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By Electronic Delivery

November 4, 2013

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

**RE: Case 03-E-0188 – Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard
Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard
Case 13-M-0412 – Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank**

Dear Secretary Burgess,

Enclosed for filing are the comments of the Alliance for Clean Energy New York (ACE NY) in response to the *Notice Soliciting Comments and Notice of Technical Conference* issued by the Public Service Commission in the above-referenced proceedings on September 13, 2013.

Respectfully submitted,

Valerie Strauss, Executive Director
Alliance for Clean Energy New York, Inc.

**New York State
Public Service Commission**

- Case 03-E-0188** **Proceeding on Motion of the Commission Regarding a Renewable Portfolio Standard**
- Case 07-M-0548** **Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard**
- Case 13-M-0412** **Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank**

**COMMENTS OF THE ALLIANCE FOR CLEAN ENERGY NEW YORK
ON THE RENEWABLE PORTFOLIO STANDARD, THE ENERGY EFFICIENCY
PORTFOLIO STANDARD AND THE GREEN BANK**

I. INTRODUCTION

The Alliance for Clean Energy New York (ACE NY) respectfully submits these comments on the following reports and petitions:

- NYSERDA Renewable Portfolio Standard Main Tier 2013 Program Review, Final Report, submitted on September 5, 2013,
- New York State Renewable Portfolio Standard Customer-Sited Tier Program Market Evaluation, Program Expectations and Funding Considerations, 2013-2015, submitted on September 6, 2013,
- Petition regarding NY-Sun 2014-2015 Funding Considerations and Other Program Modifications, submitted on September 5, 2013,
- Petition of NYSERDA to Provide Initial Capitalization for the New York Green Bank, submitted on September 9, 2013, and
- Energy Efficiency Portfolio Standard (EEPS) Restructuring Proposal, submitted on September 13, 2013.

Please note that ACE NY is a signatory to the more detailed comments filed on October 28, 2013 by the Natural Resources Defense Council (NRDC) and the Pace Energy and Climate Center, and is also supportive of the comments on the state's solar programs filed on November 1, 2013 by the Solar Coalition. These comments, therefore, are brief and offer fewer details regarding ACE NY's

positions on the Energy Efficiency Portfolio Standard (EEPS), the NY-Sun Petition and the Green Bank. However, these supplemental comments provide additional perspectives on the Customer-Sited Tier technologies other than photovoltaics, additional comments on the Main Tier of the Renewable Portfolio Standard (RPS), and thoughts on how to support RPS-eligible technologies in New York in the coming years.

The Renewable Portfolio Standard and the Energy Efficiency Portfolio Standard are the foundation of the state's investment in clean energy infrastructure. The creation of a Green Bank is a timely addition to the state's clean energy programs and will likely serve an important role in lowering the cost of capital and bridging gaps in access to investment dollars. However, present-day market and political realities, including policy uncertainty at the federal level, make it prudent to ensure continuation of New York's successful RPS and EEPS programs alongside the Green Bank as it is capitalized and fully developed over time. As the Green Bank matures and as conditions warrant, programs can then transition from being incentive-driven to financial product-driven.

The most immediate need is for a long-term commitment to increased reliance on clean energy through expanded statewide targets for efficiency and clean generation, with an extended timeline and transparency in program design and implementation as well as regular and consistent procurements. The RPS and EEPS must be extended and funded to 2025 with regular program activity and procurements. The benefits of these investments include energy security

and resiliency, economic development, and environmental and public health benefits.

II. RENEWABLE PORTFOLIO STANDARD

State-level renewable portfolio standards are widely acknowledged as the driving force of clean energy investment in the United States, including in New York. Our current RPS has been innovative and successful but is in need of an extension and modifications to address changes in market conditions. Several successive RPS reviews, including the most recent one issued in September, have clearly illustrated the benefits of New York's program to ratepayers and the environment. Now is the time to implement aggressive programs to move New York to the next phase of clean energy development and integration.

First and foremost, the RPS must be extended well beyond 2015 as soon as possible to provide the certainty needed for continued private investment. Second, the extended program should include increased flexibility and changes in procurement rules. Extending the program while making modifications will also enable the state to integrate the program with the development of Green Bank programs in support of clean energy over time, while ensuring uninterrupted private investment in New York.

The RPS supports investment in a wide variety of eligible technologies in the Main and Customer-Sited Tiers (including wind, certain hydropower, sustainable biomass, landfill gas, solar, fuel cells and anaerobic digesters). The state's recent emphasis on photovoltaic installations in the NY-Sun component of the RPS has been a welcome mechanism for this scalable, on-site or near-to-load, and

increasingly cost-competitive technology. However, it is absolutely essential for New York to have a diverse portfolio of clean energy resources. A diverse portfolio of wind, solar, fuel cells and other clean energy resources provides energy security and resiliency and increases economic development opportunities. Support for new, renewable, central generation will be required in the transition to a clean energy economy alongside the expected and necessary changes to the grid to accommodate an increasing amount of distributed generation and demand-side management tools.

a. Main Tier

To ensure that New Yorkers continue to reap the benefits of their domestic clean energy resources, the state should establish two Main Tier procurements per year, with the amount of funding available for contracts made public well in advance. The recent difficulties with meeting state targets are partly due to the delay in procurements in 2012 and 2013. They also are partly due to changes in market conditions in recent years that have not been met with appropriate changes in the RPS.

