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Proceeding In the Matter of the Implementation	)	Case 15-E-0302
of a Large-Scale Renewable Program	)	
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Brookfield Renewable Energy Group (“Brookfield Renewable”), respectfully submits the following reply comments in response to the various initial party comments related to the Public Service Commission’s (“Commission”) June 1, 2015 Order in this docket.¹ As stated in more detail in its initial comments, Brookfield Renewable supports the re-examination of the treatment of large-scale renewable projects, both legacy projects and new projects, and suggests a number of measures to ensure the continued operation of Large-Scale Renewable (“LSR”) projects. In particular, Brookfield Renewable agrees with parties who recommend inclusion of legacy and new LSR in revamped programs, who support long-term Power Purchase Agreements (“PPAs”) with credit-worthy entities to support LSRs, and with those parties who identify the need for the Commission to adopt binding targets consistent with and scalable to the targets in the State Energy Plan.

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1. Any LSR program should properly define and include legacy LSR projects as well as new LSR projects.

There appears to be some difference of terminology among commenters with respect to “legacy” versus “vintage” LSRs and what this category should include. Brookfield Renewable respectfully suggests that “legacy LSRs” should include all existing privately owned renewable resources, regardless of their vintage or which LSR programs they currently participate in. As was expanded on in our initial comments, it is critical that legacy LSRs include all existing renewable generation in a non-discriminatory way in order to ensure long-term retention of these resources. Without long-term and sustainable value recognition of such broadly defined legacy LSRs, private owners could be encouraged to allow this generation to lapse from the New York grid, whether through decommissioning over time or via out-of-state sales to have other states meet their state or federal environmental goals, which are already becoming evident. Projects should be included regardless of location, so long as the project can deliver energy into New York. As pointed out by HQ Energy (US), “By excluding renewable resources from neighboring regions from participating in the program New York is forced to rely on a smaller pool of potential resources, resulting in higher program costs.”²

Numerous parties support the proposition that legacy LSRs should play an integral role in any restructured LSR program, agreeing in principle that New York should maintain clean resources and their associated renewable energy credits (“REC”s) to meet current and future state, regional and federal policy objectives for greenhouse gas emission reductions. Brookfield

² Case 15-E-0302, H.Q. Energy Services, Inc., *Comments of H.Q. Energy Services Inc.*, Filing No. 61, at 2 (Aug. 12, 2015).

Renewable agrees with the comments of ReEnergy Holdings LLC,³ Doosan Fuel Cell America, Inc., (arguing that a successful LSR program should include consideration of new and “existing” LSRs),⁴ the Clean Energy Organizations Coalition, EDP Renewables, and the Renewable Energy Industry group,⁵ all of whom support the inclusion of legacy LSR in the new programs.

2. The Commission should create binding, measurable targets for LSR as a percentage of load.

In 2015, the New York State Energy Plan (“SEP”)⁶ established ambitious and laudable targets for the State’s energy resources. Specifically, it set a goal that 50% of the electricity consumed in the state would be derived from renewable resources by 2030. Numerous parties, however, have urged the Commission to adopt this goal as its own through an Order and also to set specific targets as a percentage of load in a more granular, transparent manner that allows the State to measure success against its ultimate goals. Percentage targets have the added benefit of providing more certainty of demand for LSR suppliers.

In particular, the Renewable Energy Industry indicates:

“A clear, target-driven renewable energy policy has proven successful in other states. This type of approach is competitive and market-driven, and stimulates private sector investment to achieve a clean energy future, all characteristics reflected in the principles of New York’s State Energy Plan. The targets specified for the new LSR Program should

³ Case 15-E-0302, ReEnergy Holdings LLC, *LSR White Paper Comments*, Filing No. 18, at 7 (Aug. 12, 2015) (“ReEnergy Comments”).

⁴ Case 15-E-0302, Doosan Fuel Cell America, Inc., *Large-Scale Renewable Program Comments*, Filing No. 56, at 2 (Aug. 12, 2015).

