

STATE OF NEW YORK

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Introduced by M. of A. JENNE, HUNTER, BLANKENBUSH, CRESPO, HARRIS, ORTIZ, L. ROSENTHAL, BLAKE -- Multi-Sponsored by -- M. of A. MAGEE, THIELE -- read once and referred to the Committee on Energy -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Energy in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT in relation to maintaining the continued viability of the state's existing large-scale, renewable energy resources

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Legislative findings and intent. The legislature hereby
2 finds and determines:

3 1. New York is a national leader in developing and implementing policy
4 to promote the development of renewable energy resources, the growth of
5 which has significantly benefited the state in numerous ways, including
6 through reductions in pollutants that contribute to climate change,
7 associated reductions in adverse impacts on public health, and substan-
8 tial job growth in the clean energy sector.

9 2. In 2016, more than twenty percent of the state's electric load
10 (representing 2,354 gigawatt hours) was supplied by renewable resources
11 - solar, wind, hydroelectric, biomass, fuel cells and similar resources.
12 To further promote and incentivize the development of renewable energy,
13 the New York state public service commission recently established a
14 clean energy standard requiring, among other things, that fifty percent
15 of the electric load in the state be served entirely by renewable
16 resources by the year 2030 (i.e., 50 by 30 target).

17 3. A recent study shows that New York's clean energy sector now
18 employs more than 85,000 workers at more than 7,500 business establish-
19 ments spread out across the state, in both the renewable energy and

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 energy efficiency sectors. With implementation of the clean energy stan-
2 dard, clean energy jobs are anticipated to grow by more than six percent
3 per year or double the growth rate of the entire United States economy
4 in 2016. Proper implementation of the clean energy standard will ensure
5 that the state meets these job growth projections.

6 4. To promote achievement of the clean energy standard, and to ensure
7 the continued job growth and other benefits attendant to a clean energy
8 economy, New York needs to assure that its existing large-scale, renewa-
9 ble energy sector is provided with adequate price signals and financial
10 incentives to remain in operation and to sell their renewable energy
11 attributes in New York, allowing the state to count the resources toward
12 the 50 by 30 target and retain the jobs and tax payments supported by
13 these generators. Absent these assurances, it would be difficult if not
14 impossible for the state to meet the recently established target.

15 5. New York's ability to meet the clean energy standard will be
16 hampered if such existing resources provide their wholesale energy
17 products for delivery to adjacent states, some of which have enacted
18 laws that provide for a robust market that provides a stronger opportu-
19 nity to sell renewable energy attributes than is currently available in
20 New York. There is a real and present danger that a significant portion
21 of New York's existing fleet of large-scale, renewable energy resources
22 will participate in the programs offered by these other states and thus
23 will not be available for consideration in terms of meeting the 50 by 30
24 target, and compete effectively with other renewable classes in the
25 clean energy standard.

26 6. It also is of paramount importance to ensure the fuel diversity of
27 the state's energy sector for the purposes of providing energy security,
28 system reliability and protection of consumers from potential price
29 spikes or shortages. For this same reason, it is important for the state
30 to take measures to ensure the continued viability and competitive posi-
31 tion of a wide variety of large-scale, renewable energy resources in the
32 state.

33 7. Accordingly, the overlying intent of this act is to provide exist-
34 ing large-scale, renewable energy resources in New York state with
35 appropriate financial incentives to continue operations for the foresee-
36 able future.

37 § 2. Definitions. 1. "Large-scale, renewable energy resource" means
38 an electric generating facility that: (a) sells its energy in the
39 wholesale markets operated by the New York independent system operator;
40 (b) is deemed an eligible technology type pursuant to Appendix A of the
41 "Order Adopting a Clean Energy Standard" and, in the case of hydropower,
42 has a generating capacity less than 50 megawatts; (c) is physically
43 located within the jurisdiction of the New York independent system oper-
44 ator; and (d) the associated energy is delivered in accordance with a
45 New York delivery requirement as described in section three of this act.

46 2. "Eligible large-scale, renewable energy resource" means an existing
47 large-scale, renewable energy resource that: (a) at the time in question
48 is not under a contract for the sale of renewable energy credits with
49 the New York state energy research and development authority pursuant to
50 the renewable portfolio standard main tier or maintenance tier program
51 or clean energy standard tier 1 program implemented by such authority;
52 (b) is not under an existing contract for sale of renewable energy cred-
53 its with a load serving entity; and (c) is otherwise found by the New
54 York state energy research and development authority to meet delivera-
55 bility requirements specified in section three of this act, and other
56 eligibility requirements specified in subdivision one of this section.

3. "Load serving entity" or "load serving entities" means and includes all investor-owned distribution utilities (in their capacity as commodity suppliers), energy service companies, community choice aggregation programs not served by energy service companies, municipal utilities under the jurisdiction of the public service commission, and retail customers that self-supply with electricity through the New York independent system operator.

