

# AMERADA HESS CORPORATION

ALYSSA D. WEINBERGER  
Director of Regulatory Affairs  
Energy Marketing

1 HESS PLAZA  
WOODBIDGE, NJ 07095-0961  
(732) 750-6024 Phone  
(732) 750-6670 Fax

September 25, 2003

Hon. Jaclyn A. Brillling  
Secretary  
New York State Public Service Commission  
Three Empire Plaza  
Albany, New York 12223

RE: Case 03-E-0188 Proceeding on Motion of the  
Commission Regarding a Retail Renewable Portfolio  
Standard

Dear Secretary Brillling:

Enclosed for filing, please find an original and ten (10) copies of the Initial Comments of Amerada Hess Corporation ("Hess") in the above entitled case. A copy of these comments has also been provided to Administrative Law Judge Eleanor Stein, and the active parties list in this case via electronic mail.

In order to assist in our record keeping, please file stamp the extra copy and return it to me in the self addressed stamped envelope included for that purpose.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Alyssa D. Weinberger  
Director of Regulatory Affairs

Enclosures

cc: Administrative Law Judge Eleanor Stein (VIA EMAIL and OVERNIGHT)  
Active Parties List (VIA EMAIL)

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

Case 03-E-0188 - Proceeding on Motion of the Commission  
Regarding a Retail Renewable Portfolio  
Standard

**Comments of Amerada Hess Corporation**

**I. Summary of Comments**

Amerada Hess Corporation (“Hess”) appreciates the opportunity to comment on a New York State Renewable Portfolio Standard (RPS). As both a natural gas and electricity marketer in the state, Hess supports the development of the RPS and the New York Public Service Commission’s (“Commission”) underlying objectives in establishing a RPS. However, Hess cannot overemphasize the importance of establishing a program that also supports the Commission’s goal for development of the competitive retail electricity markets in the state.

In particular, Hess stresses the importance of economic efficiency, the equitable allocation of costs among ratepayers, and competitive neutrality, in that the RPS should be compatible with robust competitive energy markets in New York State.

Hess’ comments will focus on the following primary points within the context of the outline provided by Administrative Law Judge Eleanor Stein.

**Energy Service Companies (ESCOs) should be excluded from compliance with RPS provisions at this time.** The imposition of RPS rules could place all ESCOS, and not just the smaller marketers at a competitive disadvantage vis-a-vis the incumbent utilities. Utilities are able to benefit from economies of scale in procuring large energy loads. This benefit will also exist in the purchase of renewable source energy. Marketers of all sizes serve substantially smaller loads than do the utilities.

**An RPS requirement at the wholesale level would be more likely to succeed and therefore to meet the Commission's goals.** Although Hess recognizes that the Commission has no jurisdiction over wholesale generators, the objectives of the RPS are best met, and subsequent compliance monitoring is most appropriately administered at the wholesale level, rather than by requiring compliance of individual retail Load Serving Entities (LSEs). A program that could truly meet the objectives of the RPS would require a percent of energy generated and delivered to New York State to come from renewable resources; energy sold to retail customers within the state can only comply with required RPS percentages of renewable energy that is being generated, thereby leaving the retail market entirely dependant on generation attributes to achieve compliance. It is for this reason that Hess believes the appropriate place for the RPS requirement is with the wholesale market.

Nevertheless, due to the jurisdictional issues mentioned above, Hess would urge the Commission to implement the Central Procurement model because, as is more fully detailed in section III, it most closely approximates a wholesale procurement of renewable source generation.

**Market designs that incorporate multiple price signals will detract from competitive neutrality and end users will realize varying prices.** Several renewable procurement options under consideration will produce multiple market price signals for renewable generation. These include procurement through bilateral markets, daily and hourly markets and multiple auctions for the same time period. Hess would emphasize that a market design which produces multiple price signals will

not only detract from competitive neutrality, but also will promote the inequitable allocation of costs among end users and ratepayers. LSEs will realize different costs and cost structures associated with implementing an RPS program if they procure renewable generation at varying prices, which ultimately will pass inequitably on to end users. To eliminate the issue of multiple price signals, Hess recommends implementation of centralized procurement whereby all parties realize the same RFP price, or auction process. All parties will realize the same clearing price for a particular time period.

Hess also stresses that during the procurement process, there is a need for the clear communication of price determinants (e.g. renewable supply and demand ), auction preliminary and final results, and clear price signals. In order to ensure competitive neutrality and economic efficiency, this information should clearly and uniformly be made available to all parties throughout the procurement process. Hess believes that communication and price clarity is better achieved through the ISO, as both buyers and sellers would have to participate in the process and would be in a better position to understand the price and price determinant signals as they develop. Hess would consider an auction/RFP process that is run by a separate state entity as an alternative. However, in this situation, utilizing a separate entity, where buyers are not participants, price and determinant may be less apparent until the procurement process is complete.

