

UNBUNDLING AND ATTRIBUTE ACCOUNTING AND TRADING

The New York Public Service Commission (Commission) is considering modifying the Renewable Portfolio Standard (RPS) Program rules to allow RPS Program developers to enter into physical bilateral contracts for the sale of the energy separate from the energy's associated RPS Program environmental attributes. The Commission is also considering authorizing Department of Public Service Staff (Staff) and the New York State Energy Research and Development Authority (NYSERDA), in consultation with the NYISO, to begin the design of a certificate-based tracking and trading system to facilitate communication/tracking of energy and attribute transactions within and between control areas, support compliance with current and future policy initiatives and support growth in competitive, voluntary markets.

In its Order Regarding Retail Renewable Portfolio Standard, issued on September 24, 2004 (September Order) and its Order Approving Implementation Plan, Adopting Clarifications, and Modifying Environmental Disclosure Program, issued on April 14, 2005 (April Order), the Commission generally discussed matters concerning the “unbundling” of environmental attributes from energy and the development of a certificate-based tracking and trading system. In the April Order, the Commission directed Staff, in consultation with NYSERDA and the New York Independent System Operator (NYISO), to examine all aspects of unbundling and transitioning the Environmental Disclosure Program (EDP) to a certificate-based tracking and trading system. In addition to such an examination, the Commission also directed Staff, after

consultation with NYSERDA and the NYISO, to provide recommendations with regard to these issues.

In the initial Fast Track procurement, the Commission employed a fixed price approach, while requiring projects located in New York to sell their energy in the New York ISO spot market. As a result, workshop participants asserted, developers obtaining NYSERDA contracts were exposed to the uncertainty and risk associated with future spot market energy prices. Participants in the workshop held on July 14, 2005 asserted that “unbundling” environmental attributes from the associated energy would result in several benefits. It was argued that unbundling, which would allow renewable generators with physical bilateral contracts to participate in the RPS Program as well as allow the trading of environmental attributes in the form of renewable energy credits (RECs), would improve the liquidity of renewable energy markets and encourage financing of new generation by decreasing risk. This, in turn, would result in lower bid prices in the RPS Program and would enable quicker development of the voluntary green market.

A series of resource materials discussing this issue were distributed to the workshop participants, and are available at

www.nyserda.org/rps/july14meeting.asp.

In addition, documents pertinent to the issue of certificate tracking and trading listed below are available on the DPS Web site under the Energy heading and Retail

Renewable Portfolio Standard sub-heading.

[Order Approving Implementation Plan, Adopting Clarifications and Modifying Environmental Disclosure Program](#)

[September 24, 2004 - Order Approving Renewable Portfolio Standard Policy](#)

[NYSERDA REACTS Report - APX - March 11, 2003](#)

[NYSERDA REACTS Report - Center for Resource Solutions - January 22, 2003](#)

[May 7, 2003 Meeting Minutes](#)

[NARUC - The Renewables Portfolio Standard: A Practical Guide - February 2001 \(Chapter 6 of report addresses tradable renewable credits\)](#)

The Commission may accept, reject, or modify any proposals relating to these matters.