We suggest that the Commission revisit the concept of using a contract for difference approach or another mechanism for supporting long-term bundled contracts. We firmly believe regular procurements coupled with changes in contract terms could ensure that New York double its onshore wind capacity by 2020, accelerate offshore wind development to have 500-700 MW by 2020, as well as continue to support other eligible technologies.

A 15- or 20-year Contract for Differences (“CFD”) – a forward price contract with specified periods and payment dates – could secure a longer timeline of price stability. Developers could raise more debt, on a longer tenure, and thus lower the cost of capital, making new developments more cost-effective. By using CFDs rather than longer-term REC contracts, the state is also protected from paying more than a fair price for renewable electricity, and will benefit from the hedge value of price increases. In the end, developers operate with greater certainty and a lower capital cost, the state receives additional renewable energy, and ratepayers benefit from new, clean electricity at the lowest pricing.

Long-term bundled contracts (i.e., purchases of energy and renewable attributes or RECs) could also be effective in accelerating development and may be essential for some technologies, such as offshore wind development, given the longer timeframe for project development. We also suggest that NYSERDA consider awards for longer-term REC-only contracts in 2014 as the state restructures the RPS to include CFDs or bundled contracts. Post-2014, mechanisms to achieve improved contracting include Public Service Commission directives with cost recovery assurances to regulated utilities or Green Bank/RPS financing innovations including Contracts for Differences.

The Green Bank could also support project development by lowering the cost of capital for transmission and for project construction financing, as well as providing support for smaller, community-scale renewable

project development. This type of support could also be targeted to clean energy projects put in place in lieu of uneconomic fossil plants as one path to helping communities adjust to changes in their tax base.

As discussed below and in the NRDC/Pace comments, we support the allocation of funds for the near-term needs of the NY-Sun program. However, we are concerned that sufficient funds remain in the Main Tier to allow for procurements for central generation as well. As the RPS reports have shown, Main Tier procurements have been the most cost-effective clean generation resources and will be essential for the state to reach its climate change and emissions goals.

b. Customer-Sited Tier

ACE NY supports NYSERDA's petition on NY-Sun and substantially agrees with the views of the Solar Coalition on the specific program changes proposed by NYSERDA.

NY-Sun is an important component of the RPS and of the state's clean energy initiatives. We believe the Commission and NYSERDA should ensure it is implemented in a manner that does not provide a disincentive for customers to choose other clean energy technologies. On-site wind energy, fuel cells, and anaerobic digesters, for example, must remain vital and well-funded components of the RPS program. Program budgets should be monitored closely and the Commission should move funds as necessary to ensure funding remains available for each technology.

Green Bank programs may also be useful for supporting a variety of

technologies now supported by the Customer-Sited Tier, but we strongly urge that existing programs remain in place and that the Green Bank be a complement to and not a replacement for incentive programs at this time.

III. ENERGY EFFICIENCY PORTFOLIO STANDARD

The Energy Efficiency Portfolio Standard must continue post-2015 with more aggressive targets and structural changes to allow more effective implementation. In this regard we view the Department of Public Service (DPS) staff proposal on restructuring the program as a positive step forward.

As noted above, ACE NY is a signatory to the comments of NRDC and Pace and as such, we will not repeat those comments here. However, we would like to stress our agreement that the cost-effectiveness screening needs to be revised by accounting for the wholesale price suppression effect and prioritizing New York electricity consumer savings over out-of-state generation owners and fossil fuel provider losses instead of treating them equally.

Revisiting the program responsibilities of NYSERDA versus the investor-owned utilities to prevent customer confusion and unnecessary competition between program administrators is key, as will be ensuring that appropriate metrics are used for measuring and evaluating program performance.

IV. GREEN BANK

The concept of a Green Bank is welcome and we are hopeful that it will create enhanced opportunities for clean energy development leveraging private sector investment.

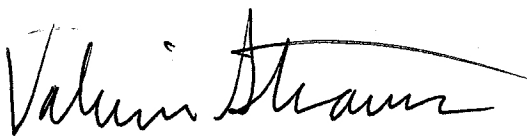
We support the initial capitalization of the Green Bank as proposed in NYSERDA's petition. We do not believe, however, that significant funding can be taken from the clean energy funds without adverse impacts to near-term investment in the state, and in turn to local communities and businesses that have benefited greatly from the RPS and EEPS, as the most recent reports have shown. We advise caution in continual diversions of funds without a clear and proven path for ensuring our clean energy and economic development goals can be met through a Green Bank approach.

It is difficult to fully evaluate the potential of the Green Bank at this point in time with so many unknowns about the programs and products expected, but we look forward to working with the Commission and NYSERDA as development of the Green Bank moves forward.

V. CONCLUSION

ACE NY appreciates the opportunity to comment and looks forward to increased dialogue on creating a robust and long-term vision for New York's clean energy future.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Valerie Strauss". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Valerie Strauss
Executive Director