⁵ The Renewable Energy Industry Group includes the Alliance for Clean Energy New York, American Wind Energy Association, Advanced Energy Economy Institute, Solar Energy Industries Association, New York Solar Energy Industries Association, and the New England Clean Energy Council. Case 15-E-0302, *Comments of the Alliance for Clean Energy New York (ACE NY), American Wind Energy Association, Advanced Energy Economy Institute, Solar Energy Industries Association, New York Solar Energy Industries Association, and New England Clean Energy Council*, Filing No. 60 (Aug. 12, 2015) (“Renewable Energy Industry Comments”).

⁶ NEW YORK STATE ENERGY PLANNING BOARD, 2015 NEW YORK STATE ENERGY PLAN (2015) *available at* <http://energyplan.ny.gov/Plans/2015>.

be at the level necessary to achieve the new 50% by 2030 renewable energy goal, also expressed in the State Energy Plan, recognizing that half of this goal will be met by existing renewables;”⁷

Brookfield Renewables agrees with the Renewable Energy Industry group and others who argue that the budget for renewables should follow the targets, and not the other way around. The budget must be established in such a way that the state can measure programs’ successes and so that it will sufficiently scale the industry to ensure the 2030 goals are met.

3. Power Purchase Agreements (“PPAs”) should be an available option to facilitate new and existing LSRs

Numerous parties recognized the potential value of long-term PPAs in reducing the financing cost and risks of LSRs. ReEnergy argues that “Long-term bundled power purchase agreements would reduce costs and price volatility, provide a hedge against market price risk, and capture the hedging benefits of a diversified fuel mix.”⁸ Standard Solar opines that “[a bundled PPA process] emerges as most likely to meet NYSERDA’s stated goal of achieving the lowest possible cost while maximizing customer benefits.”⁹ While also supporting bundled PPAs, Vote Solar observes that “[a PPA] is the most common method to facilitate financing of new LSR in the country and has been utilized in many northeast states over the past several years.”¹⁰ Others who support PPAs are OffshoreMW, Special Initiative on Offshore Wind, ACENY, Dong Energy, The City of New York,¹¹ Clean Energy Organizations Collaborative, the

⁷ Renewable Energy Industry Comments, at 5.

⁸ ReEnergy Comments, at 8.

⁹ Case 15-E-0302, Standard Solar, Inc., *Standard Solar LSR Comments*, Filing No. 30, at 2 (Aug. 12, 2015).

¹⁰ Case 15-E-0302, Vote Solar, *Comments of Vote Solar*, Filing No. 28, at 5 (Aug. 12, 2015).

¹¹ The City supports a combination of voluntary contracting options and mid to long term PPAs, noting the problems with PPAs in the 1980s and 1990s but also observing that other states seemed to have corrected for some of the

Environmental Defense Fund, Citizens for Local Power, and the Green Education and Legal Fund.

Those in opposition to PPAs are chiefly large customers and companies who experienced negative impacts of PPAs entered into during the 1980s and 1990s pursuant to New York’s “six cent” law. Brookfield Renewables believes that New York and its stakeholders have learned a great deal from prior PPA mistakes and that the market is capable of developing mechanisms that can protect those who have to bear the costs of PPAs – in particular by introducing competition into the PPA process, which did not occur with the “six cent” law.

In addition to this group of opponents, the New York Independent System Operator (“NYISO”) opposes long term bundled PPAs as not being consonant with competitive markets. The NYISO states that PPAs reduce reliability and insulate suppliers from location-based pricing. Brookfield Renewables, however, respectfully disagrees with the NYISO and responds that one hallmark of mature and properly functioning markets is the ability to hedge and contract long-term. The key is for such contracting to be in response to clear, transparent, and competitive market signals. Unfortunately, as has been the focus of many initial comments, New York has not established appropriate and fully-competitive market mechanisms to value new and existing renewable energy in a non-discriminatory way. This simply reinforces the need for PPAs to appropriately value the provision of renewable energy to the grid. Bundled PPAs, in particular, not only provide greater certainty to renewable energy projects and help to ensure this otherwise absent value-recognition, they also provide a much-needed opportunity for New York load to hedge a portion of its long-term market exposure. It is difficult to conceive how such a

issues that arose during that period in New York. Case 15-E-0302, City of New York, *NYC LSR Comments*, Filing No. 50 (Aug. 12, 2015).

