

August 31, 2020

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

Thank you for the opportunity to submit further comments on the Department of Public Service (DPS) and New York State Energy Research and Development Authority (NYSERDA) recently issued “White Paper on Clean Energy Standard Procurements to Implement New York’s Climate Leadership and Community Protection Act” (the White Paper). The Real Estate Board of New York (REBNY) is the City’s leading real estate trade association representing commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople, and other organizations and individuals active in New York City real estate.

REBNY strongly supports New York State’s nation-leading efforts to decarbonize the electricity sector, enshrined in the Climate Leadership and Community Protection Act (CLCPA). Collectively, REBNY and its members appreciate the critical need to reduce carbon emissions from buildings in New York City and are working to further that objective. It is for this reason that many industry leaders have developed their own aggressive carbon reduction commitments and routinely prioritize energy efficiency in buildings they own, manage, and develop.

Buildings, and the people who occupy them, are, however, ultimately consumers of electricity. Consequently, rapidly reducing the carbon intensity of electricity – while ensuring the overall reliability of the system – must be accomplished in order to meaningfully reduce carbon emissions from buildings.

It is within this context that REBNY offers the following final comments.

1. The proposed Tier 4 must be advanced

The task of decarbonizing electricity is most pressing in downstate New York, and in the City of New York. As has been repeatedly documented by the New York Independent System Operator (NYISO), while almost 90 percent of electricity in upstate New York is from zero emission sources, less than 30 percent of downstate energy comes from zero emissions sources.¹ Upon the closure of Indian Point in 2021, it is expected that 94 percent of electricity production serving downstate will come from natural gas.²

¹ New York Independent System Operators, Power Trends 2020.

² Preliminary Comments of the City of New York dated July 24, 2020 filed in the Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard (Case 15-E-0302).

It is with this reality in mind that REBNY strongly supports the proposal to create a Tier 4 of the Clean Energy Standard (CES). While many details need to be refined in order to make the program successful, the proposed Tier 4 addresses one of the major hurdles to decarbonizing electricity in New York City by providing a mechanism to appropriately compensate projects capable of bringing certain renewables directly into NYISO Load Zone J (the City of New York).

Such a regime is appropriate, and particularly needed, because there are very limited options to develop significant renewable generation facilities within New York City. Recognizing such a reality, State policy must provide a comprehensive framework to bring power from elsewhere into the downstate region generally, and New York City specifically. Indeed, in the absence of Tier 4, the CES would not adequately focus on the need to decarbonize electricity in the part of the State where the load is highest and the energy dirtiest.

To be effective, however, it will be vital that the pricing of Tier 4 Renewable Energy Credits (RECs) be flexible enough to respond to the individual costs for each Tier 4 project so that these projects can be brought to market. Unlike Tier 1, projects seeking Tier 4 designation will most likely need to have a transmission component in order to deliver power directly into New York City. That transmission component, along with the potential variations in each project's cost due to land, labor, and regulatory hurdles to development, need to be appropriately considered in determining a price for Tier 4 RECs.

Tier 4's focus on bringing more renewable power into New York City is not just critical to reducing reliance on in-city fossil generation. As articulated in detail by the City of New York, power generation facilities in New York City are old and generally inefficient.³ Notably, most of these facilities are located in lower-income communities of color that have been impacted by environmental injustice, including poor air quality that contributes to respiratory issues and cardiovascular disease. The public health and economic crisis brought on by COVID-19 has only made these issues more acute. By helping deploy renewables that can replace in-City generation, the Tier 4 mechanism has the potential to make a meaningful contribution to addressing the longstanding issues facing the New Yorkers who live near those generators.

To realize these benefits, Tier 4 should prioritize projects that provide dispatchable resources into New York City. Focusing Tier 4 on these projects would achieve multiple benefits including hastening the removal of fossil-fuel powered generators located in New York City, providing a necessary complement to intermittent offshore wind generation, and ensuring that reliable power is available for consumers. All these benefits are key objectives of the CLCPA and the Clean Energy Standard.

³ Preliminary Comments of the City of New York dated July 24, 2020 filed in the Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard (Case 15-E-0302).

