

NEW YORK STATE
PUBLIC SERVICE COMMISSION

Case 15-E-0302 Proceeding on Motion of the Commission to Implement a Large-Scale
Renewable Program and Clean Energy Standard

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I. Introduction

National Grid Ventures (“NGV”) respectfully submits these comments on the *Draft Clean Energy Standard Biennial Review* (“CES Review”) issued on July 1, 2024.¹ NGV is a competitive division that operates outside of National Grid’s core business in the United States and United Kingdom. NGV develops, operates, and invests in energy projects, technologies, and partnerships to accelerate the development of a reliable, clean energy future. Our portfolio in the US includes offshore wind, solar, storage, and transmission to deliver renewable energy to homes and businesses in the Northeast. We also operate thirteen generation sites across Long Island, NY to provide reliable power during periods of high demand when needed and an LNG facility in Providence, RI that maintains a reserve of gas for when more heat is needed on the coldest days. In addition to NGV, National Grid also owns and operates regulated utilities in the Northeast US. These comments are specific to NGV’s interests; National Grid’s core business as a regulated utility is filing comments separately (as part of the Joint Utilities of NY).

NGV is greatly supportive of the goals of the Climate Leadership and Community Protection Act (“CLCPA” or “the Climate Act”) and encourages DPS and NYSERDA to take the actions and make the investments necessary to reach those goals, in particular its components related to offshore wind and its attendant transmission. We are supportive of the reforms considered in the biennial report and encourage DPS and NYSERDA to continue to evaluate opportunities to increase flexibility and reduce complexity in its procurement processes in an effort to deliver the greatest value for ratepayers and efficiently meet the state’s climate goals.

In particular, NGV supports proposed reforms to the relative weight of price vs. non-price factors in evaluating project bids. We additionally support, within certain parameters, providing DPS and NYSERDA with flexibility to adjust strike prices for awarded but not yet constructed projects and during the life of contracts, as well as commercial operation milestone dates, in the event of unforeseen circumstances beyond developers’ control. Further, NGV supports the option of extending the tenor of OREC purchase contracts to align more closely with contracts in nearby states as well as improvements in today’s technology. We also encourage NYSERDA to revisit consideration of “Market OREC” or perfect hedge OREC options, such as a true “Contract-for-Difference” (“CfD”) model.² Last, NGV supports exploring the usefulness of Renewable Energy Zones (REZs) in meeting New York’s climate goals, though we share NYSERDA’s view that this approach would raise many questions that would need to be answered before implementation.

¹ New York State Department of Public Service, NYSERDA (2024). *Draft Clean Energy Standard Biennial Review*

² CfD is a financial agreement between a buyer and a seller where the buyer pays the seller the difference, if any, between the market price at a given time and a set value. Under the CfD, payments can flow from seller to buyer, and vice versa. Such structures ensure stable revenues at a pre-agreed level for the duration of the contract and protect consumers from paying increased support costs when market prices are high.

Additionally, though not the explicit subject of this report, NGV applauds New York State's recognition of the importance of investing in transmission and supports the State's passage of the Renewable Action through Project Interconnection and Deployment ("RAPID") Act as well as the continued deployment of NYISO's Public Policy Transmission Need process.

NGV has and will continue to fully support the State's climate goals and implementation of the Climate Act. Reducing the electric sector emissions that contribute to climate change is part of our own corporate sustainability commitment, which includes achieving net zero by 2050 for Scopes 1, 2, and 3 emissions.³ The energy transition is necessary but not easy, and the hurdles that are preventing New York from meeting the goal of 70 percent renewable energy by 2030 are real and not easily overcome. Therefore, assets like NGV's dual fuel plants on Long Island remain critical to ensuring reliability and resource adequacy, especially as the State faces more severe weather events. At every stage of the energy transition, reliability must be paramount. For this reason, all options should be considered as the State works to develop the dispatchable emission free resources needed to complement the current portfolio of renewables being procured through the Clean Energy Standard.

