



June 6, 2016

The New York Solar Energy Industries Association (NYSEIA) respectfully submits the following comments and recommendations on the Clean Energy Standard (CES) Cost Study in the Matter “The Implementation of a Large Scale Renewable Program and a Clean Energy Standard” (Case Number 15-E0302). In addition to supporting CES Cost Study reply comments submitted by the Alliance for Clean Energy New York (ACE-NY), NYSEIA submits the following recommendations. NYSEIA has centered these comments around four key areas, which NYSEIA believes are critical to successfully achieving the CES mandate and bringing large-scale renewables online. The four areas, outlined below, strongly urge the incorporation of incremental, proactive program targets that, if implemented, will maximize the value of existing state and federal incentive programs; highlight the importance of building a solar sub tier into the CES, outline the value of long-term PPA agreements; and urge extreme caution when considering Utility Owned Generation as there may be unforeseen issues and costs if electric utilities are permitted to own their own generation. NYSEIA would like to thank the Public Service Commission and Department of Public Service staff for the work put into the CES and accompanying CES Cost Study, which will serve to move New York towards a cleaner, more resilient and more affordable energy future. We appreciate the opportunity to share our views on this important matter and we look forward to the next steps in this proceeding.

Interim CES targets should be set now all the way through 2030, and should be more front-loaded to follow the successful best practice of other states like California and reduce the cost of the CES by utilizing existing federal incentives

As highlighted in our CES whitepaper comments and as other parties such as ACE-NY et al. emphasized in their reply comments¹, NYSEIA recommends that the program targets should be set now through the 2030 goal and further frontloaded. We want to emphasize both points again here with some additional support in the context of the CES Cost Study, as we think this is absolutely critical to the success of the program and to delivering large scale renewable energy to New York in the most cost effective manner possible.

First, setting targets regularly through 2030 is essential for creating the necessary stable and certain regulatory environment for large projects to be developed and financed. This approach also follows that of other very successful state renewable energy portfolio standards (RPS), most

¹ Reply Comments of the Alliance for Clean Energy New York, Solar Energy Industries Association, American Wind Energy Association, Advanced Energy Economy Institute, and Northeast Clean Energy Council, and Vote Solar, May 13, 2016

notably California, which has lead the country and exceeded its RPS goals so far. For example, in California's latest RPS program update, which has a similar 50% renewable electricity by 2030 goal as New York, California requires 25% renewable electricity by the end of 2016, 33% by the end of 2020, 40% by the end of 2024, 45% by the end of 2027, and 50% by the end of 2030 (with no less than 50% in each year after that)². Like California's approach, the interim targets do not need to be annual, but setting them in 3 or 4 year increments seems to provide a clear signal to the market and yet not be over prescriptive.

Next, it is very important that these targets be more front-loaded than currently proposed. The CES Cost Study notes that 2020 represents the first year of large scale renewable project deployment under the CES, and NYSEIA is very concerned that this timing is too slow to be optimally effective. Increased CES targets in 2017 through 2023 would reduce costs for New Yorkers by enabling large-scale renewable energy projects to take advantage of the existing federal tax incentives (which are set to be significantly reduced at the end of 2020-2023 - the exact year depending on the technology), and would spur markets now in order to achieve the state's important goals as quickly as possible and in line with the timeframe's of other leading states.

Concerning the lower cost that earlier deployment would bring for solar specifically, utilizing the 30% federal investment tax credit (ITC) available to large-scale solar projects coming online through 2023 would result in the lowest possible cost to New Yorkers. As structured, the CES would leave the money available through this and other federal tax incentives on the table, a disservice to ratepayers. The CES Cost Study itself explicitly outlines the considerable value of the existing federal ITC and production tax credit (PTC) in promoting renewable development. In fact, specifically the Cost Study states that the projections "demonstrate the significance of these tax credits, and add[s] another argument to the urgency of taking forward the CES program in the near term while the tax credits continue to be available."³ However, the CES interim targets do not reflect this advice as they are currently structured.

Finally concerning the importance of frontloading the CES targets for achieving the state's goals and keeping pace with other leading states, the CES target for 2020 in the Staff Whitepaper is proposed as 29.5% of New York's electricity consumption coming from renewable sources. As we are starting with approximately 26% of New York's electricity currently from renewable sources, this is only a 3.5% increase in the next four and a half years. As mentioned above, California's goal for the same time period – the end of 2020 – is to have 33% renewable electricity. In addition, California's RPS program is significantly more conservative than New York's in that it does not currently count large hydroelectric facilities greater than 30 MW, net-metered solar, or electric efficiency reductions towards its goal⁴. In contrast, New York has proposed to count all of its hydroelectric facilities - which currently provide 22% of New York's electricity consumption - towards the CES goal (although only proposing to incentivize small

² DSIRE – CA Renewables Portfolio Standard Program Overview - <http://programs.dsireusa.org/system/program/detail/840>

³ CES White Paper – Cost Study, pg 79

⁴ CPUC Guidebook – Renewables Portfolio Standard Eligibility Eighth Edition - <http://www.energy.ca.gov/2015publications/CEC-300-2015-001/CEC-300-2015-001-ED8-CMF.pdf>

hydro facilities with no new storage impoundment), as well as to count over 2,688 MW of net-metered solar and 35,627 GWh of additional energy efficiency being achieved in the state by 2030. All of this means that New York's target is significantly less ambitious than California's, and in conjunction with the above loss of the federal tax incentives, supports our request that New York set more aggressive interim CES targets, especially for 2017 through 2023.