4. "Renewable energy credit" means a tradable, non-tangible energy commodity that represents proof that 1 megawatt-hour (MWh) of electricity was generated from a renewable energy resource. To be eligible for sale in New York state and to meet the procurement obligations of load serving entities, each renewable energy credit must be registered with the New York generation attribute tracking systems.

5. "Tier 1" means the program designated as tier 1 pursuant to the clean energy standard order.

6. "Tier 2 renewable energy credit" refers to a renewable energy credit generated by an eligible large-scale, renewable energy resource.

7. "Order adopting a clean energy standard" means the public service commission order dated August 1, 2016, and entered in case number 15-E-0302 et seq.

§ 3. Deliverability. Energy from an eligible large-scale, renewable energy resource shall be deemed to comply with the New York deliverability requirement if either it is: (a) delivered into a market administered by the New York independent system operator for end-use in New York state; (b) delivered through a wholesale meter under the control of a utility, public authority or municipal electric company such that it can be measured, and such that consumption within New York state can be tracked and verified by such entity or by the New York independent system operator; or (c) delivered through a renewable energy resource dedicated generation meter, approved by and subject to independent verification by the New York state energy research and development authority, to a customer in New York state.

§ 4. Program for eligible large-scale, renewable energy resources. Notwithstanding any other provision of law to the contrary, including, but not limited to, any order, rule or regulation promulgated pursuant to the public service law, the public authorities law, and/or the state administrative procedure act, the public service commission, in consultation with the New York state energy research and development authority, shall adopt a program within 120 days of the effective date of this act, to provide support to and for eligible large-scale, renewable energy resources through a market for tier 2 renewable energy credits as defined herein to ensure the continued viability of eligible large-scale, renewable energy resources for the purpose of meeting the state's 50 by 30 target. In developing such program, the public service commission shall create an obligation on load serving entities to purchase tier 2 renewable energy credits from eligible large-scale, renewable energy resources through a process and requirements as fully described below:

1. Annual targets for tier 2 renewable energy credits. The public service commission shall provide annual targets and mandates for the acquisition of tier 2 renewable energy credits by load serving entities for the years 2018 to 2030 that ensures market demand for tier 2 renewable energy credits for all resources that become eligible large-scale, renewable energy resources during such timeframe for purposes of achieving the 50 by 30 target. The targets to be established by the public service commission should reflect the quantity of renewable energy generation that is serving total electric load in New York state,

1 excluding generation from facilities owned by the power authority of the
2 state of New York and excluding hydropower from generators with a capac-
3 ity greater than 50 megawatts.

4 2. Load serving entities' tier 2 renewable energy credit obligation.
5 Each load serving entity shall be responsible for acquiring a defined
6 quantity of tier 2 renewable energy credits based upon the total tier 2
7 load serving entity obligation target allocated to all load serving
8 entities proportional to the load each serves; i.e., determined by
9 multiplying each load serving entity's actual load for the prior year by
10 the percentage GWh target for that year. The New York state energy
11 research and development authority shall publish each load serving enti-
12 ty's annual obligation for each annual compliance period on its website
13 or by other appropriate means by December 1 of the year prior to the
14 year such published annual obligation shall apply.

15 3. Tier 2 renewable energy credit price. By each December 1 prior to
16 the annual compliance period, the public service commission shall estab-
17 lish a tier 2 renewable energy credit price to be set at 75 percent of
18 the weighted average cost per renewable energy credit that the New York
19 state energy research and development authority paid to acquire renewa-
20 ble energy credits from resources under the clean energy standard tier 1
21 program in the prior calendar year.

22 4. Financial hardship. Those eligible large-scale, renewable energy
23 resources for which the tier 2 renewable energy credit price is insuffi-
24 cient may seek additional financial assistance from the New York state
25 energy research and development authority through contracts having a
26 minimum duration of ten years for the purpose of ensuring the continued
27 viability and availability of such resources toward meeting the 50 by 30
28 target. The New York state energy research and development authority
29 shall apply the following criteria in determining the eligibility of
30 such eligible large-scale, renewable energy resources to receive such
31 financial assistance, which shall be paid as an increment above the tier
32 2 renewable energy credit price determined pursuant to subdivision three
33 of this section:

34 (a) A showing of financial hardship;

35 (b) The basis for and reasonableness of expected operating and capital
36 costs. This evaluation may include, among other things, a comparison to
37 prior years' costs and a comparison to costs of like generation;

38 (c) The existence of any other cash sources available to the large-
39 scale, renewable energy resource, such as: (i) tax benefits; (ii) subsi-
40 dies; (iii) contracts; and (iv) other sources, including restructuring
41 financing;