**Do sufficient renewable generation sources exist to achieve RPS targets?** Hess believes that the program should allow for sufficient flexibility in compliance with recognition of the actual availability of resources. The Commission may choose to enact a compliance program that distinguishes between LSE noncompliance and the unavailability of renewable generation sources. If so, penalties should differ for these two situations and Hess includes a proposal for such differentiation at the end of section III for Commission consideration.

Hess' comments follow as per Judge Stein's outline in the June 10, 2003 ruling.

## II. Comment on the Revised Working Objectives

- A. Hess supports the working target of 25% and, despite its belief that these requirements are more appropriately placed at the wholesale level, can accept a working target of 25% of all energy sold to retail customers within New York State provided a Central Procurement model is utilized.**

Hess believes that the working target should be set at the wholesale level, rather than at the retail level, so that 25% of all energy generated and delivered to the NYISO energy market, rather than 25% of the energy sold to the state's retail customers would come from renewable sources. However, Hess recognizes that the Commission does not have jurisdiction over wholesale generators and cannot enforce this type of approach. If the Commission is unable to create and enforce a wholesale program, Hess makes the following recommendations with regard to a retail requirement.

Hess strongly recommends that the working target allow for flexibility to accommodate market forces and technology changes beyond participants' control, and which cannot be predicted at the onset. For example, technology improvements or problems may alter the availability of renewable generation, particularly in the early years. Alternatively, renewable attribute prices may vary sufficiently from year one to later years thereby influencing supply and demand for renewable generation. Finally, the overall availability of renewable source energy should be considered when determining the enforcement of these targets. LSEs cannot purchase what has not been generated.

- B. Hess fully supports the objectives as stated and has the following specific comments.**

**Competitive Neutrality.** While Hess continues to recommend that the RPS requirement not be imposed on ESCOs, several options have been proposed during this proceeding that support ESCOs' competitive neutrality. These options include centralized procurement with no individual requirement, and provision in the program for only one renewable price signal determined in the marketplace for a specific time period, as explained in section III.

**Equity and Economic Efficiency.** As reviewed in comments in Section III, Hess strongly believes that only one Renewable Energy Credit (“REC”) or renewable attribute price signal should be determined in the marketplace for a specific time period. Also mentioned in Section III, the renewable attribute price signal should be determined independently of energy prices, which are set by existing energy markets. This will ensure: a) the equitable allocation of costs among rate payers; and b) that energy prices are set independently, and are not adversely affected by the establishment of renewable attribute prices.

The Commission Order issued June 19, 2003 indicates that this working objective should allow for recovery of utility investment. Hess disagrees with cost recovery of prudent costs for complying utilities. Guaranteed cost recovery provides utilities with an advantage over ESCOs who do not benefit from the economies of scale afforded the utilities and who must build costs into rates while remaining uncertain which customers will be willing to pay this premium and which will choose to terminate ESCO service. Allowing cost recovery places utilities in a much better financial position than ESCOs, who are never guaranteed the right to recover their costs.

### **III. RETEC Straw Proposal**

**Unless otherwise noted, the following comments apply to both of RETEC’s proposals: the Hybrid / Central Procurement Option, and the Individual Procurement Option.**

**Central Procurement best achieves the goals of the RPS program while retaining competitive neutrality for participants; Hess prefers central procurement at the ISO.** A central procurement program where one attribute price is realized by all LSE’s for a particular time period allows for competitive neutrality. The attribute may be priced via one market clearing price at the NYISO, or, as NYSERDA recommends, procurement may be accomplished through one RFP/auction process,

in which all parties participate. Hess agrees with an RFP/auction procurement, and prefers procurement at the ISO. As mentioned in summary comments, Hess strongly believes this method will result in greater price signal and determinant clarity throughout the procurement process. Additionally, as explained below in the unbundling and state agency central procurement sections, an RFP/auction procurement should only apply to attributes.

Hess also supports the Central Procurement model because it most closely mimics what would result if a wholesale market RPS requirement were implemented. A wholesale RPS requirement would require wholesale market generators/energy deliverers to meet specified renewable targets, specifically to deliver a percent of renewable energy into the NY wholesale market. Charges could be passed through to LSEs, similar to transmission or ancillary charges passed through to LSEs. A centralized procurement model which incorporates one realized price via auction or RFP, whereby each LSE realizes the same price of renewable energy for a particular timeframe, closely approximates wholesale market procurement.

