

Otego Microgrid Ratepayers

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March 14, 2016

Hon. Kathleen H. Burgess, Secretary to the Commission

New York State Public Service Commission

Empire State Plaza, Agency Building 3

Albany, NY 12223-1350

VIA EMAIL: secretary@dps.ny.gov

Re: Case 15-E-0302: Reforming the Energy Vision, Clean Energy Standard

Otego Microgrid Ratepayers hereby submits the following comments on the referenced case before the New York State Public Service Commission regarding the **DPS STAFF WHITE PAPER ON A CLEAN ENERGY STANDARD issued JANUARY 25, 2016**

We have in the recent past been critical of some aspects of REV, and we appreciate that the Governor, via the Commission and DPS Staff, is beginning to address critical issues of methodologies for achieving our stated energy and environmental objectives. We support the program objectives outlined in the introduction to the White Paper. We support the staff-recommended program features as outlined in the introduction. However, we believe that the assembly of features put forward in the discussion by Staff lacks logical internal coherence, reflects insufficient regulatory innovation, and inadvertently creates disincentives which will ultimately cause us to fail to achieve our target environmental objectives.

LOGICAL COHERENCE

As proposed, the ZEC program is not market-driven; Staff admits that with only two ZEC generators, there cannot be a “market” and compensates by creating the Alternative Compliance Mechanism, a regulatory pricing mechanism that will decree a cap—or floor—on the ZEC “market”. Given the large percentage of total generation capacity supplied by New York’s nuclear plants, decisions made on ZEC pricing will have an immense impact not just on the nuclear fleet, but on all the other portions of our generation fleet that are market-driven.

Such an avoidable concentration of pricing power (in any hands, public or private) is unwise from a market-focused public policy perspective.

Creation and operation of the ZEC program would impose large administrative burdens on both DPS and the nuclear generators; none of that substantial effort would in any way support the construction of new renewable generation—all that effort would in fact be counter-productive with respect to our renewable objectives, as the ZEC program reduces what would otherwise be greater (some argue “unattainable”) demand for renewables.

Staff again perpetuates the myth that we can achieve long term “price stability” for customers. Over the past century, the fossil fuel industries, by externalizing so much of their overall costs onto society, have been able to provide what has appeared to be “cheap” energy.....in fact, the costs associated with climate change all belong on their ledgers as well. In a future energy environment where externalization of costs is not allowed, it is quite likely that the energy prices apparent to consumers will be markedly higher than in our current hidden-costs fossil fuel marketplace. Repeating a myth based on a fanciful promise of price stability is disingenuous, and counter-productive in that customers who believe in price stability will be inadequately incented to change their energy consumption habits or energy procurement choices.

As we make progress, presumably, towards driving fossil fuels out of the energy marketplace, the ZEC program will become an obstacle to the next logical objective (getting the nuclear power fleet shut down.) If they were subject on market forces (which the ZEC will shield them from), the phasing out of nuclear power plants could be a market-driven phenomenon; but if we install the ZEC program now, at some future date the withdrawal of ZEC subsidies will become a political struggle with a very unpredictable outcome.

REGULATORY INNOVATION

The ZEC program is an adaptation of a program designed for putting our toes in the renewable water; the REC program was intended to promote and expand renewables. The task of the ZEC program is a fundamentally different task—akin to life support—and it requires a fundamentally different solution, a solution that is specifically tailored to the task. We need an innovative solution that avoids unnecessary complexity, undesirable side effects, and unwitting creation of more problems in the future.

The ZEC program will require creation of an entire bureaucracy—oversight, price determination, compliance tracking and enforcement. Money spent on so narrow (and presumably short-term) a purpose might be better invested elsewhere.

ULTIMATE FAILURE

The ZEC program creates an open-ended subsidy program for the nuclear generation industry, and by doing so creates, for some participants, incentives for less-than-energetic pursuit of our environmental goals. It creates a convenient mechanism for endless extension of

nuclear generation into the future, and at ultra-low risk for the plant owners. The ZEC program would literally enable our failure to reach our emissions targets by undercutting the market forces that would otherwise promote the expansion of renewables, while simultaneously providing (at ratepayers' expense) an alternative to renewables.

ALTERNATIVES to the Staff Proposal

We found a kernel of truth in the Staff assertion (p.10) that "...there are numerous alternative approaches to structuring a renewable energy standard..." and we do not disagree with the immediately subsequent assertion that consistency with the renewable standards in adjacent states will help developers across multiple jurisdictions and enable trading. However, the discussion fails to address any downside to such a copy-cat approach, nor does it entertain any conjectures as to advantages that more novel solutions might offer. For example, rather than the ZEC program, a direct tax on carbon could address the aforementioned shortcomings of the CES and ZEC program. **A direct carbon tax would:**

- accomplish the goal of keeping the nuclear fleet economical by increasing the value of their zero-carbon product through existing market channels
- address the entire range of our current energy issues—suppress greenhouse gas emitting technologies, and support non-emitting resources; other than the imposition of the carbon tax itself, the balance of the energy ecosystem would remain, to whatever extent it already is, market-driven
- create a simple, single point of adjustment where policy decisions could be implemented as our energy ecosystem evolves towards our renewable goals
- create, at this single point of adjustment, a benchmark on which various energy industry participants could anchor their future expectations for supply and pricing forecasts (openly tradable carbon price futures might enjoy significant financial liquidity, a bottleneck in some of our current energy financing markets)
- avoid a cumbersome ZECs bureaucracy for both regulators and industry
- avoid the creation of a ZEC dependency that industry, the PSC, and State elected officials would find extremely difficult to end in the future
- create a revenue stream that could be used to directly promote additional renewable generating capacity and infrastructure to maximize the adoption of renewables
- enable consumers to participate directly in their own energy futures; they could avoid the carbon tax by switching to renewable and zero-emissions ESCOs, and those who fail to adopt renewables and/or zero-emissions would bear the full cost of their intransigence or inaction
- encourage consumers to adopt energy conservation technologies
- serve as a model for neighboring jurisdictions as their energy markets evolve.

We encourage the DPS Staff and the Commission to investigate the implications of enacting a carbon tax, and the various mechanisms by which such a tax might be accomplished. If such a course requires more time than can be allowed for the nuclear plant operators to continue to function under financial stress, then we encourage the Staff and Commission to consider a much simpler, non-recurring form of aid to buy the time necessary for development of a more functional solution to guiding our energy future.

We thank the Commission for this opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Stuart Anderson". The signature is written in a cursive, flowing style with a large initial 'S'.

Stuart Anderson for Otego Microgrid Ratepayers