

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

- CASE 15-E-0302 - In the Matter of the Implementation of a Large-Scale Renewable Program.
- CASE 14-M-0101 - Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision.
- CASE 03-E-0188 - Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard.

NOTICE INSTITUTING PROCEEDING, SOLICITING
COMMENTS AND PROVIDING FOR TECHNICAL CONFERENCE

(Issued June 1, 2015)

In its February 26, 2015 Order in the Reforming the Energy Vision (REV) Proceeding, the Public Service Commission instituted a REV large-scale renewable (LSR) track.¹ Please take Notice that all filings related to the large-scale renewable track shall be filed in Case 15-E-0302, In the Matter of a Large-Scale Renewable Program, established here.

The Commission directed Department of Public Service Staff (Staff) to begin development of the LSR track by working with the New York State Energy Research and Development Authority (NYSERDA) to prepare an LSR options paper to be issued for public comment. Working with Staff, NYSERDA and its consultants prepared a paper titled Large Scale Renewable Energy Development in New York: Options and Assessment (the Paper), filed today in the docket referenced above. Attached to this Notice is a set of questions developed by Staff to focus comment on the Paper.

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 at 83 (issued February 16, 2015).

Staff will convene a technical conference to discuss the options and results in the Paper. Details regarding the technical conference will be provided in a future notice.

Written comments are solicited on the Paper and any other issues that might affect Commission decisions on any future LSR program. The deadline for submitting initial comments is July 22, 2015, with replies due August 24, 2015. Parties and stakeholders are asked to submit comments to the Secretary by e-filing through the DPS Document and Matter Management System (DMM),² or by e-mail to the Secretary at secretary@dps.ny.gov. If unable to file electronically, commenters may make submissions by post or hand delivery to the Hon. Kathleen H. Burgess, Secretary, Three Empire Plaza, Albany, New York 12223-1350. Information and instructions related to becoming a party, subscribing to the service list, or otherwise monitoring the status of this proceeding can found on the Commission's Web site.³

If you have any questions, feel free to contact Ted Kelly by e-mail at theodore.kelly@dps.ny.gov, or by telephone at (518) 473-4953.

(SIGNED)

KATHLEEN H. BURGESS
Secretary

² How to Register with DMM, <http://www.dps.ny.gov/e-file/registration.html>.

³ <http://documents.dps.ny.gov/public/MatterManagement/RequestAPStatus.aspx>.

Large Scale Renewable Options
Questions for Stakeholders

1. Chapter 4 outlines criteria for evaluating large-scale renewable (LSR) options addressed in the report. Are there any criteria that should be eliminated or added? To the degree that the criteria may conflict, are there some that should be prioritized over others?
2. Chapter 5 addresses design features applicable to LSR policy. As New York revisits the structural elements of procuring LSR resources, what changes, if any, should be made to the existing Main Tier program rules regarding obligated entities or eligibility of resources (based on resource type, energy delivery requirements, or vintage)? Please provide justification for each suggested change.
3. Chapter 5 discusses the options for ratepayer funding mechanisms, including an approach that seeks to fix the price for bundled LSR procurement, but necessitating a varying, reconciling collection mechanism due to fluctuating energy prices; and a fixed premium which could readily be supported by a predetermined and fixed collection rate from ratepayers.
 - a. Are the tradeoffs between a fixed and known collection schedule and one that varies with the price of energy appropriately addressed? If so, is there a strong preference for one funding mechanism over the other?
 - b. Are there additional cost containment strategies, not identified in Section 5.4.1 that should be considered? If not, is there a preference for some strategies more than others?

4. Chapter 6 describes three primary design structures and variants for supporting the development of new LSR resources, within a range of options described in Table 4.
 - a. Are there additional benefits, challenges and/or considerations that should be addressed for any of the three primary options and variants? If so, please explain.
 - b. Are there other structures and mechanisms that should be considered for supporting new LSRs that are not mentioned in Chapter 6? If yes, please describe.
5. Chapter 6 discusses the impact of utility-backed power purchase agreements (PPAs) on credit ratings and other accounting considerations.
 - a. Are there any other impacts on credit ratings or accounting requirements that should be considered? If yes, please explain.
 - b. What actions should an LSR option including PPAs with electric distribution utilities employ to minimize those impacts?
6. Chapter 7 provides an overview of financing options for LSR developers and investors that can increase financing efficiency and reduce costs, thereby lowering overall costs to consumers.
 - a. Are the risks and benefits of each financing option adequately characterized?
 - b. Are there other factors that should be considered by the Commission in its support of these financing options?