If renewable generation is centrally procured, compliance demonstration would be straight forward. Either all participants would comply if sufficient renewable generation existed, or all participants would be out of compliance if there was a renewable generation shortage. In an Individual Procurement model, confusion can arise in the case of any one LSE's noncompliance. It would be less clear whether noncompliance was due to LSE nonperformance, unavailability of renewable resources, or both.

Hess believes that the Central Procurement model with provision for one market clearing price keeps all parties competitively neutral, yet retains economic efficiency.

**Implementation of any amount of an individual requirement where multiple clearing prices exist due to bilateral agreements and other multiple clearing price mechanisms will hinder competitive neutrality.** Individual LSE's will pursue the best deal they can for their cost structure and competitive position, arriving at differing costs and compromising a neutral situation. While individual procurement

meets the objectives of economic benefits and efficiency, it allows for multiple clearing prices which jeopardize LSEs' competitive neutrality. A societal benefits program, such as an RPS, should include equal distribution of costs among participants to ensure compliance and avoid competitive advantages.

**Adjustment of annual targets should be allowed, to retain sufficient flexibility to promote compliance.** Hess agrees that RPS targets should be adjusted for changes in market forces and technology changes that lead to over or undersupply of renewable generation. These factors may vary between now and 2013 to warrant periodic target adjustment.

Hess also supports a gradual increasing of the RPS requirement, but objects to two years notice required before a change is enacted. The inability to adjust targets may be problematic, particularly in the first few years. Under the rules as proposed, if insufficient supply exists, one or all LSEs will be noncompliant for multiple years due to causes beyond their control. For example, if insufficient supply exists in year one, it may take until year two before noncompliance is demonstrated. If a minimum of two years notice is required, LSEs may be noncompliant for three years, before a correction can be made in year four.

**A broad renewable resource list is advised.** A broad renewable resource list will make compliance more feasible, as there is a greater possibility that the generation will exist to be purchased.

Hess also supports NYSERDA's position that all existing renewable resources continue to be eligible to meet the RPS requirements. Existing hydroelectric and biomass facilities make up 15% - 17% of the state's supply and should continue to be included. NYSERDA's research shows that most RPS states include all existing renewable resources as eligible to meet RPS requirements. Therefore, Hess recommends that New York also utilize this standard and allow existing renewable resources to qualify.

**Import resources from neighboring states are supported.** A key objective of the RPS is to promote cleaner air. Emissions travel irrespective of state borders. Therefore, renewable sources in a neighboring state should qualify as eligible renewable sources in New York State, provided they are not double counted, as discussed below in the section on Tracking and Trading. Therefore, Hess supports the inclusion of generation as specified in the Central Procurement proposal, specifically generation in areas that impact New York’s air quality or any renewable resources from a party that sells into New York’s regional electricity market.

**Unbundling of renewable attributes is recommended for two reasons.** As detailed below in the section entitled “State Agency Central Procurement is a Viable Option”, Hess agrees that the renewable attribute should be unbundled from energy so that the attribute is procured only in one marketplace. Established NYISO and bilateral markets exist to transact energy purchases and sales. Additionally, as discussed above in the section entitled “Import resources from neighboring states are supported,” the associated electricity should not need to be deliverable. Whether the energy is deliverable via direct transmission to New York’s transmission system is irrelevant to the emissions travel path. Therefore, designation as a New York State renewable attribute should not require a deliverability component.

**Tracking and trading is essential.** Given the inclusion of out of state renewable resources, a compatible and verifiable tracking system is essential to avoid double counting of renewable sources across state lines. Any trading program will require an accounting and verification system for RECs and certificates so there will be no double counting of RECs. This is reiterated again in section VI.

**Banking and compliance periods should support summer emissions reductions.** Hess agrees that the Commission should explore the appropriate banking period. Hess suggests that appropriate trading periods should allow trading of summer credits only within summer periods. This would support use of renewable generation for emissions reduction in the summer, when emissions reduction is most needed. Regardless of whether the compliance period adopted is three months as proposed in

the Individual Procurement Option, or 2 years as proposed in the Central Procurement Option, any credits generated between June through September should be allowed to satisfy compliance only for the months of June through September of any year within the established compliance period.

**Marketplace determination of multiple REC prices creates competitive disadvantage.** Hess supports the determination of REC pricing in the marketplace, but recommends one clearing price be applied to all RECs for a particular time period. Hess disagrees that RECs should be sold in the market place via long term contracts or bilateral agreements. Both methods yield multiple price signals in the marketplace.

