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Voluntary and Corporate Renewable Energy in New York: Challenges to Maximizing Voluntary Benefits and Meeting State Goals

Executive Summary

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Overview

Since the adoption of New York's Renewable Portfolio Standard (RPS) in 2004, voluntary and compliance markets for renewable energy have been used together to meet state goals and drive in-state development. Today, the New York State Energy Plan (SEP) coordinates the Governor's energy initiative, Reforming the Energy Vision (REV), and the state's Clean Energy Standard (CES). However, it is yet to be determined what proportion of the goals the voluntary market will represent, what requirements will be placed upon it, and whether or not generation serving voluntary buyers will be surplus to regulation.

Like the rest of the Northeast, New York residents and businesses buy a large volume of voluntary green power, but New York does not supply much of it. This is an opportunity to capture private investment dollars and emissions reductions that are currently leaving the state.

Challenges

Voluntary buyers in New York are loath to pay REC prices driven up by the demand from RPS/Renewable Energy Standard (RES) compliance. Buyers in New York report other unique challenges, relating to the centralized procurement of RECs, and to the treatment of the voluntary market in RPS policy.

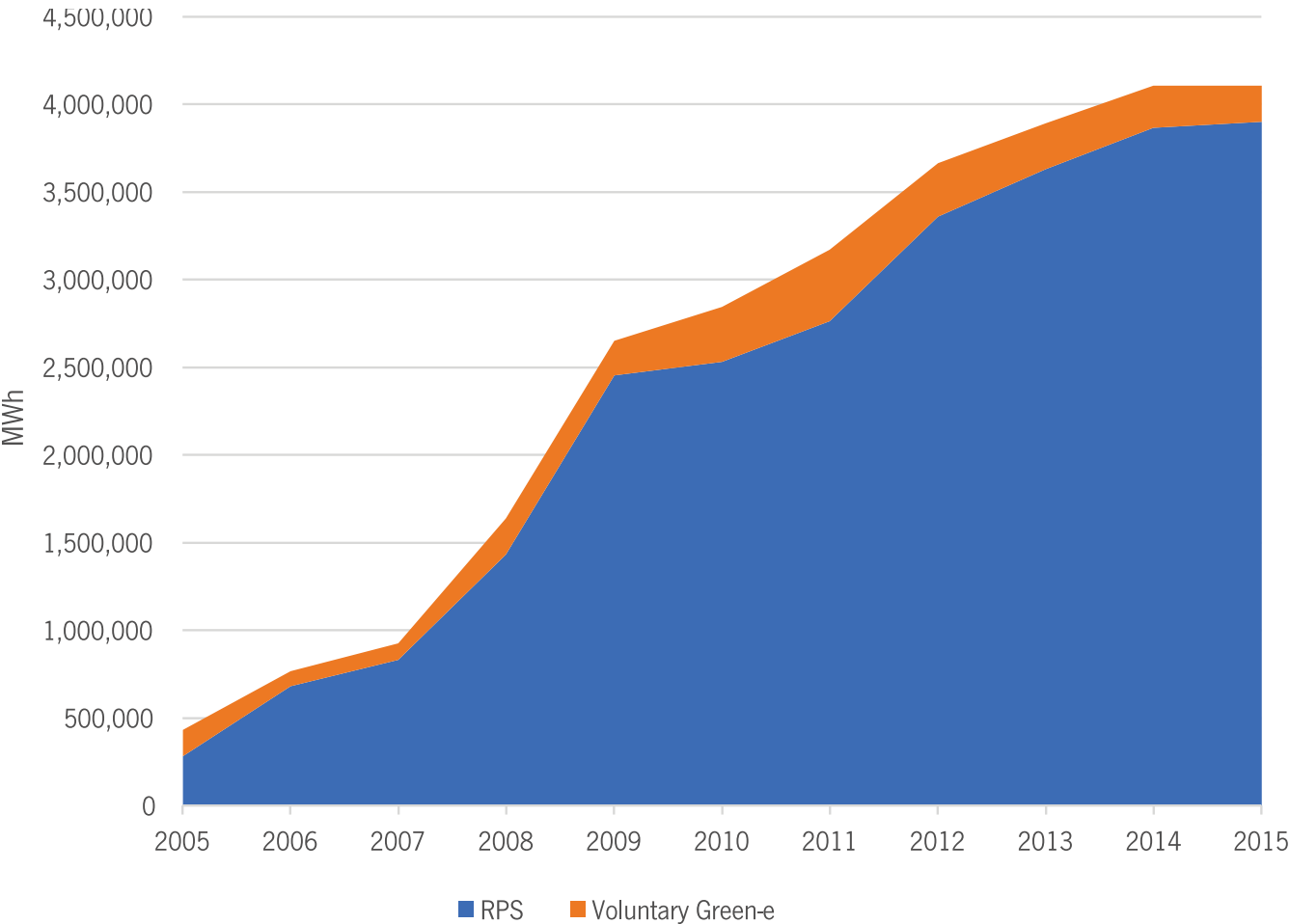
Apart from price, market participants report that regulatory uncertainty and a lack of clarity regarding claims, voluntary and compliance market boundaries, and accounting may also be hindering voluntary clean energy development in New York. It is not clear to voluntary market participants what portion of the CES is required and whether the CES requires voluntary participation.

There remains confusion among voluntary market participants about:

- whether the RES mandate includes (or will include) voluntary renewable energy, either now or as a possibility in the future;
- whether voluntary renewable energy is included in the baseline used to set the RES, and what this means for claims related to that generation;
- the RES and voluntary market targets (i.e. the size of the voluntary component of the CES);
- what voluntary renewable energy consumption will be counted toward either the RES or CES; and
- whether voluntary renewable energy, even if it is not included in the RES, is considered surplus to regulation (i.e. whether the CES is a mandate).

The introduction of the New York Generation Attribute Tracking System (NYGATS) will produce much-needed transparency and accuracy to renewable energy certificate (REC) ownership, and New York has recently taken other important steps to clarify REC ownership and claims for certain users—specifically with the Public Service Commission's (PSC's) Value of Distributed Energy Resources (VDER) Order on March 9, 2017. But for many market participants, the continuing lack of a clear distinction between voluntary and compliance renewable energy in New York affects the credibility of the voluntary market and voluntary benefits in New York.

Figure 1. RPS and Green-e Supply in New York (2005–2015)



RPS Supply only includes generation from “new” renewable energy facilities built since the commencement of the RPS. **Voluntary Green-e** annual supply includes generation that can occur in that year, the back half of the previous year, or the first quarter of the following year. Supply is limited to generation from facilities built within the last 15 years.

Conclusion

New York’s unique regulatory environment creates additional opportunities for increasing voluntary market activity in the face of high compliance REC prices. New York can continue to move toward a more decentralized procurement regime for the RES, which will create more liquidity and RECs from new projects. But the state’s centralized long-term procurement model can also potentially be used to create more access, supply, and impact for voluntary purchasers. For example, the New York State Energy

Research and Development Authority (NYSERDA) can support New York voluntary buyers to issuing requests for proposals that are not awarded NYSERDA contracts. NYSERDA can also execute long-term solicitations and sell RECs to both compliance and voluntary buyers. Depending on voluntary demand, NYSERDA could potentially mitigate losses in the short term by selling the voluntary RECs at a reduced price, giving the state more renewable energy at a lower cost due to voluntary purchasing. •