hedge and the commensurate encouragement of fuel diversity in the form of renewable resources would lead to any reduction in system reliability. Indeed it serves to reinforce reliability.

Furthermore, with respect to locational marginal pricing, while it's true that renewable providers are more constrained regarding where they can locate as compared to fossil-based generators as they must be near the best renewable resources, locational based pricing can be implicitly considered in the contract price (for RECs in the current Main Tier construct) or at time of contract award (in the case of bundled PPAs or a Contract for Differences). For instance, if two similar hydroelectric upgrades (both requiring a bundled PPA price of \$90/MWh) are competing for the same bundled PPA contract, but one has an average estimated locational marginal price ("LMP") of \$60/MWh and the other has an average LMP of \$75/MWh, then the one with the higher LMP will be the one that wins the contract as the imputed renewable energy credit ("REC") cost is much less (\$15 vs. \$30). Renewable providers are thus not insulated from location-based pricing, and have the same market incentives whether under a bundled PPA structure or the current REC-only contracts available to Main Tier renewables. PPAs can also serve to reduce pricing of LSRs by reducing financing costs and potentially adding supply and suppliers, thus improving the markets in New York.

Relatedly, PPAs can be structured in a way to reflect peak versus off-peak considerations and incentives, thus minimizing oversupply concerns. If New York chooses the path of CFDs, the assets could also be incentivized to follow dispatch in order to maximize revenue. It should be noted, however, that there are potential Dodd-Frank compliance concerns that could result and would need to be addressed if a CFD approach is taken by the state.

Overall, therefore, there are several ways that the contracting authority can structure bundled PPAs to ensure that market signals are accounted for in any renewable contracting

initiative, which would alleviate the concern from NYISO of producers maximizing operation in periods of oversupply. To reflect NYISO's concerns of bundled PPAs being in harmony with competitive markets, New York should allow legacy projects as well as out of state projects to compete for PPAs to ensure the broadest level of competition.

NYISO further argues that PPAs shift investment risk away from generation investors. Legacy LSRs, however, were constructed or acquired utilizing private capital, free from ratepayer risk. Even with PPAs there will always be an element of risk for these investors, relating to tax levels, environmental requirements, weather, and other cost inputs. Unlike the situation with utility owned generation ("UOG"), captive ratepayers will continue to be shielded from these risks with respect to PPAs for LSRs.

As to reliability impacts, once again Brookfield Renewable believes that the use of PPAs for LSRs will increase reliability by increasing the amount and diversity of generation in the state and by maintaining the current, valuable LSRs that have been developed or acquired in New York with private capital.

4. The Commission should select credit-worthy entities as co-signers of PPAs.

Several parties, including NYSEG, RG&E, NextEra Energy Resources, and a number of renewable groups, argue that the New York State Energy Research and Development Authority ("NYSERDA") should be either the procuring entity, or a party to contracts or PPAs related to LSR projects. While Brookfield Renewables applauds NYSERDA's track record with project implementation, Brookfield Renewables believes that having a broader range of parties as procuring parties or contract parties would enhance the sustainability and growth of this market. In addition to the suggestion that electric distribution companies ("EDCs") be parties to PPAs, public parties such as the New York Power Authority ("NYPA") and the Long Island Power

Authority (“LIPA”) have both expressed an interest and willingness to support these contracts. Brookfield Renewables continues to believe that multiple parties can and should be considered as counter-parties to PPAs, with the single most important criterion being that they are credit-worthy.

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