

Recent New York White Paper Proposes Addition of Tier 4 (Renewable Energy Deliveries into New York City) to the Clean Energy Standard

July 10, 2020

www.poweradvisoryllc.com

To: Clients and Colleagues

From: John Dalton, President; Carson Robers, Senior Consultant; and Sophia Vitello, Research Analyst

Last month the New York State Energy Research and Development Authority (NYSERDA) and New York Department of Public Service (DPS) published a [White Paper on Clean Energy Standard Procurements to Implement New York's Climate Leadership and Community Protection Act](#). This White Paper aims to provide a framework to better align the state's Clean Energy Standard (CES) with its Climate Leadership and Community Protection Act (CLCPA) passed in 2019 while also utilizing the existing CES procurement structure to achieve the state's target of 70% renewable energy by 2030. In part, within this White Paper NYSERDA and the DPS staff propose the addition of a Tier 4 to the CES in order to promote greater renewable energy delivery into New York City (NYISO Zone J).¹

In 2019, New York City alone represented 33% of state electricity consumption. Whereas the Tier 1 and predecessor Main Tier Program has resulted in the development of renewable energy largely in the upstate region. The new Tier 4 Program focuses on bringing more renewable energy downstate, specifically to New York City. The proposed program would provide financial support for renewable energy transmitted into Zone J and create a procurement structure distinct from the procurement for offshore wind which will also interconnect downstate.

As proposed, any renewable energy system will be eligible under the Tier 4 Program, as long as it has a commercial operation date (COD) on or after the publication date of any New York Public Service Commission order authorizing this new tier. The White Paper outlays the delivery requirement as the renewable project must either be located in Zone J or involve a new transmission connection to deliver renewable energy to Zone J. Tier 4 RECs would also be eligible to meet compliance standards set by New York City Local Law 97, which aims to reduce building emissions but allows RECs delivered to the city to serve as an alternative form of compliance.

Importantly, the eligible resources are proposed to include the full complement of renewable resources including large scale hydropower. In this way the procurement is expected to have a number of similarities to the Massachusetts 83D renewable energy procurement that resulted in the selection of the 1,200 MW New England Clean Energy Connect (NECEC) to import hydropower from Hydro-Québec. Similarly, given that CES Tier 4 resources will have to be delivered to New York City this proposal is likely to support the development of new transmission.

¹ The White Paper's other proposals are not reviewed within this Power Advisory client note.

However, there are some key differences that are likely to result in greater opportunities for non-hydroelectric renewable energy resources from upstate New York and/or Canada. In the White Paper, NYSERDA seeks the ability to procure RECs from hydropower that does not involve new impoundments and is additional to the baseline production of energy from the supplier. Effectively these constraints are likely to limit the Tier 4 opportunity to hydro units that are already under construction or hydro energy that was previously spilled and also seeks to prevent hydroelectric energy from being diverted from other markets.

The White Paper recommends a procurement target for Tier 4 resources of up to 3,000 MW and suggests using the same solicitation and contracting process as used for Tier 1 resources. This process would include negotiating the COD on an ad hoc basis as well as allowing NYSERDA to enter into contracts with a tenor of up to 30 years and with multiple entities as necessary. The White Paper also proposes enabling NYSERDA to solicit both Fixed and Indexed REC bids under Tier 4 with a price cap. This price cap aims to ensure that renewable penetration into New York City increases without undue ratepayer impacts. Similar to Tier 1, compliance with the Tier 4 would be the financial responsibility of all load serving entities (LSEs) but the program would be centrally administered by NYSERDA.

Next Steps

With the publishing of the White Paper in docket [15-01168/15-E-0302](#), a 60-day public review and comment period was initiated. After which the Commission will act on the proposals in the White Paper and issue any orders determining the program design and implementation.