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Comments

New York State
Public Service Commission

Case ~~03-E-1088~~

Proceeding on Motion of the Commission

03-E-0188

Regarding a Retail Renewable Portfolio Standard

**COMMENTS
OF
HORIZON WIND ENERGY
On SAPA Notice 03-E-1088SA14
DELIVERY REQUIREMENTS FOR
IMPORTS FROM INTERMITTENT GENERATORS**

I. Introduction

Horizon Wind Energy ("Horizon") is a wind energy development and operations company active throughout the United States. In the eastern USA, Horizon has a number of projects under development, construction and operation in the NYISO, ISO-NE and PJM control areas, including in New York the Madison Wind Farm (100% ownership) and Maple Ridge Wind Farm (50% ownership). Given Horizon's national portfolio of wind energy projects under development, our company has the ability to participate in the New York Retail Renewable Portfolio Standard (RPS) by bidding projects from within or from outside of New York. However, we feel that the interests of New York citizens, businesses and rate-payers are best served by NYSERDA contracting with New York-based renewable energy generators to the extent possible.

II. Economic Benefits of In-State Resources to New York State

Through SAPA Notice 03-E-0188A14, the Commission requests comments on potential changes to the current monthly “matching” criterion for imports from out-of-state intermittent generators as part of the New York State RPS Program. When discussing this issue, it is beneficial to reiterate the Commission’s stated objectives of the RPS for New York State:

- Fuel diversity
- Energy security
- Economic development
- Environmental benefits
- Promotion of competitive retail energy markets

Horizon’s experience has seen significant economic benefits (over \$10/MWh) in a defined region within the State resulting from royalties, PILOT payments, new construction and operating jobs, and the purchase of local goods and services that result from wind energy projects in that region. However, economic development across the entire State will also be enhanced by the energy security, fuel diversity and technology development that will result from projects located within State boundaries.

III. The Benefits of Hourly Scheduling

In order to ensure that all possible benefits from the RPS accrue to the State, NYSERDA should require that for any external resources participating in future RPS Program Main Tier solicitations, that those external resources should schedule their

energy hourly with the NYISO if they wish to receive payments from the New York RPS for the environmental attributes associated with that scheduled energy. Given the success of the RPS program thus far in encouraging companies to invest in developing projects across the State – to the point where NYSERDA can expect to see their upcoming auction oversubscribed by 250 percent – an hourly scheduling approach would ensure that New York ratepayers get attributes at the lowest price, and that the State receives the maximum benefits from its investment in purchasing clean, renewable energy.

As stated in Horizon's Nov. 7 comments on SAPA Notice 03-E-1088A10, and as noted by the Commission in this current SAPA Notice 03-E-1088A14, failure to amend the RPS Program's current monthly "matching" criterion for importing renewable generation could allow out-of-state generators to sell their energy into the spot market of the control area that they are located in without simultaneous transmission in the New York Control Area (NYCA), so long as an equal quantity of energy is transmitted out of the affected spot market into the NYCA during the same calendar month. This approach, will prevent New York ratepayers from gaining the maximum possible benefits from the RPS, and is not consistent with the RPS's stated goals of fuel diversity, economic development, and direct environmental benefits for New York State.

III. Hourly Scheduling Is Consistent with the Still- Developing Regional Marketplace

Horizon supports the Commission in its effort to work with neighboring control areas in order to create a more unified market where all ratepayers can enjoy equally in the benefits provided by clean energy resources. At this time, however, the specific

policy initiatives that encourage the use of renewable generation are found in disparate forms across states (and in some cases are non-existent).

Horizon believes that the impact of this program modification on wholesale energy markets will be positive in that out-of-state resources will behave more like in-state resources. Just as in-state intermittent resources will bid low in order to ensure they are dispatched when generating, out-of-state resources will likely do the same to ensure they meet the hourly matching requirement. This would result in the same reduction in wholesale prices as caused by in-state generation (depending on what fuel is on the margin). With the current monthly matching requirement, out-of-state generators have a disproportionate flexibility when entering into financial contracts to show delivery into New York. New York resources must bid their generation into the NYISO-operated markets; out-of-state resources should be expected to do the same.

IV. Conclusion

The New York State RPS has been successful in attracting and encouraging significant renewable energy investment in the State at a time when the price for all fossil fuels has been increasing and volatile. In order to ensure that investment in the renewable energy market in New York continues, Horizon believes that the Commission must carefully consider the tremendous benefits that would accrue to the State from encouraging the generation of renewable energy by in-state resources. In Horizon's view, the best way to maximize these benefits to New York State and to the New York ratepayers who fund the RPS Program is to implement a system requiring the hourly scheduling of imported renewable energy generation from out-of-state resources. In addition to maximizing the economic, environmental, and energy security benefits

accruing to New York State, such a system would also be consistent with the import delivery requirements of neighboring control areas, thus furthering progress towards the creation of a robust regional renewable energy market.

Horizon Wind Energy very much appreciates the opportunity to submit the above comments.

Respectfully Submitted,



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March 27, 2006
Albany, NY