In summary, setting interim targets regularly through 2030 and increasing the early-mid CES targets would serve to: reduce overall program costs by leveraging complimentary federal tax incentives, better position New York to meet the 50% by 2030 target by supporting the growth of the new important large scale solar market, and ensure New York keeps pace with other leading states.

A solar sub-tier within tier 1 is needed to ensure large-scale solar deployment and would benefit New York

Over the past 12 years and 11 solicitations, the current RPS Main Tier program has failed to spur investment in large scale solar. Given the importance of large-scale solar to meeting New York's clean energy goals, its grid and cost benefits (including its daytime operation reducing peak load, siting close to load, and lower cost/W than distributed solar), its safeguarding of healthy competition between technologies in the CES under any cost projection scenario (as the cost study highlights technology and price competition as essential to reducing the total cost of the CES), its local economic benefits, and the general health and societal benefits it would provide for all New Yorkers, this situation needs to be addressed and not repeated in the CES.

This being said, the CES Cost Study does not show a significant deployment of large-scale solar in its base case. In fact, the base case projection as discussed in Section 2 of the Cost Study does not show any utility scale solar coming online until 2021 and then it only expects 124 MW to be completed through 2023⁵. Instead it suggests that the main large-scale technology to be deployed between now and 2023 continues to only be land-based wind. While NYSEIA understands that this is just a potential model, we are very concerned about the implications of such a slow deployment of large scale solar for the state's clean energy goals, the cost of those goals (as discussed above), the loss of potential grid benefits from a more diversified mix of large-scale renewables with differing types of intermittency, and the missed opportunity to provide other economic and environmental benefits to New Yorkers.

As New York continues to lag behind both neighboring states and the leading states nationally in the deployment of large-scale solar, and New York will need a mix of distributed solar and large-scale solar to meet its CES goals, a subtier carve out for solar within Tier 1 of the proposed CES to ensure large-scale solar development seems very prudent and necessary.

⁵ CES White Paper - Cost Study pg 34-35

Long term bundled PPAs should comprise over 50% of Tier 1 procurement in the CES because of their effectiveness, minimal risk, and likely benefits

As several parties responded to the concerns of the NYISO, IPPNY, and others in reply comments, long-term fixed REC only contracts are an essential minimum requirement for securing renewable energy financing, but long-term bundled PPA's offer additional benefits not available through REC procurement only. Thus, NYSEIA strongly recommends that PPAs comprise a significant portion of Tier 1 procurement.

Specifically, in line with the base case of 50% PPAs modeled in the CES Cost Study⁶, a requirement for 50% or more of 20 year bundled PPAs to be used for Tier 1 procurement would provide developers with increased ability to finance and construct large-scale utility projects while also benefiting ratepayers. While PPAs do expose ratepayers to some risk associated with fluctuating energy commodity prices in the wholesale market, fixed REC only contracts also expose ratepayers to potential cost increases, and fixed REC only contracts do not offer the support for project financing and development and associated reduction in costs that PPAs do. In addition, as the CES Cost Study notes, the higher energy prices expected in the future would also result in lower Tier 1 program PPA costs, "since program payments would need to compensate for a smaller revenue gap between commodity revenue and required project returns". NYSEIA members' experiences in other states strongly concur with the CES Cost Study's conclusions that long-term PPAs are likely to have the lowest cost impact on New Yorkers⁷ and that in fact Tier 1 procurement using 100% PPAs would likely result in the greatest benefit to New Yorkers.

Finally, NYSEIA also agrees with the detailed arguments shared in the Supplemental CES reply comments filed by CEOC that PPAs are absolutely legally allowed and consistent with the recent Supreme Court ruling in *Hughes v. Talen Energy Marketing, LLC.* and the Federal Power Act⁸. While this case can guide the structuring of New York's program, it should not provide any issue with New York's use of long-term PPAs for procurement.

Utility owned generation would be a step backward

NYSEIA would like to reinforce the importance of prohibiting Utility Owned Generation (UOG). The separation of distribution and other services from generation in New York created the opportunity to grow a dynamic distributed energy market. UOG as part of the CES would reduce competition and discourage the innovation we need to reach our goal. NYSEIA urges the Commission to prioritize other avenues to large scale solar deployment including those outlined in other sections of these comments in order to protect customer choice and market competitiveness as we implement the CES.

⁶ CES White Paper - Cost Study, pg 33

⁷ CES White Paper - Cost Study, pg 50

⁸ Supplemental Reply Comments of Acadia Center, Environmental Advocates of New York, Natural Resources Defense Council, and Pace Energy and Climate Center, May 13, 2016

References to the possibility of utility owned generation in both the CES Staff White Paper and Cost Study are cause for concern. NYSEIA asserts that utility owned generation offers little, if any, potential benefit to ratepayers, when compared with potential drawbacks. UOG would create market conditions that are likely to discourage private investment in New York. The problems with vertical integration – insufficient oversight, utility bias, and loss of market competition chief among them – are well understood in New York. Additionally, a conflict of interest is inherent in the context of the current standardized interconnection requirements, as utilities serve a decision-making role in approving third party projects for grid interconnection. Further, utility ownership unnecessarily increases the utility rate-base, increasing costs for consumers and places an unnecessary risk on ratepayers if a project were to underperform. Third-party-owned generation is shown in NYSERDA’s analysis to be more cost effective without placing risk on ratepayers. Allowing utility ownership is in direct conflict with the REV proceeding.

We appreciate the opportunity to submit these comments and look forward to continuing to work with DPS Staff, the Commission, the Utilities, NYSERDA and other stakeholders.

Respectfully submitted,

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