

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

SUPPLEMENTAL COMMENTS OF
PACE ENERGY AND CLIMATE CENTER

Dated: July 22, 2016

Pace Energy and Climate Center

Supplemental Comments on the Implementation of a Clean Energy Standard

Case 15-E-0302

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In response to Department of Public Service Staff's Responsive Proposal for Preserving Zero Emissions Attributes,¹ the Public Service Commission's Notice Soliciting Additional Comments relating to that proposal,² and the Notice Extending Comment Deadline,³ the Pace Energy and Climate Center offers these additional comments on the formation of a Tier 3 Zero Emissions Credit mechanism to support nuclear generators in New York State as part of the Clean Energy Standard (CES).

Pace reiterates the recent supplemental comments of the Clean Energy Organizations Collaborative (CEOC), to which it is a signatory, emphasizing the importance of equally strong mandates for securing energy efficiency gains and renewables, backed by a diverse procurement strategy for large-scale renewables that includes both long-term Power Purchase Agreements and utility-owned generation.⁴ The procurement of efficiency and large-scale renewable generation will be the primary mechanisms by which Governor Cuomo's visionary Clean Energy Standard will achieve the State Energy Plan's 50% renewable energy generation by 2030 target. This target is supported by a broad popular mandate across the state,⁵ and along with its CEOC partners, Pace urges the Commission to act on this mandate by August 1st.

¹ Case 15-E-0302, Staff's Responsive Proposal for Preserving Zero-Emissions Attributes (July 8, 2016).

² Case 15-E-0302, Notice Soliciting Additional Comments (July 8, 2016).

³ Case 15-E-0302, Notice Extending Comment Deadline (July 15, 2016).

⁴ The Clean Energy Organization Collaborative's full supplemental comments can be found at Case 15-E-0302, CEOC Supplemental Comments on the Implementation of a Clean Energy Standard (July 15, 2016).

⁵ See "New York Voter Attitudes on the Future of Energy: Findings from Qualitative Research and a Statewide Voter Survey," prepared for The Nature Conservancy by FM3 Public Opinion Research and Strategy and Public Opinion Strategies (March 2016), pending publication, showing that 90% of New York voters informed of Governor

Regarding Tier 3 nuclear generation, Pace emphasizes that while the long-term goal for New York should be to replace the state's existing nuclear fleet with renewables that are additional to the CES target, over the next twelve years, the Governor's plan to support the state's nuclear fleet will ensure that New York is able to achieve its carbon emissions targets while making rapid progress towards the CES goal. The State Energy Plan sets out the goal of reducing State-wide greenhouse gas emissions 40% below 1990 levels by 2030. Nuclear generation represents a carbon-free source of power that currently accounts for approximately 25% of the state's generating capacity, and the procurement targets established for Tier 3 nuclear power compare to roughly three-quarters of the marginal GWh of new renewable generation to be procured under Tier 1 of the CES.⁶ If Tier 3 generation is removed from New York's system mix, it is reasonable to expect a large portion of it to be replaced with in-state or imported fossil-fuel based power. This would minimize the emissions impacts of the CES while making it more difficult for New York to achieve the State Energy Plan's overall emissions target. Over the twelve-year period proposed by Staff,⁷ nuclear generation can be a key transitional component of New York's evolving energy portfolio. The emissions impact of Governor Cuomo's aggressive renewable energy target should not be counteracted by a comparable reduction in zero emissions power. Likewise, preserving zero emissions power sources as an interim strategy should not be allowed to impair aggressive progress toward a renewable energy future, today or over the coming years. We look forward to an ultimate transition from nuclear power to a higher

Cuomo's plan to achieve 50% renewable energy by 2030 supported the measure. These same voters, when asked how much energy the state *should* get from renewable sources, chose 70.6% on average.

⁶ Staff estimates that 33,700 additional GWh of generation must be procured under the CES over 2014 levels to meet the 50% by 2030 target. See Case 15-E-0302, Staff White Paper on Clean Energy Standard (Jan. 25, 2016) at Appendix B, pages 2-4. This compares to a 25,000 GWh target for Tier 3 nuclear resources by 2020. *Id.* at 45.

⁷ Case 15-E-0302, Staff's Responsive Proposal for Preserving Zero-Emissions Attributes (July 8, 2016) at 2.

renewables target, but note that this transition should be considered over such a timeline that doesn't jeopardize meeting the state's emissions goal by 2030.

Pace is also encouraged by Staff's proposal to derive the Zero Emission Credit's value from the Environmental Protection Agency's Social Cost of Carbon. In effect, this mechanism represents an important first step in pricing the cost of carbon into energy consumption more broadly. The long-term objective in energy regulation should be internalization of environmental and climate costs into pricing. The structure of this proposed ZEC policy represents a down payment on this objective, and a positive precedent for assessing the value of other low or zero-carbon generating units in the future.

There remains some uncertainty about the future prices for the ZEC market and how they will compare to additional efficiency or large scale renewables procurement. Pace notes that the subsidy level and qualification of nuclear generators should be considered in the context of an evolving portfolio of energy resources, and reassessed throughout the twelve-year term of the proposed ZEC tier. The primary objective of the ZEC mechanism is to prevent losing ground in the effort to reduce carbon emissions, while renewable and other clean energy resources markets develop; the ZEC mechanism should not continue significantly beyond the point that this objective is served. As a general principle, nuclear generation should be second in priority where efficiency or renewable energy are available at a comparable cost.

Pace is also mindful that Tier 3 will require careful operational oversight going forward. The proposed ZEC price structure relies on inputs related to the price of RGGI allowances, which will change in the future. It is vital that the ZEC program structure continue to ensure that ZEC prices decrease as the state adopts more stringent RGGI caps and as RGGI allowance prices increase. The process by which facilities will demonstrate eligibility for Tier 3 support should

also be an area of concern going forward. The Commission must establish and maintain oversight of ZEC producing facilities to ensure that they do not game the system in order to unnecessarily qualify for Tier 3 support. These and other potential oversight issues should be addressed through a process that invites public participation. While the process for developing and approving a plan to support the state's nuclear generation has not afforded the ideal public participation to date, Pace is mindful that the Governor and the Department of Public Service face a challenging timeline to provide support in the face of imminent potential closures of nuclear facilities. We support the Governor's push for a speedy solution to our nuclear fleet's solvency issues, and look forward to future public processes through which appropriate oversight issues can be explored.

We applaud the Governor and the Public Service Commission for its visionary approach to a Clean Energy Standard that will put New York on a path to being a national leader in efficient use of energy and in renewable energy development. We appreciate the need for prolonging the lives of select nuclear facilities as part of a near-term energy portfolio that allows the state to meet its 2030 greenhouse gas targets. We look forward to further development of the oversight process for Tier 3 nuclear generators and a public opportunity to provide input into that process.

Sincerely,

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