

AGREE New York

Alliance for a Green Economy
2013 East Genesee Street
Syracuse, NY 13210
315.480.1515



Nuclear Information and Resource Service
6930 Carroll Avenue, Suite 340
Takoma Park, MD 20912
301-270-NIRS

May 9, 2016

VIA ELECTRONIC MAIL

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

RE: Case 15-E-0302- Information Request in the Matter of the Implementation of a Large-Scale Renewable Program and a Clean Energy Standard

Dear Secretary Burgess:

The Alliance for a Green Economy ("AGREE") and the Nuclear Information and Resource Service ("NIRS") hereby submit this letter containing two requests for information in the above-referenced proceeding:

1. Detailed analysis of costs for the proposed Tier 3 program nuclear zero emissions credits ("ZECs").
2. Analysis of greenhouse gas emissions attributable to nuclear generation in New York through its role in establishing locational operating reserve requirements in the New York Control Area ("NYCA").

Costs for Tier 3

On January 25, 2016, the Department of Public Service ("DPS" or "Staff") filed its White Paper on the Clean Energy Standard program ("White Paper"). On April 8, 2016, Staff released the Clean Energy Standard White Paper - Cost Study ("Cost Study"), providing estimates of the net costs and benefits of the Clean Energy Standard ("CES") proposal. In the latter, a 297-page document, DPS presents much detailed information on the projected and estimated costs of various renewable energy resources, as well as its market price forecasts.

However, the Cost Study contains only three pages of information with respect to Tier 3:

- page 84 provides some general notes on the cost analysis methodology, a total net cost range for the nuclear program through 2023, and an explanation for the lack of any detail comparable to that provided for other parts of the CES;

- page 275 discusses in very general terms the factors considered in the Tier 3 analysis, and reiterates the explanation for not providing comparable level of detail; and
- page 103 uncritically accepts and incorporates by reference the net economic impact estimates of some New York nuclear reactors from an industry-funded report produced by the Brattle Group.

An additional page, 85, includes two bullet points providing general notes on how the sensitivity analysis for Tier 3 costs was conducted.

The level of detail provided in the analysis of Tier 3 costs is completely inadequate for parties to offer meaningful comment, an infringement upon our rights to due process. There is a wide degree of divergence between the Cost Study's estimates of the net cost of Tier 3 and AGREE and NIRS's estimate of the program costs, which we provided in our comments, with much greater detail about our methodology, data sources, and parameters. It is impossible to reconcile our estimate of direct program costs with Staff's analysis, absent any relevant detail.

Staff has only offered inadequate justifications for its decision not to provide further detailed information on its Tier 3 cost analysis. On pages 84 and 275, Staff proffers that doing so would "prejudice" the proposed pricing process for Tier 3 credits, an explanation reiterated at the May 4, 2016, technical workshop. This is specious reasoning, as the Public Service Commission ("Commission") has already set precedent for determining going forward costs of nuclear generation and detailed the approximate costs for at least one of the reactors expected to qualify for Tier 3. In fact, Staff recognizes this in the White Paper. Staff states that the pricing of ZECs would be comparable to the methodology for determining the going forward cost of operation for a nuclear unit in the recently concluded proceeding on the Ginna Reliability Support Services Agreement ("RSSA"),¹ which includes an estimate of the direct program costs of the subsidy to be borne by Rochester Gas & Electric ("RG&E") customers.²

Furthermore, the Tier 3 program as proposed is likely to be fundamentally anti-competitive, with potentially only one generation owner providing ZECs -- Constellation Energy Nuclear Group ("CENG"). As we and others have argued in comments, the proposed Tier 3 program would also contain no meaningful cost controls. Staff's proposal is predicated on an ultimatum, that state policy objectives cannot be met if, presumably, any Tier 3-eligible reactors cease operations, and therefore Staff provides no alternatives. As we discuss in our comments, Staff has not demonstrated a technical basis for this premise, and we have shown it to be unfounded. But as a result, Staff has not proposed any alternatives to the purchase of ZECs for achieving the state's policy objectives.

In its proposal for Tier 3, Staff makes reference to the Alternative Compliance Payment model proposed for Tiers 1 and 2, but in fact states that there is no alternative to providing subsidies under Tier 3. Staff instead proposes that the Commission impose an administratively-determined price cap on ZECs as a cost control mechanism. However, this only provides a means for ensuring nuclear generators do not unduly inflate ZEC prices by including illegitimate costs, return on investment, or through mere exercise of ZEC market domination. However, the Staff proposal provides no mechanism for reducing the risk to ratepayers of operating cost escalation either for individual reactors or the program as a whole. There is no provision

¹ Depart of Public Service. "Staff White Paper on Clean Energy Standard." January 25, 2016. Page 30.

² New York Public Service Commission. "Order Adopting the Terms of a Joint Proposal." Case 14-E-0270. February 24, 2016. Page 8.

proposed for load serving entities to otherwise comply with the Clean Energy Standard mandate to purchase ZECs. As a result, New York the Commission could be held hostage to approving increasingly expensive subsidies with no alternative. The risks to ratepayers are enormous, due to the extremely high cost of repairing and replacing major reactor components, such as steam generators, reactor vessel heads, etc. Even the historical rate of operating cost escalation has been extraordinary, with industry-wide average costs rising over 50% from 2002-2012.

In evaluating the potential costs of such an anti-competitive and expensive arrangement, it is incumbent on the Staff to ensure as much transparency as possible. Parties to this proceeding, as well as the public, must be able to understand both the direct costs and the Staff's calculation of the total net costs in order to offer substantive comments and exercise our rights to due process. In determining whether to approve nuclear subsidies as part of this case, the Commission also will need this information. We therefore request that Staff provide detailed information on its cost analysis for Tier 3, clearly breaking out direct costs of the program, including but not limited to projected nuclear operating cost estimates, constituent costs and their basis, and market revenue projections. Indirect costs and projected benefits must also be detailed and cited to provide a clear understanding of how Staff derived the total net costs presented in the Cost Study.

Operating Reserve Requirements

Grid reliability regulations require a reserve margin of available generation capacity to ensure that the unanticipated loss of generation units do not cause blackouts or other transmission system failures. The reserve margin is set relative to the largest projected contingency event on the system, often the loss of the largest single generation unit. This means that certain power plants, often fossil fuel-fired units, must be constantly operating on stand-by without generating electricity. This results in additional greenhouse gas emissions, beyond what is needed to generate sufficient power to meet electricity demand.

Nuclear reactors are often the largest units on the system, and therefore can play a significant role in setting the local operating reserve requirement. Even the smallest commercial reactors in operation have greater generation capacity than the average coal or gas-fired units. New York is no exception. Nine Mile Point 2 is the largest single generation unit in the NYCA, with a rated generation capacity of over 1,300 MW. The NYCA operating reserve margins is set relative to a projected contingency event of 1,310 MW, with total operating reserves of 2,620 MW. To the extent that nuclear reactors raise the operating reserve requirement, their operation entails greenhouse gas emissions that must be accounted for.

It is not clear whether DPS has evaluated this impact of Tier 3 – whether nuclear generation can entail significant greenhouse gas emissions, in addition to or regardless of emissions from the point-source of its operations. We request DPS provide any information or analysis it has conducted evaluating the role of nuclear generation in establishing the NYCA operating reserve requirements and resultant greenhouse gas emissions attributable to that role.

Sincerely,

/s/
Jessica Azulay Chasnoff
Program Director
Alliance for a Green Economy

/s/
Timothy Judson
Executive Director
Nuclear Information and Resource Service