STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

CASE 15-E-0302 – In the Matter of the Implementation of a Large-Scale Renewable Program

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COMMENTS OF THE CLEAN ENERGY ADVOCATES ON THE JOINT UTILITIES' PETITION FOR CLARIFICATION REGARDING ORDER APPROVING PHASE 2 IMPLEMENTATION PLAN IN CLEAN ENERGY STANDARD PROCEEDING.

Dated: May 21, 2018

I. Introduction

The Clean Energy Advocates hereby submit the following comments on the Joint Utilities' ("JU") Petition ("Petition") for Clarification Regarding Order Approving Phase 2 Implementation Plan in Clean Energy Standard Proceeding. To account for the expected VDER REC surpluses, we strongly oppose the JU's proposed removal of the 60% cap on REC banking, and instead respectfully request that the Commission undertake an immediate investigation to verify those estimated surpluses, and if accurate, adjust the 2019-2021 targets to account for these surpluses. We also urge the Commission to adopt a clear target trajectory for 2022-2030.

II. Comments

A. The Commission should allow a limited transfer of RECs but should not increase the REC banking cap beyond 60%

The Clean Energy Advocates support the Petition's proposed lifting of the ban on transferring RECs. However, in order to limit arbitrage, those transfers should be at cost of the NYSERDA purchase price, and should only be used until targets are adjusted. Regarding the Petition's proposed lifting of the 60% cap on REC banking, we believe this would discourage Load Serving Entities' ("LSEs") efforts to procure large-scale renewable energy development, instead relying on existing VDER RECs for Tier 1 compliance. This approach would be contrary to the goals of the Clean Energy Standard and would deprive New Yorkers of the enormous economic and environmental benefits which flow from new large-scale renewable projects.

B. The 2019-2021 Targets Should be Increased to Compensate for Expected VDER REC Surpluses

Rather than lifting the 60% banking REC limitation, the Commission can account for the expected VDER REC surpluses by proactively increasing the 2019-2021 targets. Though the Petition claims that "forecasts of these RECs are insufficiently reliable to be used to establish compliance obligation levels,"[1] the sheer amount of expected VDER REC surpluses (between 500% and 1500% of the individual utilities' 2018 REC obligations) suggest that the 2019-2021 targets can be adjusted upward without a significant risk of REC shortages. The Commission's Phase 2 order contemplated a situation of over-supply of RECs, and found that if that over-supply is "determined to be problematic, persistent and likely to result in a significant financial

[1] Petition, 3.

impact, Staff will make a formal recommendation to the Commission to conduct an interim review of the NYSERDA procurement targets and RES Tier 1 obligations."[2] As the Petition makes clear, the expected VDER REC surplus meets all of these conditions, given that it is estimated to forfeit up to 893,000 RECs at a cost of $20.7 million to customers through 2021.[3] Rather than wait for this over-supply to become a reality, thereby costing customers millions of dollars in forfeited RECs, the Commission should begin an immediate review of the expected surplus and adjust the Tier 1 2019-2021 targets accordingly. This will ensure that VDER RECs are properly contributing to the Tier 1 targets while also still encouraging robust solicitations for Tier 1 large-scale resources toward achievement of the 50% by 2030 goal.

C. Targets Should Be Established Through 2030

Along with increasing the 2019-2021 targets, the Commission should also establish a clear target trajectory for 2022-2030. The Clean Energy Standard Order directed Staff "to i) review and either confirm or propose modifications to the targets adopted [in the Clean Energy Standard Order] for 2018-2021 after taking into consideration current market conditions . . . and ii) develop a potential acquisition curve for the years 2022-2030."[4] But despite this clear directive, neither the Phase 1 Implementation Plan nor the Phase 2 Implementation Plan included proposed targets for 2022-2030. As we underscored in prior comments, communicating clear annual targets well in advance of procurement deadlines will help ensure success by giving market actors information regarding the amount of renewables to be developed, thereby allowing them to develop proposals to serve future needs well in advance of when those needs arise. Enhanced competition facilitated by better price signals will allow for more cost-effective achievement of the Clean Energy Standard. It will also have the additional benefit of providing better price discovery to non-renewable wholesale market actors, reducing market costs for all wholesale energy procurement by LSEs.

While the long-term targets will inevitably be adjusted due to developing market conditions, as explained in the Phase 2 Order, such adjustments can be carried out in the triennial reconciliation process. Communicating the expected path of Clean Energy Standard achievement now, however, allows developers, LSEs and other stakeholders to immediately begin laying the groundwork necessary to achieve that trajectory. For these reasons, the Commission should adopt a clear target trajectory for 2022-2030, in addition to increasing the targets for 2019-2021 in response to the expected VDER REC surplus.

III. Conclusion

Given the expected VDER REC surpluses, the Clean Energy Advocates believe that increasing the 2019-2021 targets will minimize forfeiture of those RECs while also still encouraging procurement of new large-scale renewable resources. Along with near-term target

[2] Phase 2 Order, 8.
[3] Petition, 4.
[4] Case 15-E-0302, *Order Adopting a Clean Energy Standard*, at 91-92 (Aug. 1, 2016).

increases, we also encourage the Commission to establish a clear target trajectory for 2022-2030. We look forward to working with the Commission on these issues.

Sincerely,

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