- c. Should the establishment of a debt securitization option, as described in Chapter 7, be considered?

7. Chapter 8 provides the assumptions and methodologies used to analyze the costs of the three primary design structures. Are these assumptions and methodologies reasonable? If not, please explain.

8. As depicted and addressed in Chapter 8, a big driver in cost reductions, relative to the current Main Tier procurement structure (REC-only), is the utility-backed PPA.
 - a. In a bundled PPA model, who should enter into PPAs with developers? A public entity or the investor-owned utilities?
 - b. If utilities, should they be compensated in return for taking on the financial obligations of PPAs to support project financing? If so,
 - i. How should the amount of remuneration be calculated?
 - ii. What would be the specific basis for the amount of remuneration?
 - iii. What limitations, if any, should be placed on such remuneration?

9. Chapter 8 discusses a back-loaded budget approach over a 10-year period to estimate the quantities of LSR resources that could be deployed under the three primary design structures discussed in Chapter 6, using wind energy as a proxy.
 - a. Are these assumptions and budgets reasonable to consider for an LSR program? If not, please explain.

- b. Is back-loading expected procurement expenditures a reasonable way to balance objectives of costs and deployment of new LSR resources? If a different expenditure profile is preferred, please explain the approach and the rationale.

10. Chapter 9 discusses policy options that should be considered for legacy Main Tier resources that will continue to produce energy and RECs after the expiration of their contract with NYSERDA, the first of which expire in 2016.
 - a. Should the State continue to procure RECs (or energy and RECs) from these legacy projects? If so, why and by what mechanism?
 - b. Should the State provide support for the vintage (pre-2003) fleet of small hydroelectric facilities and biomass facilities currently eligible for support under the current Maintenance Tier of the RPS program? If so, by what mechanism?

11. Chapter 9 provides an overview of the voluntary market for LSR and opportunities for its growth.
 - a. Are these models appropriately considered? If not, why?
 - b. Are there other policy considerations that should be examined in an effort to integrate voluntary participation and stimulate the voluntary market for renewable energy and "brown power" hedges? If so, please explain.

12. Chapter 9 provides a qualitative discussion on potential opportunities to consider wholesale energy market reforms to more explicitly reflect the value of LSR resources.
- a. Is this an appropriate option to seek and consider?
If not, why?
 - b. If yes, what new mechanisms can be put into place by the Commission to more explicitly reflect the value of the benefits of LSR resources in wholesale markets?
 - c. If yes, how does federal policy affect this option?
 - d. Could these reforms lead to overall lower cost to consumers compared to the other options discussed in Chapter 6? If so, please explain.
13. Chapter 10 provides a number of conclusions to best advance the State's overall objective of accelerating the development of LSR resources as cost effectively as possible. These findings are also summarized in volume 1.
- a. With respect to a flexible procurement structure to ensure the selection of lowest-cost projects:
 - i. Should utility owned generation (UOG) be allowed to compete with privately-owned projects in an open-source solicitation?
 - ii. If so, should utility participation be capped at a certain percentage of total projects or percentage of individual project ownership? At what percentage levels should these caps be set?
 - b. With respect to third party centralized solicitation and evaluation:
 - i. In the event utilities are allowed to own any LSR projects, how could a third party administered solicitation level the playing field and mitigate the risk of bias in an open-source auction?

- c. With respect to having LSR procurements be conducted based on a planned budget, system needs, and other considerations:
 - i. What methodology should be used as the basis for both project selection and deployment levels?
 - ii. Can the procuring entity integrate LSR resources with distributed energy resources, such as storage and demand response, to increase the system and customer benefits of integrated system planning?