II. The Path to the 70% Goal – Offshore Wind

These comments are made primarily with offshore wind resources, and the necessary accompanying transmission, in mind. NGV wants to reiterate the importance of offshore wind to meeting the goals of the Climate Act and encourages DPS and NYSERDA to take the actions and make the investments necessary to achieve its specific offshore wind goals. The State's goal of 9,000MW of offshore wind energy by 2035 is a significant and imperative portion of the additional buildout of renewable generation required for the state to meet the goal of 70% of New York State's electricity coming from renewable sources. The goal will be challenging to meet, but entering into additional effective procurement processes for as much offshore wind as possible sooner rather than later will maximize New York's ability to serve demand for clean energy in as cost-effective manner as possible. We therefore support the CES Review's recommendation that NYSERDA and DPS Staff be given the authority to seek more than 9 GW of offshore wind.⁴

³ National Grid (2023), p 12. *Delivering the Energy Transition Now: Responsible Business Report 2023/24*.
<https://www.nationalgrid.com/sites/default/files/documents/2024-05/r-b-r23-24.htm>

⁴ CES Review, p. 61

III. CES Reform Options

NGV welcomes the CES Review's discussion of potential reforms to procurement given the need to accelerate the State's development of renewable resources in order to meet Climate Act goals. The comments below reflect NGV's views on the options proposed by the CES Review in Section Six. The Review mainly discusses Tier 1 RECs, though we strongly urge that these considerations apply to offshore wind as well.

A. Relative Weight of Price vs Non-Price Factors

NGV agrees with the report's finding that "the apparent least cost projects may not always be financially viable projects, while projects with a better balance across all attributes may provide greater value for the State's ratepayers"⁵ and believes adjustments to the relative weight of price versus non-price components in scoring bids is appropriate. We believe the current weighting undervalues the benefits to consumers of non-price factors, and concur that a higher weighting for "viability, operational flexibility, and peak coincidence"⁶ would lead to the selection of projects with greater value and help ensure the projects chosen are ultimately constructed.

Of the three options DPS and NYSERDA provide for consideration, NGV favors Option (i), reducing the 70 percent accorded to price, as the option most likely to improve the selection of viable projects. A decreased emphasis on price and an increased emphasis on deliverability and viability criteria, as well as an ability to advance permitting with communities and other stakeholders in mind, would reduce project attrition, thereby improving New York's ability to procure sufficient capacity to achieve its targets and ensure that contracted projects will be built. Furthermore, prioritizing those projects able to deliver energy where it is most needed to meet load and contribute to resource adequacy will provide benefits that are reflected in consumer prices and in improved grid reliability. Consideration of deliverability also could support coordination with transmission investments made to facilitate bringing renewables online. Option (i) also seems to be a simpler and more transparent approach than Option (ii)⁷ and a more effective choice than Option (iii)⁸.

B. Strike Price Adjusters for Awarded but not yet Constructed Projects

The CES Review requests comment on providing NYSERDA and DPS with the flexibility to provide strike price adjusters to awarded but not yet constructed projects due to unforeseen and/or uncontrollable events, as has been done with the Inflation Adjustment and

⁵ CES Review, p. 65

⁶ CES Review, p. 65

⁷ Expand the definition of cost component beyond bid price, i.e. reform what constitutes that 70%.

⁸ Re-allocate points within the 20% component of Project Viability, Operational Flexibility, and Peak Coincidence, such that greater weighting within this portion would be given to attributes that reflect more mature projects.

Interconnection Cost Adjustment mechanisms introduced in ORECRFP22-1.⁹ Inclusion of such adjusters can provide ratepayer benefits by mitigating the risk premium that would otherwise be included in bids, and Commission acknowledgement of the usefulness of adjusters for future unforeseen circumstances would be welcome.

