

FOR CONSIDERATION

March 29, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Authorization to Execute an Agreement with the New York State Energy Research and Development Authority for the Purchase of Tier 2 Renewable Energy Certificates

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is being requested to authorize the Chief Executive Officer or his designee to execute an agreement with the New York State Energy Research and Development Authority (“NYSERDA”) for the purchase of renewable energy certificates (“RECs”) required for LIPA’s compliance with goals established by the Climate Leadership and Community Protection Act (“CLCPA”).

Background

On August 1, 2016, the New York State Public Service Commission (“PSC”) adopted an order establishing a Clean Energy Standard (the “CES Order”) as part of the State’s strategy to achieve a 40% reduction of statewide greenhouse gas emissions by 2030. The Order required that 50% of New York’s electricity be generated from renewable resources by 2030. The CES Order expected every Load Serving Entity¹ (“LSE”) in New York State, including LIPA, which is not subject to the PSC’s jurisdiction, to “participate by satisfying their requisite share of responsibility.” Effective January 1, 2020, the CLCPA has increased the 2030 renewable energy goal from 50% to 70%.

The CES Order established a multi-tier system for classifying renewable energy generation facilities (“REGFs”) and supporting their development. Renewable energy and corresponding RECs from REGFs that began operating in 2015 or later were classified as Tier 1. Tier 2 was established for maintaining existing REGFs whose contracts had expired. In its October 15, 2020 Order modifying the CES Order, PSC approved the establishment of a Competitive Tier 2 Program under which NYSERDA would purchase Tier 2 RECs through a competitive process designed to be “the most cost-effective strategy to provide qualified legacy renewable energy resources in New York State with appropriate support to continue to competitively operate and contribute to the State’s clean energy goals.”² The Competitive Tier 2 Program will last through 2026 and be capped

¹ Load Serving Entities include utilities and energy service companies that provide electricity commodity services to retail customers.

² October 15, 2020 PSC Order in Case 15-E-0302 “Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and Clean Energy Standard”, p. 49, note 37.

at a cost of \$200 million. The costs of the program will be allocated to the State's LSEs in proportion to the load each serves and will be collected monthly through the sale of Tier 2 RECs to LSEs by NYSEERDA.

The Board's policy on Resource Planning and Renewable Energy provides for meeting the State's clean energy goals in part by LIPA procuring cost-effective renewable resources and RECs and acting in coordination with other State energy authorities. Accordingly, LIPA seeks to contract with NYSEERDA to meet LIPA's share of responsibility for Tier 2 RECs, as determined by the PSC. Based on LIPA's 12.5% share of the State's load, LIPA's maximum cost obligation is estimated to be \$25 million.³

Discussion

Recognizing that cooperation and coordination of REC procurements with NYSEERDA will further LIPA's and NYSEERDA's mutual goal of providing and maintaining the benefits of clean energy and efficient procurement to the State's and LIPA's electric ratepayers in a cost-effective manner, LIPA Staff proposes that LIPA enter into an agreement with NYSEERDA to purchase Tier 2 RECs up to LIPA's share of responsibility for Tier 2 RECs. The price of the Tier 2 RECs sold by NYSEERDA will be determined in accordance with the auction process approved in the October 15, 2020 Order. The specific amount purchased will be selected by LIPA, considering LIPA's alternatives for self-supply, if any.

Recommendation

Based on the foregoing, I recommend that the Board authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, executing of an agreement with NYSEERDA to enable LIPA's purchase of Tier 2 RECs, as described above.

Attachment

Exhibit "A" Resolution

³ LIPA purchases undesignated RECs from certain solar REGFs that were commissioned prior to 2015. As currently defined, solar RECs are not eligible for Tier 2 treatment. In its comments submitted to the PSC in 2020, LIPA proposed that Tier 2 eligibility be expanded to include solar REGFs.

AUTHORIZATION TO EXECUTE AN AGREEMENT WITH NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“NYSERDA”) FOR THE PURCHASE OF TIER 2 RENEWABLE ENERGY CERTIFICATES (“RECs”) TO BE ACQUIRED BY NYSERDA UNDER THE COMPETITIVE TIER 2 PROGRAM

WHEREAS, the New York State Public Service Commission (“Commission”) established a Clean Energy Standard (“CES”) which required that 50 percent of the State’s electricity be generated from renewable energy resources by 2030; and

WHEREAS, the Climate Leadership and Community Protection Act of 2019 increased the 2030 renewable energy goal to 70 percent; and

WHEREAS, the CES, as revised by the Commission on October 15, 2020, established the Competitive Tier 2 Program to meet the State’s goal; and

WHEREAS, LIPA recognizes that cooperation and coordination of REC procurements by LIPA and NYSERDA will further LIPA’s and NYSERDA’s mutual goal of providing and maintaining the benefits of clean energy and efficient procurement to the State’s and LIPA’s electric ratepayers in a cost-effective manner; and

WHEREAS, LIPA and NYSERDA are in the process of negotiating an agreement that would allow LIPA to purchase Tier 2 RECs acquired by NYSERDA pursuant to the Competitive Tier 2 Program, accounting for eligible self-supply, if any.

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer or his designee be and hereby is authorized to execute and effect an agreement with NYSERDA consistent with the terms of the accompanying memorandum, and to perform such other acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee, to implement LIPA’s purchase of Tier 2 RECs from NYSERDA.

Dated: March 29, 2021