Given the benefits of Tier 4, REBNY believes it may be appropriate for the Commission to provide NYSEERDA with the authority to procure the environmental attributes from more than 3,000 MW of Tier 4 resources. As noted in multiple preliminary comments, demand for electricity in New York City is likely to increase significantly in the coming years with the electrification of buildings and transportation. To more aggressively realize the benefits of Tier 4, it may be prudent to allow NYSEERDA to solicit more than 3,000 MW of attributes from Tier 4 resources. To better understand this issue, REBNY reiterates our call for DPS and NYSEERDA to conduct a study to characterize the demand for Tier 4 RECs, offshore wind RECs, and RECs generally to understand the interplay between that demand, the potential quantity of RECs available for sale, and the Tier 4 mechanism.

Finally, it is important to note that Tier 4 also provides the potential for significant economic benefits, including good jobs, to the New York City region. With the economy still suffering from the impacts of COVID-19, rapidly advancing generation and transmission projects that can put more New Yorker's to work in the near term can facilitate our economic recovery.

2. Allowing Tier 2, Tier 4, and Offshore Wind RECs to be resold to voluntary purchasers will advance the objectives of the Clean Energy Standard

REBNY also strongly supports allowing NYSEERDA to resell Tier 2, Tier 4, and offshore wind RECs to voluntary purchasers, including building owners, as proposed in the White Paper. Establishing such a mechanism will solve a significant shortcoming of existing policy and help leverage private resources to more efficiently accomplish State policy objectives.

Currently, there is effectively no opportunity for a building owner (or any other voluntary buyer) to obtain a New York State CES-supported REC. That is the case because existing policy does not include a mechanism for an entity other than a Load Serving Entity (LSE) to procure RECs from NYSEERDA. The unfortunate result of this policy is that voluntary buyers who want to meet their own carbon reduction commitments by procuring RECs are unable to invest those dollars into the New York economy.

Allowing voluntary buyers to play a larger role in the market will advance State policy objectives by encouraging greater investment in renewable generation and transmission while protecting ratepayers. REBNY believes that significant demand exists today for RECs associated with New York power. Establishing a mechanism to take advantage of that demand will help to spur investment in renewable energy development. In addition, by reselling RECs to certain consumers directly, the overall burden on all ratepayers will be reduced.

A major source of demand for RECs comes from building owners in New York City. This is the case because over the next decade, many building owners will be seeking RECs in

order to comply with New York City's building emission limits included in Local Law 97 of 2019 (LL97). LL97 established carbon emissions limits for many large buildings in New York City, with those limits beginning in 2024 and significantly increasing in stringency in 2030. One of the compliance mechanisms in LL97 is the ability for a building owner to obtain and retire certain RECs. With many buildings unable to reach their carbon emission limits through energy efficiency measures alone, there is significant interest among building owners in procuring LL97 eligible RECs.

3. RECs purchased by voluntary purchasers should be counted toward the grid decarbonization mandated by CLCPA.

Some commenters have contended that if a REC is retired by a voluntary purchaser then it should not count toward achieving the State's objective of having 70 percent of electricity be sourced from renewable generation by 2030. Unfortunately, if the Commission were to adopt this position it would slow down the deployment of renewable resources and negate the benefits that would result from allowing NYSERDA to resell RECs to voluntary purchasers directly. That is the case because it would result in voluntary buyers only being offered RECs after the LSEs reach their compliance obligations, which would effectively eliminate the creation of a market for voluntary buyers. In doing so, it would result in higher costs for all ratepayers.

Further, the failure to count RECs retired by voluntary purchasers would create inconsistent metrics that would mean that the CES would fundamentally fail to reflect the actual amount of renewable power in New York. RECs retired by voluntary buyers located in New York demonstrate the consumption of renewable power in New York. As such, not counting those RECs toward the CES targets would undercount the actual amount of renewable power in New York. Retiring of the RECs ensures that they are not re-sold on secondary markets or to territories outside of NYISO.

Finally, it is important to note that the White Paper proposes to require the LSEs to procure any RECs not purchased by voluntary buyers. In doing so, the White Paper creates a mechanism that in effect ensures those RECs would be retired by the LSEs but for the involvement of voluntary buyers.

Thank you for considering these points.