



October 21, 2016

Hon. Kathleen H. Burgess
Secretary to the Commission
NYS Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: CASE 15-E-0302 and CASE 16-E-0270: Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard

oneGRID Response to Petitions for Rehearing

Dear Secretary Burgess:

Pursuant to the Public Service Commission's (the "Commission") September 7, 2016, Notice With Respect to Requests for Rehearing and Reconsideration, oneGRID hereby provides this response to the petitions for rehearing of the Commission's Clean Energy Standard ("CES") Order.¹ oneGRID responds to the petitions for rehearing that raise general concerns with the lack of any consideration for the development of transmission assets that will be needed to meet the CES's aggressive renewable energy requirements. The lack of a deliverability requirement threatens the very laudable goals of the CES, namely, that 50% of all electricity used in New York State be generated from renewable energy resources by 2030. oneGRID respectfully requests that the Commission grant rehearing and institute an in-state deliverability requirement as part of the CES program.²

The deliverability issue and the New York transmission system's capability to meet whatever renewable requirement adopted in the CES were squarely before the Commission in this proceeding. The New York Independent System Operator, Inc. ("NYISO") itself stated that "additional transmission capability [will be] necessary to reliably transport energy from renewable resources developed in remote areas, mainly western and northern New York [as

¹ Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (August 1, 2016).

² Out-of-state renewable generation must provide documentation that it has a contract path for delivery of the underlying energy for consumption in New York between the generator and either the New York Spot Market administered by the NYISO or an LSE in New York. See CES Order at 106. There is no stated similar requirement for in-state renewable generation. Moreover, simply dumping energy in the New York Spot Market does not ensure each LSE is supplying 50% of its load with renewable energy.

well as Ontario and Quebec], to New York's southeast load centers"³ NYISO further estimated that "one likely transmission development scenario could require *nearly 1,000 miles of new bulk power transmission*, in addition to the AC Transmission and Western New York public policy initiatives now underway, to avoid frequent west to east transmission constraints in the future."⁴ oneGRID also submitted comments demonstrating that a deliverability requirement is necessary to address the widely known constraints on the New York transmission system.⁵

Despite these and other parties' admonitions that a deliverability requirement is critical to allow in-state renewable generation resources to actually supply downstate load, the CES Order fails to adequately address the issue. In its petition for rehearing, HQ Energy Services (U.S.), Inc. ("HQUS") argues that the Commission "arbitrarily and capriciously ignored the analysis of the entity charged with maintaining the reliability of the bulk power system in New York, choosing instead to base its decision on hypothetical new technology and customer initiatives that may or may not occur and may or may not solve the serious concerns expressed by the NYISO."⁶ oneGRID agrees.

The Commission's decision to ignore the transmission issue raised by the NYISO in its initial comments and identified by HQUS in its petition for rehearing threatens the success of the CES. In the absence of a deliverability requirement, the CES program impedes, and likely denies, downstate customers access to economical renewable generation. Most scenarios for the expected renewable build-out in the state, including those discussed in the Department of Public Service Staff's ("Staff") Supplemental Environmental Impact Statement,⁷ anticipate that the vast majority of new renewable resources incentivized by the CES will be sited in Western New York. As the New York City and Long Island regions represent almost 50% of the load within the state, recognized transmission constraints prevent western and upstate New York renewable energy from being delivered to downstate load. As a result, the NYISO will be required to continue to dispatch existing in-City (oil and gas-fired) generation to meet the load requirements of downstate load serving entities ("LSEs").⁸ While the goal of the CES is,

³ Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Supplemental Comments of the New York Independent System Operator, Inc. (July 8, 2016).

⁴ Id. (emphasis added).

⁵ Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Comments of oneGRID Corp. (June 29, 2016).

⁶ Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, HQUS Petition for Rehearing at 19 (Aug. 25, 2016).

⁷ Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Final Supplemental Environment Impact Statement (May 19, 2016).

⁸ In its comments in this proceeding, the Indicated Joint Utilities addressed this concern surmising that there is a very real possibility that in-state renewable generation could ultimately decide to sell to out-of-state load:

"The Cost Study does not address the need for incremental transmission in order to deliver new renewable energy from the northern and western parts of New York to population centers in the

ostensibly, to reduce fossil-fuel emissions, the air and health benefits of downstate consumers one would expect as a result of the CES will not be realized if the renewable generation is not required to be delivered to the load centers and the region simply relies on existing non-renewable generation to continue to serve load.

Indeed, the Commission has acknowledged that transmission corridors that include the Central East and UPNY/SENY electrical interfaces were persistently congested and contributing to higher energy costs and reliability concerns.⁹ The NYISO has preliminarily calculated that an additional 1,000 miles of new transmission development is required to avoid future, expected congestion. Without a clear locational or deliverability requirement for new resources, there is a real risk that transmission congestion will result in lower energy and capacity market energy prices in that region. As a result of lower energy and capacity market revenues, the price for Renewable Energy Credits (“RECs”) can be expected to increase dramatically as renewable resources seek to earn sufficient revenues.¹⁰ The clustering of resources upstate could also lead to reliability issues and the curtailment of renewable generation. The Commission should not endorse such an outcome.