Acknowledging the need for flexibility to apply adjusters would provide NYSERDA with the needed authority to respond to unforeseen impacts on projects stemming from macroeconomic factors beyond any one project's control. As the CES Review notes, the timeline for project development, bid submission through contracting, engineering and then permitting, all prior to locking in construction costs can be quite lengthy. The recent experience with changing macroeconomic conditions and the rebidding process needed to replace unviable projects clearly illustrated the impact of unforeseen circumstances. This wastes valuable time, may encourage unrealistic bids or cause bids to include substantial risk premia, can be disruptive to all parties and can lead to higher costs. The ability to adjust strike prices for awarded projects could prevent the need for a rebid process at higher prices. While we support the Commission authorizing the use of these adjusters, that flexibility need not be devoid of certain parameters and/or Commission oversight and approval to ensure ratepayers are protected from unreasonable costs. Judicious use of adjusters could provide benefits to both developers and ratepayers and is not incompatible with competitive procurements.

C. Strike Price Adjusters During the Life of the Contract

Strike price adjusters adopted for awarded but not yet constructed projects can mitigate risk and support bringing projects online. To further mitigate risks, and bring down bid prices, the CES Review also posits that allowing adjustments to the strike price during the life of the contract, e.g., for changes in O&M costs, could similarly reduce the risk premia built into bid prices and more closely correlate contract prices with the actual costs incurred by operating projects. NGV agrees this option is worth further exploration.

D. OREC Purchase Contract Tenor

NGV supports the option to select a longer tenor for OREC Purchase Contracts. A longer tenor would spread ratepayer costs out over a longer timeframe, while providing longer certainty of capacity for the NYISO as well as New York's renewable energy goals. This option would better align contracts to the lifespans of the turbines, which have lengthened as technology has improved. Moreover, an increase to 30 years would bring New York into alignment with New Jersey, Connecticut, and Rhode Island, while Massachusetts is considering a similar measure.¹⁰

⁹ NYSERDA. (2023, July 27). Purchase of Offshore Wind Renewable Energy Certificates: Request for Proposals [ORECRFP22-1](#), Sec. 4.2.2

¹⁰ CES Review, p. 74

E. Commercial Operation Milestone Deadlines and Extensions

NGV supports flexibility in determining commercial operation milestone dates (“COMDs”) as a way to reduce risk, acknowledge the uncertainties impacting project development, and therefore result in the cancellation of fewer projects. This change would align with increasing OREC contracts’ outer limit date extension allowances (i.e. the backstop date upon which the Contract Delivery Term ends regardless of whether the full Contract Tenor has elapsed) to similarly allow NYSERDA and developers greater flexibility to weather delays outside of a developers’ control. This also aligns with the change made in NYSERDA’s recent offshore wind solicitation (“NY5”) to allow outer limit date extension for delays in development that NYSERDA determines are outside of developers’ control.

NYSERDA should take into consideration NYISO’s compliance filing¹¹ under FERC Order 2023 for revisions to interconnection procedures. Alignment with the milestone dates and timelines used by the NYISO would help project development, as meeting both the NYISO and NYSERDA contract provision are necessary for a project to successfully complete construction and interconnection.

As the CES Review notes,¹² federal permitting may be a limiting factor on project timelines. Supply chain and workforce constraints also are impacting the industry and may continue to do so or recur over time. NGV appreciates the attention New York has paid to these constraints and New York’s support for building domestic supply chain capacity and a trained in-state offshore wind workforce. These efforts should help projects meet timelines; however, domestic supply chains are far from mature and may experience their own hurdles. Flexibility in COMDs would be helpful in overcoming these significant hurdles to timely project construction.

