



LIPA-NYSERDA REC Purchase and Sale Agreements

May 22, 2025



LIPA Board of Trustees' Policy on Renewable Energy

- Board policy requires LIPA to participate in the State's renewable energy goals by:
 - LIPA directly procuring cost-effective renewable resources and renewable energy certificates ("RECs")
 - Acting in coordination with other State energy authorities, such as NYSERDA

What is a Renewable Energy Certificate?

- A REC represents the attributes of one megawatt hour of electricity generated from a renewable source like solar or wind
- A “Tier 1” REC is used in New York for new renewable projects in service post-2015
 - Other tiers include hydro maintenance RECs (Tier 2) and NYC renewable imports w/transmission (Tier 4)
- The certificate is created in the New York Generation Attribute Tracking System (NYGATS)
- Certificates are needed to substantiate environmental claims related to energy use, such as for
 - Compliance with a State-mandated renewable energy program, such as the CLCPA
 - “Voluntary” claims such as a corporate or community climate action pledge
- Progress towards New York State goals is measured by the annual production of RECs

Request to Execute Tier 1 REC LSE Sale and Purchase Agreements with NYSERDA

REC LSE Sale Agreement – an agreement for LIPA to sell to NYSERDA RECs owned by LIPA in a Compliance Year at an established price (generally, the “Value of E”)

- “Value of E” represents avoided marginal damage costs of CO2 emissions on society, net of such costs internalized in market energy prices

REC LSE Purchase Agreement – an agreement for NYSERDA to sell to LIPA an Annual Tier 1 REC Quantity equal to the amount of Tier 1 RECs that NYSERDA has retained for sale to the load-serving entities, multiplied by LIPA’s percentage portion of the statewide load, at a price based on the net cost to NYSERDA for the balance of RECs sold to the LSEs in the compliance year.

Net Cost of Agreements

LIPA expects to purchase more RECs than it sells, at a net cost projected to range from:

- \$10 million in 2026 to
- \$29 million in 2030
- Cost projection is based on certain assumptions for future REC volumes and prices, which could change significantly depending on the outcomes of NYSERDA REC procurements, among other factors.



BACKGROUND

How are RECs produced and traded?

- RECs are produced when a qualified renewable project generates energy
 - Utility-scale projects, mainly solar and wind
 - Distributed renewable projects selling power under a “Value of Distributed Electricity Resources (VDER)” tariff
 - Behind-the-meter customer-owned renewable energy projects
 - Certain qualified net metered solar installations and grandfathered fuel cell projects
- REC producers must be certified by NYSERDA and register RECs in the New York Generation Attribute Tracking System (NYGATS)

NYSERDA's Role for Tier 1 RECs

- Procures RECs to meet statewide CLCPA mandates for renewable energy development and greenhouse gas emissions reductions
 - 70% electricity from renewable energy by 2030
 - 100% by 2040
- Serves as central buyer for RECs produced in New York State
 - Buys RECs that the utilities acquire through their VDER and net metering programs
 - Buys RECs that LIPA has acquired through solar and other PPAs
 - Conducts statewide procurements for utility-scale renewable energy projects, mainly wind and solar
- Administers REC programs
 - Contracts with load-serving entities (LSEs) for buying and selling RECs
 - Manages invoices and annual reconciliation
 - Conducts voluntary REC sales program, including an annual REC Presale, which helps mitigate costs passed on to LSEs

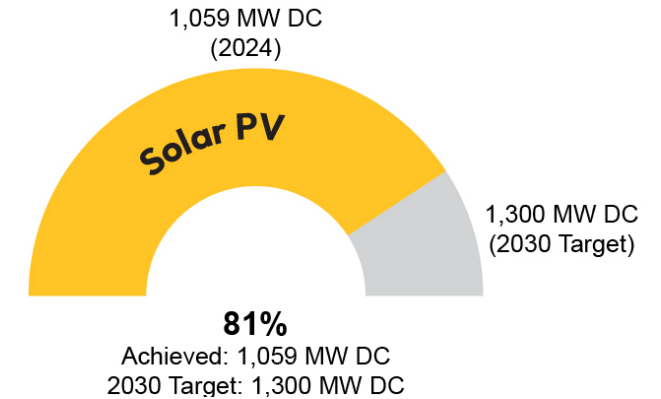
LIPA's Own Clean Energy Programs Complement NYSERDA's

- LIPA Clean energy procurements, e.g.:
 - 2015 Renewable RFP
 - 2021 Energy Storage RFP
- “Feed-in” tariff-based initiatives
 - VDER value stack tariff
 - Clean Solar Initiative (FIT I, FIT II)
 - Commercial Solar (FIT III)
 - Fuel Cell Resource (FIT IV)
 - Solar Communities (FIT V)
- Long Island rooftop solar incentives