Moreover, the lack of any deliverability requirement could lead to the perverse outcome that fewer renewable generation developers are able to obtain suitable financing to build projects. It is fairly self-evident that a renewable developer will not be able to obtain financing supported by REC pricing alone. The developer, therefore, must demonstrate that a combination of proceeds expected through the energy and capacity markets, along with any available tax credits, are enough to support project viability. The expected downward pressure placed on the

Lower Hudson Valley, New York City, and Long Island. The Navigant Study, when coupled with incremental analysis conducted internally by Con Edison, indicates that transmission interfaces become binding in various scenarios, and that renewable resources built in the western-most part of the State may begin to transfer zero-emissions energy to PJM, as opposed to sending that energy across New York for all customers to enjoy. These limits will directly impact the State’s ability to reduce its GHG emissions because incremental renewable energy resources built in northern and western New York will not reduce emissions in the State. Rather those resources will offset emissions in PJM or reduce existing access to zero-emissions hydro resources, which may mean that New York customers are unable to realize future reductions in CO2 allowance prices.”

Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Comments of the Indicated Joint Utilities on the New York Clean Energy Standard White Paper, at 15 (June 6, 2016).

⁹ Case 13-E-0488: *In the Matter of Alternating Current Transmission Upgrades*, Order Finding Transmission Needs Driven by Public Policy Requirements (December 17, 2015).

¹⁰ In addition, it is not entirely clear how the Commission or NYSERDA will ensure that the energy associated with in-state resources that originate RECs will in fact be available to New York customers. Simply metering such energy at the bus-bar does not guarantee that the energy is sold to New York customers. These resources could conceivably sell energy to neighboring systems. A deliverability requirement in the CES program addresses this issue.

energy and capacity markets because of the saturation of upstate renewable projects will result in many projects not being able to obtain financing and has the very real possibility of New York ending up short on its 50% renewable energy consumption goal. A deliverability requirement in the CES mitigates this risk by ensuring that the upstate renewables have downstate consumers contracting for the energy to comply with the CES.¹¹

The Commission appears to rely solely on the current NYISO transmission planning processes to identify the transmission facilities that will be needed to accommodate the aggressive CES renewable mandate. The timing of these planning processes, including the identification of developers and the long lead-time to actually construct facilities, does not align with the aggressive build-out of the generation assets expected to supply 50% of New York's energy needs by 2030. As the Commission is well aware, litigation resulting from these processes can delay development of needed transmission assets even further.

More importantly, however, the Commission's single-focused strategy forecloses any opportunity for the market to determine the most efficient and cost effective transmission solution to meet the CES requirements, relying instead on a regulated approach to transmission development. Simply put, the lack of a deliverability requirement in the CES and complete reliance on the NYISO planning process, where LSEs rely on a regulated transmission option that allocates costs broadly across the state, eliminates any real opportunity for merchant transmission development in New York. oneGRID believes that the Commission did not intend this outcome when it issued the CES. However, the Commission must be aware that the CES closes the door on merchant transmission development, effectively denying New York consumers more efficient and cost effective solutions that are not subject to the litigation risk noted above.¹²

Finally, NYISO's capacity market construct, detailed in its Federal Energy Regulatory Commission ("FERC") -approved tariff, includes a requirement that a minimum percentage of a transmission constrained zone's required generating capacity must be physically located within that zone (defined formally as Locational Minimum Installed Capacity Requirements ["LCR"]).¹³ The purpose for the creation of these zones is to send more efficient price signals, enhance reliability, mitigate potential transmission security issues, and serve the long-term interest of all consumers in New York State. Because there is no intra-state deliverability requirement for the procurement of RECs, neither the New York State Energy Research and Development Authority

¹¹ As it stands now, LSEs need only purchase RECs from NYSERDA (or pay the alternative compliance fee) without any corresponding energy transaction. The CES provides no incentive at all for downstate LSEs to do anything other than this for compliance making it very difficult for renewable projects to demonstrate commercial viability.

¹² oneGRID recognizes that the NYISO has recently forwarded to the Commission proposed transmission needs driven by public policy requirements. See Case No. 16-E-0558; *In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2016*. As was seen with the AC transmission proceeding, these processes are subject to long review periods and significant litigation. A merchant transmission option reduces this risk.

¹³ Such capacity zones are the G-J locality; New York City; and Long Island.

or LSEs are required to ensure the deliverability of the energy associated with RECs to a particular service territory. This construct undermines with the locational nature of the FERC-approved design of the NYISO markets, and offers no incentive for new renewable resources to ensure that their energy is deliverable to load centers.

In conclusion, oneGRID suggests that the Commission could address the transmission concern outlined here by adopting a locational construct for the CES similar to that of the FERC-approved NYISO wholesale power markets. As noted above, the CES will result in an unprecedented level of capacity of new renewable generation development, and the Commission should not rely solely on the current NYISO transmission planning processes to identify the transmission facilities that will be needed to accommodate the aggressive CES renewable mandate. A locational or deliverability requirement would ensure the proper siting of both the renewable generation and the transmission assets and accelerate the development of the transmission assets that even the NYISO agrees are necessary.¹⁴

oneGRID appreciates the Commission's dedication and hard work in issuing the CES Order and looks forward to working with Staff and other interested stakeholders to enhance CES programs in a manner that best achieves New York's renewable goals.

Sincerely,

/s/ John Douglas

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¹⁴ There are several merchant transmission projects currently under development that could be in-service well in advance of the 2030 target date that would facilitate the delivery of renewable energy to New York City.