The Honorable Kathleen H. Burgess
Secretary to the Commission
NYS Public Service Commission
Agency Building 3
Empire State Plaza
Albany, NY 12223-1350

12 August, 2015

Via email at: secretary@dps.ny.gov and rps@dps.ny.gov

RE: Case Number: 03-E-0188 Proceeding on the Motion of the Commission Regarding a Retail Renewable Portfolio Standard

Dear Secretary Burgess:

Iberdrola Renewables, LLC submits the following comments regarding the Proceeding on the Motion of the Commission Regarding a Retail Renewable Portfolio Standard. Iberdrola Renewables, LLC ("Iberdrola Renewables") is a subsidiary of Iberdrola USA. Iberdrola Renewables is engaged, directly and through its subsidiaries and affiliates, in the development of wind and thermal energy facilities, natural gas and electric marketing, gas storage and hub services, and in providing other energy services. Iberdrola Renewables, with its affiliates and subsidiaries, is the second leading developer and operator of wind energy projects in the United States, with approximately 5,700 MW of wind energy generating capacity. Iberdrola Renewables, as a subsidiary of Iberdrola USA, is an affiliate of NYSEG and RG&E.

Iberdrola Renewables owns and operates the 74 MW Hardscrabble Wind Farm in Herkimer County and the 321 MW Maple Ridge Wind Farm with our joint venture partner, EDP Renewables, in Lewis County. Each of these projects has a NYSERDA REC contract. In addition, the company has approximately 500 MW of wind farms under development in

New York.

Iberdrola Renewables appreciates the opportunity to submit these comments. Please contact Eric Thumma at ethumma@iberdrolaren.com or 484-680-9085 to discuss these comments in more detail.

Introduction

Iberdrola Renewables thanks NYSERDA for the tremendous effort preparing and publishing the Large Scale Renewables ("LSR") option paper. The LSR options paper is comprehensive and covers just about all of the issues vital for the continued support of LSR resources (but for transmission upgrades/expansion, although we note this is another proceeding). Iberdrola Renewables is especially pleased that the options paper recognizes the importance of long-term contracts for energy and RECs and notes the potential challenges facing legacy resources. Iberdrola Renewables comments cover the following topics:

1. Importance of Bundled Contracting
2. Procurement Continuity and Timing
3. Production Tax Credits Impacts on Procurement Volumes and Timing
4. Role of Affiliate Generation Ownership
5. Importance of Transmission Upgrades and Expansion
6. Legacy LSR Resources

Importance of Bundled Contracting

Iberdrola Renewables affirms NYSERDA's findings in the options paper that bundled long-term contracts (contracts for energy and RECs) will be substantially more cost effective than the current REC only procurement structure. According to the paper's economic modeling results one example of bundled PPA's can lead to an \$11-\$12/MWh reduction in the cost premium.[1] The paper also rightly points out that the REC-only model provides no opportunity for electricity customers to benefit from renewables' long-term price certainty since the REC-

[1] "Large-Scale Renewable Energy Development in New York: Options and Assessment: p. 20

only product does not provide an opportunity for consumers to benefit from fixed price renewable energy. Wholesale power prices have historically displayed substantial price volatility over time; long-term, fixed-price renewable contracts provide a valuable hedge against such volatility. As a result, Iberdrola Renewables recommends bundled long-term contracts as the procurement option beginning in 2017 to encourage large-scale renewables after the final 2016 REC-only solicitation.

Recommendation: NYSERDA and the PSC should immediately begin the process of developing the most beneficial and appropriate bundled long-term contracting option.

Procurement Continuity and Timing

The final main tier REC-only procurement is scheduled for 2016. It is imperative to implement a program to support LSR resources immediately following the culmination of the final REC-only procurement. Developers will be identifying where to commit limited resources and investments and LSR resources will be imperiled if developers are uncertain whether additional contracting opportunities will be offered immediately post-2016 or even if the timing of those contracting opportunities is unknown or delayed well beyond 2017.

Recommendation: NYSERDA should commit to a 2017 bundled long-term solicitation so that developers can maintain financial commitments to their project development pipelines in anticipation of further near-term contracting opportunities.

Production Tax Credit Impacts on Procurement Volumes and Timing

The existence of the federal production tax credit ("PTC") impacts the cost of renewable energy projects. Projects which can take advantage of the PTC will be meaningfully more cost effective, all other things being equal, than projects which are not able to qualify for the PTC. While it is impossible to predict whether or when the PTC will be extended, it seems reasonable that future extensions may be for a limited time period. As a result, NYSERDA should proceed with flexibility in setting annual procurements to maximize the opportunity to take advantage of the production tax credit. This may mean that, contrary to the analysis in the options paper, early-year procurement volumes should be higher than latter years' procurement volumes in order to take fuller advantage of PTC certainty.

Recommendation: Long-term bundled procurement volumes/spending should be maximized in years in which the PTC is available. Additionally, NYSERDA and the PSC must ensure that the timing of procurements when the PTC is available is sufficient to maximize PTC opportunities.

Role of Affiliate Generation Ownership

Iberdrola Renewables, LLC owns and operates two wind energy projects in New York: the Maple Ridge Wind Farm in Lewis County as a joint venture with EDP Renewables and the Hardscrabble Wind Farm in Herkimer County. The company's successful ownership and operation of these wind farms demonstrates that affiliate ownership of variable generation enhances renewable energy competition in New York and is consistent with the state's restructured electricity market. A number of states with restructured power markets, including Illinois, Ohio, Pennsylvania, and Maryland, allow utility affiliates to own and operate generation resources, including variable generation.

Recommendation: the successful status quo allowing utility affiliates to own and operate variable generation should be maintained as part of any post-2016 LSR procurement program.

Importance of Transmission Upgrades and Expansion

The options paper posits additional LSR investments (between 1.1 GW and 3.4 GW) and the State Energy Plan sets a target of 50% renewable energy. Additional transmission upgrades and expansion can more cost-effectively facilitate these renewable energy objectives. Transmission upgrades which not only facilitate renewables integration, but improve reliability, and reduce congestion can provide multiple benefits to electricity customers which outweigh their costs. While transmission is being addressed through separate proceedings it is essential that the LSR proceeding inform transmission planning and vice versa.

Recommendation: the PSC and NYSERDA should ensure that transmission planning proceedings are considering the objectives of the LSR options paper and State Energy Plan renewable energy goals.

<u>Legacy LSR Resources</u>

Iberdrola Renewables affirms that support for legacy LSR resources is an important issue and it was appropriate for NYSERDA to raise this issue in the options paper.

<u>Recommendation</u>: NYSERDA should solicit input from stakeholders on potential models to support legacy LSR resources and present a legacy resources options paper for discussion with stakeholders.

<u>Conclusion</u>

Iberdrola Renewables, LLC thanks the PSC for the opportunity to provide these comments. We look forward to continuing to help New York achieve its large-scale renewable energy goals. Clarifying questions on these comments may be directed to Eric Thumma, Director of Policy and Regulatory Affairs at ethumma@iberdrolaren.com or 484-680-905.

Respectfully Submitted,

Eric Thumma
Director Policy and Regulatory Affairs