LIPA Solar PV Five-Year Plan

- New York's statewide goal for solar generation in 2030 is 10,000 MW
- LIPA measures its performance against a solar goal of 1,310 MW by 2030
 - As of 2024, LIPA has achieved 81% of its Solar PV 2030 Goal
 - Based on projected growth, Long Island will exceed its 2030 Solar PV Goal by 2030

LIPA Solar PV Progress to Date



LIPA's Long Island Sources of RECs

Project	Size (MWAC)	In-Service
Long Island Solar Farm *	32	2011
Eastern Long Island Solar Project *	11	2013
Shoreham Solar Commons	25	2018
Riverhead Solar	20	2019
Kings Park Solar 1 and 2	4	2019
Renewable Feed-in Tariffs I-V	110	2025
LI Solar Calverton	23	2021
Behind-the-Meter Solar	1,200	2030
Solar Communities (FIT V)	12	2025
South Fork Wind Farm **	130	2024
Total incl. SFW	1,567	2030

* Projects that were in-service prior to 2015 are not eligible for Tier 1 designation.

** South Fork Wind Farm produces "ORECs" that will be eligible for Tier 1 REC compensation from NYSERDA until the state establishes a separate market for ORECs when Sunrise Wind reaches COD.

How does NYSERDA recover its costs for RECs?

- NYSERDA's net cost of RECs equals:
 - Cost of RECs procured in NYSERDA's annual RFPs
 - Plus cost of VDER and PPA RECs NYSERDA purchases from the utilities
 - Less proceeds of sales to participants in an annual REC pre-sale open to voluntary participants
- Load-serving entities (LSEs) in New York State are responsible for their proportionate share of NYSERDA's net costs for RECs, based on their percentage of the statewide load
- LIPA participates in the cost recovery mechanism on a voluntary basis, as a means to comply with Board policy on renewable energy

Thank you



FOR CONSIDERATION

May 25, 2025

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Authorization to Execute Agreements with the New York State Energy Research and Development Authority for the Purchase and Sale of Renewable Energy Certificates

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to authorize the Acting Chief Executive Officer or his designee to execute agreements with the New York State Energy Research and Development Authority (“NYSERDA”) for the purchase and sale of renewable energy certificates (“RECs”) required for LIPA’s compliance with the goals established by the Climate Leadership and Community Protection Act of 2019 (“CLCPA”).

Background

In 2016, the New York State Public Service Commission (“PSC”) issued an order establishing a Clean Energy Standard (“CES Order”) detailing a strategy to reduce statewide greenhouse gas emissions in the electric sector by 2030. In 2019, the CLCPA built upon the emissions reduction goal in the CES Order by mandating that 70% of New York State’s electric power supply to end use customers will be sourced from renewable energy by 2030. The CES Order expects every Load Serving Entity (“LSE”) in New York State including LIPA, which is not subject to the PSC’s jurisdiction but would participate voluntarily, to “participate by satisfying their requisite share of responsibility” for emissions reductions.

At the statewide level, NYSERDA is charged with incentivizing new clean energy generation projects to achieve CLCPA goals. Pursuant to the CES Order, NYSERDA carries out this responsibility by acting as a central agent that issues annual Requests for Proposals (“RFPs”) to procure renewable energy certificates (“RECs”) from Tier 1 eligible resources under long-term contracts. NYSERDA resells the RECs it procures to participating New York LSEs and other buyers. A Tier 1 REC is a certificate that represents the zero emissions attributes of the energy produced by one megawatt-hour (MWh) of electricity from renewable sources, such as solar and onshore wind.

In 2022, NYSERDA petitioned the Public Service Commission to approve a new approach for the state’s LSEs to satisfy their emissions reduction compliance obligations, with NYSERDA serving as a central clearinghouse to allocate the costs for all RECs procured statewide to the LSEs according to their proportionate share of the statewide electrical load they serve. Under the “Tier 1 REC Transition” approach that was approved by the PSC, local utilities resell their self-procured RECs to NYSERDA essentially at cost. NYSERDA packages the utilities’ RECs together with its

own self-procured RECs and resells the consolidated RECs to recover its purchase costs. The amount of RECs that NYSERDA makes available for sale to the LSEs equals the amount of RECs procured in its annual RFPs, plus the RECs NYSERDA purchases from the utilities, less sales to participants in an annual pre-sale open to voluntary participants. An LSE is deemed to have met its Renewable Energy Standard compliance obligation by purchasing its proportionate load share of the net amount of RECs that NYSERDA makes available for sale to LSEs.