F. Changes to Indexed REC/OREC Methodology

NGV supports NYSERDA in building on its recent experience with settling Index REC contracts and supports changes to the current Index REC settlement structure. In particular, we encourage re-consideration of “Market OREC” or perfect hedge OREC options. New York State should consider replacing the existing Index OREC contracting structure with a true Contract-for-Difference model, under which monthly OREC payments to generators would be calculated as the strike price less the actual energy and capacity market revenues realized by generators

¹¹ New York Independent System Operator (2024). *Re: New York Independent System Operator, Inc.’s Compliance Filing for Order No. 2023 and Order No. 2023-A; Conditional Request for Prospective Waivers*; Docket No. ER24-000

¹² CES Review, p. 40

(i.e., a "perfect hedge"). NYSERDA's own 2018 analysis found that a perfect hedge would result in lower procurement costs than the Index OREC approach.¹³

The current Index OREC structure that relies on average zonal prices provides an imperfect hedge. If New York State concludes that a true CfD model is not a viable option at this time, we urge NYSERDA, at minimum, to enhance the hedge quality of the current structure, by considering an energy price index that is (i) at the nodal level and/or (ii) production-dependent. Implementation of either or both changes effectively mitigates the impact of topology changes, like the NYC PPTN, on risks, enabling offshore wind developers to reduce the risk premia included in bid prices.

G. Renewable Energy Zones

Regarding Renewable Energy Zones (REZs), NGV supports exploring the usefulness of the approach to meet New York's climate goals. We share NYSERDA's view that many questions would need to be considered, and answered, before implementation.¹⁴ The adoption of Renewable Energy Zones could and should be coordinated with existing planning processes, including the Coordinated Grid Planning Process, but also should preserve opportunities for competitive transmission projects. We also note that the establishment of Renewable Energy Zones will take time and will not be a near-term solution to the State's current deficiencies relative to State goals. The procurement changes discussed above are still imperative and more likely to produce (relatively) near-term results.

IV. Other Important Policy Considerations

A. Transmission

The CES Review does not focus on transmission but does discuss the need for significant investment in transmission and the progress made to date through public policy and project development by the investor-owned utilities and competitive transmission developers such as NGV. NGV believes the most cost-effective projects, and therefore the best approach to meeting the State's clean energy goals, are dependent on continued investment in transmission. We are glad that New York State recognizes the importance of making these investments and support the State's passage of the RAPID Act to make necessary infrastructure investments on expedited timeframes.¹⁵

¹³ Offshore Wind Policy Options Paper (2018), p. 41, Figure 2: Procurement options summary evaluation <https://www.nyserra.ny.gov/-/media/Project/Nyserda/Files/Publications/Research/Biomass-Solar-Wind/Master-Plan/Offshore-Wind-Policy-Options-Paper.pdf>

¹⁴ CES Review p. 77

¹⁵ CES report p. 18

We also express support for the continued deployment of the NYISO's Public Policy Transmission Need ("PPTN") process, which, to date, has successfully delivered two projects and has awarded a third to relieve congestion and unbottle renewables. To this end, NGV will submit comments in the 2024 PPTN Stakeholder Process and encourages continued DPS engagement in this process.

1. Offshore Transmission

Despite the investments made to date and the projects in development, further work and coordination is needed between New York State, offshore wind developers, and transmission/PPTN developers to ensure successful and efficient integration of offshore wind and coordinated transmission solutions. Examples include coordination of project timing, mitigation of project-on-project risk, and optimizing the ability of PPTN and offshore wind project(s) to access federal Investment Tax Credits. This could be done through coordination of offshore wind solicitation and award timing with NYC PPTN selection and development milestones if those solicitations require the use of PPTN. To further mitigate project-on-project risk, NYSERDA and DPS could explore measures like explicitly allowing no-penalty outer limit date contract milestone extensions, or lost revenue recovery mechanisms for offshore wind developers if delays or changes are due to PPTN development.

V. Conclusion

National Grid Ventures is greatly supportive of the goals of the CLCPA and encourages DPS and NYSERDA to take the actions and make the investments necessary to reach those goals. NGV finds many of the reforms proposed in the CES Review apply broadly to offshore wind procurement and are worthy of further evaluation. With careful implementation, these reforms could aid New York State in reaching its goals. We hope that DPS and NYSERDA will carefully consider the comments submitted herein.