Hess believes that the creation of a competitive marketplace that provides for multiple clearing prices creates competitive disadvantage in the retail marketplace. If multiple clearing prices are allowed, each ESCO will realize a different price for renewable resources, which will prohibit the equitable allocation of costs among all end users and directly conflict with the RPS objectives. Instead, if all parties pay the same clearing price determined in the marketplace, competitive neutrality is retained, while economic efficiencies sought from a competitive marketplace are still achieved.

**State agency central procurement is a viable option.** While the ISO option is preferred, as discussed again in Section 5, procurement through a separate new state agency is also acceptable.

However, differing from NYSERDA's approach to procure the renewable energy in the RFP or auction process, Hess recommends that a state agency procure only the renewal attribute. Established NYISO and bilateral markets exist to transact energy purchases and sales. State agency procurement of energy is redundant, and the activity is not required to establish an attribute market price.

Similarly, Hess disagrees with the "Contract for Difference" approach for pricing the renewable attribute, as described in the Hybrid/Central Procurement proposal. Again,

the price of the renewable should not be tied to price of energy. Renewable energy transactions and associated pricing should be stand alone activities.

**Collection for payment of renewable attributes through each distribution utility is preferred, as proposed within the Hybrid/Central procurement option.** Hess believes this will minimize the program's administrative requirements. Distribution utilities have the basic mechanisms in place to bill all customers in their territories for these services.

**If central procurement with an individual procurement provision is implemented, any shortfall between an LSE's individual requirement and compliance demonstration should not be the responsibility of others, nor should the LSE's customers be charged the penalty.** Hess agrees that the State agency should automatically make up the physical difference if an LSE has a shortfall. However, the LSE in question, and not its customers, should bear the cost of noncompliance. Hess suggests that all retail customers be charged the price for supply obtained through central procurement, regardless of how an LSE chooses to purchase its supply. If an LSE has a shortfall, the LSE should then be charged for any additional cost of the special purchase, the Central Procurement supply price, plus a surcharge as Hess proposes at the end of section III. While the LSE's customers should be charged for the cost of compliance, the LSE's customers should not be responsible for any penalties imposed upon the LSE. The penalty and compliance responsibility belongs to the LSE.

Hess discourages against billing LSE's customers in following years for LSE noncompliance. The accounting requirements are onerous, and utility billing systems most likely cannot accommodate the out - year billing. Retail contracts are typically one year in length. Unless a customer continues with an LSE for more than one year, by the time a noncompliance situation is identified, a different set of retail customers will pay the shortfall if the LSE's current customer base is billed.

It is also inappropriate for the State agency to impose a make-up allotment on LSE's just because the State agency cannot compel another supplier to make up a shortfall. Compliant LSEs should not be responsible for a shortage due to another LSE's nonperformance. Instead, Hess recommends the billing and surcharge mechanism identified in the first paragraph of this section and at the end of Section III.

**Two tiers of renewable generation sources are preferred over the emerging technologies incentives as proposed.** Hess believes it is important to encourage emerging technologies, but disagrees with the incentives as proposed: acquisition of a fixed percent from specific technologies (individual procurement) or annual allocation of fixed dollar amounts to specific technologies (central procurement). As proposed, the incentives would subsidize emerging technologies, particularly with respect to technologies that are not yet market ready. Hess believes this to be inappropriate. Such subsidization would make it harder for marketers to offer competitive prices and survive, which in turn would jeopardize the retail competitive market.

Instead, Hess recommends that two tiers of renewable technologies be established: existing technologies; and emerging technologies. As the emerging technologies advance, a certain percentage of renewable generation would be required to be procured from the emerging technology tier. The percentage may increase over time as emerging technologies become more mainstream and lower cost, or a technology may be transferred to the existing technology category.

**Mandatory long term contracts are objectionable.** One premise of deregulation is that the business decisions of competitive suppliers should not be regulated. A company should retain its right to choose the length of contract that best serves its business.

Hess recommends against mandating purchasers to purchase energy under long term contracts. It is unreasonable to require an LSE to lock into a particular type of technology for ten years. Technology can change significantly over ten years. Emerging technologies go through significant changes during their first few years of

market entry. Costs can drop significantly and some early versions of technologies may become obsolete.

Hess does recognize, however, that long term contracts are often required for developers to obtain financing. The proposal presented in RETEC's Central Procurement model whereby bidders specify proposed contract lengths from 1 to 20 years would be acceptable.

**Benefits of a high value location incentive do not justify the requirement.** Non attainment issues are regional issues that are addressed by siting renewable generation either within or near the high value locations. Requiring renewable generation to be located in these high value locations would require generation to be built in the more populated and congested areas, which would be more costly, thereby increasing the cost to retail customers.