NYSERDA has developed standardized LSE REC Purchase and Sale Agreements to effectuate the new approach for administration of statewide Tier 1 RECs, and executed the agreements with the PSC-jurisdictional LSEs. LIPA has negotiated the following agreements with NYSERDA that closely track NYSERDA's standard form contracts, with minor modifications to address LIPA's unique needs:

1. REC LSE Sale Agreement – an agreement pursuant to which LIPA will sell to NYSERDA any RECs owned by LIPA for a Compliance Year at an established price (generally, the “Value of E¹”); and
2. REC LSE Purchase Agreement – an agreement for NYSERDA to sell to LIPA an Annual Tier 1 REC Quantity equal to the amount of Tier 1 RECs that NYSERDA has retained for sale to the LSEs, multiplied by LIPA's percentage portion of the statewide electrical load, at a price based on the net cost to NYSERDA for the balance of RECs sold to the LSEs in the Compliance Year.

The two agreements will commence in Compliance Year 2026 and remain in effect until either NYSERDA's obligations to purchase Tier 1 RECs have expired or been terminated, or LIPA exercises its termination rights. The net cost of LIPA's REC purchases from NYSERDA less the revenues received for LIPA's REC sales to NYSERDA is projected to range from \$10 million in 2026 to \$29 million in 2030.

As part of the new arrangement, LIPA and NYSERDA have agreed to terminate an earlier long-term agreement for LIPA to purchase a portion of the Tier 1 RECs that NYSERDA procured in its 2020 renewables RFP. No transactions occurred pursuant to that contract as LIPA had sufficient quantity of REC's from existing sources.

Discussion

The LIPA Board of Trustees' Policy on Resource Planning and Renewable Energy requires LIPA to participate in the State's renewable energy goals by (i) LIPA directly procuring cost-effective renewable resources and related RECs and (ii) acting in coordination with other State energy authorities, which could include participation in NYSERDA's Tier 1 REC program. To date, LIPA has complied with the Board policy through a combination of participation in NYSERDA's clean

¹ Value of E is a proxy for the social cost of greenhouse gas emissions that is administratively determined by the Public Service Commission and used as the price for the carbon reduction payment for VDER contracts.

energy programs, power purchase agreements (“PPAs”) with Long Island-based renewable resources, and tariff-based incentives for the output of customer-owned solar projects.

With NYSERDA serving in the role of centralized agent for procuring RECs statewide, including on Long Island, LIPA can focus its clean energy programs on meeting local needs that may not be addressed by NYSERDA’s activities. Such programs may include rooftop solar incentives and targeted clean energy procurements needed for local requirements within LIPA’s service territory. The proposed REC purchase and sale agreements with NYSERDA provide LIPA the flexibility to manage its own local clean energy programs and sell the resulting RECs to NYSERDA, while relying on NYSERDA to provide the balance of Tier 1 RECs that LIPA needs to meet its proportionate share of the statewide clean energy goals. The agreements ensure that LIPA will meet its annual Tier 1 REC compliance obligation on the same basis as the PSC-jurisdictional LSEs in New York State.

Recommendation

Based on the foregoing, I recommend that the Trustees authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the REC LSE Sale and REC LSE Purchase Agreements with NYSERDA to enable LIPA’s sale and purchase of RECs as described above, and all other related arrangements and agreements, as may be necessary or convenient.

Attachment

Exhibit A Resolution

AUTHORIZATION TO EXECUTE AGREEMENTS WITH NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“NYSERDA”) FOR THE SALE AND PURCHASE OF TIER 1 RENEWABLE ENERGY CERTIFICATES

WHEREAS, the New York State Public Service Commission has established a Clean Energy Standard (“CES”) which requires 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 has increased the 2030 renewable energy goal to 70 percent; and

WHEREAS, the LIPA Board of Trustee’s Policy on Resource Planning and Renewable Energy requires LIPA to participate in the State’s renewable energy goals by (i) LIPA directly procuring cost-effective renewable resources and related RECs and (ii) acting in coordination with other State energy authorities, which could include participation in NYSERDA’s Tier 1 REC program; and

WHEREAS, LIPA recognizes that cooperation and coordination of renewable energy certificate (“REC”) purchases and sales with NYSERDA will further LIPA’s and NYSERDA’s mutual goal of stimulating and deepening the developer marketplace and providing the benefits of clean energy and efficient procurements to the State’s and LIPA’s electric ratepayers in a cost-effective manner; and

WHEREAS, LIPA and NYSERDA have negotiated REC LSE Sale and REC LSE Purchase Agreements that would allow LIPA to participate in and meet its share of obligations for the statewide Tier 1 REC program on the same basis as the State’s other LSEs;

NOW, THEREFORE, BE IT RESOLVED, that the Acting Chief Executive Officer or his designee be and hereby is authorized to execute and effect REC LSE Sale Agreement and the REC LSE Purchase Agreement with NYSERDA consistent with the terms of the accompanying memorandum, and to enter into such other instruments and 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 contribute to the achievement of State clean energy goals by participating in the Tier 1 REC program administered by NYSERDA.

Dated: May 22, 2025