42 (d) Whether market rules are increasing the costs of the large-scale,
43 renewable energy resource and, if so, whether any steps can be taken to
44 reduce such costs;

45 (e) Whether the large-scale, renewable energy resource's real property
46 tax assessment is consistent with the assessments imposed in similarly
47 situated facilities elsewhere, and if not, what action has been taken to
48 address such assessment;

49 (f) Whether the large-scale, renewable energy resource is required to
50 operate as part of a package of assets that is financially viable as a
51 whole;

52 (g) Whether the large-scale, renewable energy resource generates
53 enough revenue, based on expected output, to cover its operating costs
54 and enjoy a reasonable return;

55 (h) Whether the generation facility generates enough revenue to make
56 necessary capital improvements;

1 (i) Whether the large-scale, renewable energy resource generates
2 enough revenue to cover its fixed costs, including: (i) debt service;
3 (ii) property taxes; (iii) security costs; and (iv) other costs;

4 (j) Whether the large-scale, renewable energy resource has attempted
5 to make use of other renewables programs available to it, such as volun-
6 tary green markets; and

7 (k) The regional economic importance of the resource. This evaluation
8 may include job creation and retention, regional spending for fuel and
9 other goods and services, contribution to local tax base, fuel diversi-
10 ty, greenhouse gas reduction, enhanced forest health, flood control,
11 municipal water supply, ecological stewardship and other non-economic
12 factors on a region-specific basis. Any contract entered into with an
13 eligible large-scale, renewable energy resource pursuant to this subdivi-
14 sion shall include a reasonable return, and take the form of a fixed
15 price increment to the tier 2 renewable energy credit price that the
16 generator is receiving from a load serving entity or a financial
17 contract for differences to adjust based on fluctuations in the tier 2
18 renewable energy credit price. The totality of all increments provided
19 to resources pursuant to this subdivision shall be recovered from deliv-
20 ery customers in the same manner as in the renewable portfolio standard
21 program maintenance tier.

22 5. Procedures. To implement the tier 2 renewable energy credit
23 program, the public service commission shall also adopt within 120 days
24 of the effective date of this act the following procedures and related
25 requirements:

26 (a) The public service commission shall establish procedures consist-
27 ent with the procedures developed under the clean energy standard tier 1
28 program to determine the eligibility of large-scale, renewable energy
29 resources to participate in the program adopted pursuant to this act and
30 to certify such eligible large-scale, renewable energy resources. All
31 resources that have previously been found by the New York state energy
32 research and development authority to meet the eligibility and delivera-
33 bility requirements in force under the renewable portfolio standard or
34 clean energy standard programs shall be deemed to meet eligibility and
35 deliverability requirements of this act.

36 (b) The public service commission, with the assistance of the New York
37 state energy research and development authority, shall develop an equi-
38 table process by which load serving entities acquire tier 2 renewable
39 energy credits from eligible large-scale, renewable energy resources,
40 which may include the designation of the New York state energy research
41 and development authority as the central procurement entity for tier 2
42 renewable energy credits, whereby the New York state energy research and
43 development authority would ensure the registration of all tier 2 renew-
44 able energy resources from generators in New York generation attribute
45 tracking systems, purchase the required targeted amount of tier 2 renew-
46 able energy credits, and re-sell the tier 2 renewable energy credits to
47 load serving entities on an annual basis in order to facilitate their
48 collective efficient compliance. The public service commission, with the
49 assistance of the New York state energy research and development author-
50 ity, shall also develop and implement protocols in the event that there
51 is an oversupply or undersupply of tier 2 renewable energy credits
52 offered for sale, relative to the tier 2 renewable energy credit obli-
53 gation applied to the load serving entities, provided that the protocols
54 should recognize and prioritize the realization of economic benefits in
55 New York from generators located in New York.

1 (c) The public service commission shall develop procedures by which
2 eligible large-scale, renewable energy resources may obtain contracts
3 from the New York state energy research and development authority under
4 subdivision four of this section in accordance with the requirements of
5 the state administrative procedure act. Such procedures shall, on a
6 case-by-case basis, authorize eligible large-scale, renewable energy
7 resources to petition the public service commission for a finding of
8 financial hardship, which finding shall be based upon a determination
9 that the established tier 2 renewable energy credits determined in
10 accordance with subdivision three of this section are insufficient to
11 ensure the viability of the resource. The public service commission
12 shall make a final decision with respect to such contract within 120
13 days after a hardship petition is received.

14 (d) Each load serving entity shall demonstrate compliance with the
15 requirements of this section through an annual compliance filing pursu-
16 ant to a process established by the public service commission that is
17 consistent with the compliance filing requirements established pursuant
18 to the tier 1 program.

19 § 5. This act shall take effect immediately.