

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

NOTICE SOLICITING COMMENTS

(Issued August 8, 2019)

On March 12, 2019, the American Wind Energy Association (AWEA) and the Alliance for Clean Energy New York (ACE NY) (collectively, Petitioners) filed a petition requesting that the Public Service Commission (Commission) direct the New York State Energy Research and Development Authority (NYSERDA) to implement an Indexed Renewable Energy Credit (REC) procurement mechanism, which may be implemented in conjunction with currently-utilized fixed price REC bids. The Petitioners seek to apply this mechanism for future Tier 1 REC procurements under the Clean Energy Standard (CES) program authorized by the Commission in its Order Adopting a Clean Energy Standard, issued on August 1, 2016, in the above-captioned proceeding.¹

The Petitioners suggest the use of a composite index based on New York Independent System Operator, Inc. (NYISO) prices (i.e., an Indexed REC), and assert that the use of such an Indexed REC procurement mechanism would provide various advantages. In particular, Petitioners assert that an Indexed REC would serve as a hedge against market volatility, lower the financing costs for renewable generators and thereby lead to lower REC procurement costs, and also provide lower cost and less volatile prices for ratepayers. Petitioners also claim

¹ Case 15-E-0302, Large-Scale Renewable Program and a Clean Energy Standard, Order Adopting a Clean Energy Standard (issued August 1, 2016).

that an Indexed REC procurement mechanism would avoid a potential "double payment" to renewable generation projects, in the event the NYISO implements a carbon pricing methodology that increases wholesale energy prices.

The Petition proposes that bidders into the Tier 1 CES procurements would include a \$/MWh strike price that would become part of the REC contract for any developer that is selected under the procurement. Petitioners suggest that for each MWh of eligible generation, the generator would be paid a monthly REC price that nets the as-bid strike price against a reference energy price and a \$/MWh-equivalent reference capacity price. Petitioners propose that the reference energy price be calculated using the monthly time-weighted average of NYISO day-ahead prices for the applicable zone. According to Petitioners, the reference capacity price for the Indexed REC should be calculated as: the product of (1) the reference Unforced Capacity (UCAP) price for the zone in which the project is located; (2) the project's CES-eligible installed capacity (MW); and (3) the project's UCAP production factor (decimal fraction), divided by (4) the monthly production (MWh).

Additionally, to ensure that projects are properly evaluated during the procurement selection process, Petitioners suggest that the Indexed REC bids should be compared with each other on a levelized net cost basis. This approach is suggested by Petitioners to account for differences in average prices between zones.

The Commission may accept or reject, in whole or in part, the Indexed REC proposed by Petitioner. In so considering the proposal, the Commission may also consider other regulatory mechanisms to implement a potential Indexed REC procurement, including, but not limited to, the use of zonal weighting to calculate the reference energy price, the derivation of a

reference capacity price, treatment of negative locational based marginal prices, bid evaluation methodology, and design considerations necessary to maintain appropriate market signals, and useful and relevant aspects of current procurement programs.

To present a full record for the Commission's consideration, input is requested on the following questions regarding the possible implementation of a potential Indexed REC procurement structure:

1. Are there specific benefits, challenges, and/or considerations that should be addressed in considering the proposed Indexed REC procurement mechanism?
2. Is the proposed Indexed REC structure an appropriate pathway to address NYISO market changes and potential market reforms?
3. Would an Indexed REC structure lower financing costs for renewable generators and lead to lower and less volatile prices for consumers?
4. If the proposed Indexed REC option were advanced, should NYSERDA continue to also solicit bids for Fixed REC structures? Provide any details describing the preferred process to implement such an approach, including program design, evaluation and contracting considerations.
5. What are appropriate Indexed REC structures to address potential implementation issues such as the derivation of a reference energy price and reference capacity price, treatment of negative locational marginal based prices (LBMPs), bid evaluation methodology, and design considerations necessary to maintain appropriate market signals and an appropriate balance of risk between developers and ratepayers? Explain which structures the commenter views as most optimal, and why.

6. Are there any additional potential implementation issues associated with the proposed Indexed REC procurement structure?
7. If the Commission were to direct the adoption of indexed pricing, are there changes in program implementation, project selection, or other existing program rules that would be necessary or advisable?

Interested persons are invited to submit initial comments on the AWEA/ACE-NY Petition by October 2, 2019 and reply comments by November 15, 2019. Commenters are asked to submit comments by e-filing through DMM,² or by e-mail to the Secretary at secretary@dps.ny.gov. If unable to file electronically, interested persons may make submissions by post or hand delivery to the Hon. Kathleen H. Burgess, Secretary, Three Empire Plaza, Albany, New York 12223-1350.³ All comments received will be posted to the Commission's website and become an official part of the case record.

Any questions may be directed to Tom Rienzo at (518) 486-2837, or Thomas.Rienzo@dps.ny.gov; or to Tom Dwyer at (518) 474-5366, or Francis.Dwyer@dps.ny.gov.

(SIGNED)

KATHLEEN H. BURGESS
Secretary

² To register with DMM, go to <http://www.dps.ny.gov/efile/registration.html>.

³ Information and instructions related to subscribing to the service list or otherwise monitoring the status of this proceeding can be found on the Commission's Web site at: <http://documents.dps.ny.gov/public/MatterManagement/RequestAPStatus.aspx>.