**If individual procurement is implemented, any efforts to investigate a system to support contracting for small ESCOs should be on behalf of all ESCOs rather than just small ESCOs.** Within the Long Term Contracts section of RETEC's Individual Procurement proposal, RETEC suggests that if the Commission implements individual procurement, the Commission may investigate the potential for a system to support contracting by small ESCOs if the Commission determines that such ESCOs are in an untenable competitive disadvantage in contracting for renewable generation vis a vis the regulated distribution utilities. Instead, if the Commission determines that **any** ESCOS are placed in an untenable competitive disadvantage, Hess recommends that the Commission investigate the potential for a system to support contracting by **all** ESCO, not just small ESCOs. Investigating on behalf of any subset less than all ESCOs would contradict the goal of retaining competitive neutrality.

**Utility cost recovery creates a competitive disadvantage for ESCOS.** Hess argues against providing the utility a right to cost recovery of prudent costs. Guaranteed cost recovery provides utilities with an advantage vs. ESCOs as

previously discussed. Allowing cost recovery places utilities in a much better financial position than ESCOs, who are never guaranteed the right to recover their costs.

**An alternative compliance method associated with Individual Procurement should more closely reflect market costs.** Hess agrees in concept to an alternative compliance mechanism, but suggests an alternative to the proposal of 150% of the average market price for RECs or \$50/MW. If the Commission chooses to implement an Individual Procurement structure, Hess recommends three alternative compliance requirements. Hess proposes that the LDC bills the customer for 100% of the REC or renewable value, as discussed earlier in section III pertaining to shortfalls, while the LSE, the entity that must demonstrate compliance, directly pay the additional penalty component (20% or 50% in the following) so that the customer never sees these charges:

**If insufficient renewable generation exists:** Alternative compliance method should closely reflect the market value of RECs if parties cannot procure all of their individual requirements. Noncompliance would be beyond the LSE's control and a 150% alternate compliance rate is onerous. In this case, Hess recommends the alternative compliance be set to 100% of the REC market value, or 0% penalty rate.

**For entities below a specified size threshold:** As an option for smaller ESCOs, it is recommended that the alternative compliance methodology reflect a small percentage over the REC market value, of 120%, or 20% penalty rate.

**For LSE noncompliance:** Hess would encourage the enforcement of the 150% level, a 50% penalty, for deliberate noncompliance, where an LSE does not procure an individual allocation or pay the 120% rate by a preset deadline. Note: 150% rate should not be required absent an individual procurement requirement.

**Renewable generation should be treated as “green market” premium products, provided there is no double counting by treating the renewable as both.** Hess believes it is acceptable to allow “green market” premium products to be counted as renewable generation for RPS purposes. If a marketer chooses to sell generation as a “green market” product, a marketing approach, it should not matter if the generation

is also used to satisfy RPS requirements, a regulatory requirement. There should be no concern that the same generation is a salable product for marketing purposes and also satisfies a regulatory requirement. Therefore, renewable generation should be allowed for the “green market” and for RPS. The key will be to ensure adequate tracking mechanisms are implemented to prevent double counting by using the renewable generation for these two purposes.

#### **IV. Eligibility:**

- A. The Baseline:** Hess supports the proposed established baseline of 28,896,189 MWh and agrees that the baseline is primarily a relative reference point, from which new incremental renewable generation sources will be established.
  
- B. Target Levels:** Target levels as proposed in the June 25th letter are acceptable, although a 2004 start date may be ambitious. Hess recommends that targets should also be subject to revision to adjust as required for issues such as supply shortages, actual load growth and unforeseen obstacles.
  
- C. Target Resource Eligibility:** Hess discussed previously that the list of resources considered as renewable should be as broad as possible as discussed in section III. Hess believes that RPS targets should be measured in terms of energy rather than capacity and that eligible imports should be included as emissions do not stop at state borders, as also discussed within section III.
  
- D. Tiers:** Hess recommends the use of two technology tiers: one that includes renewable technologies that are currently considered market ready, and a second tier including emerging technologies.

## V. Overall RPS Structure

### A. Preferred Structure - Central or Individual Procurement, with rationale.

Hess believes, as stated earlier, that wholesale generators should bear the RPS compliance requirements rather than retail ESCOs. However, Hess can support a central procurement approach. Elements of the central compliance approach achieve similar results as implementation at the wholesale level, more readily ensure statewide compliance, and allow for easy determination if any noncompliance is due to system wide scarcity of renewable generation.

Relevant elements of a Central compliance approach that have been discussed in detail within this document are summarized:

1. Procure centrally through state agency or NYISO;
2. Exclude individual procurement and bilateral contracts;
3. