range of public and private interests, participated in the process of developing an RPS policy for New York. Department staff conducted an extensive public education effort for the RPS initiative, including public forums in New York City, Long Island, Buffalo, Henrietta, Syracuse, Binghamton, Watertown and Albany. Over 150 speakers provided comments at the forums, and the Department received 1,161 letters, e-mails and opinion line calls providing additional comments. Many states have commenced RPS Program initiatives and comparable RPS Programs are in place in the United Kingdom, Denmark, Germany, the Netherlands, and Japan.

The Commission will issue a written order detailing the Renewable Portfolio Standard policy. The order, when available, can be obtained from the Commission's Web site at **<http://www.dps.state.ny.us>** by accessing the Commission Documents section of the homepage and referencing Case number 03-E-0188. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).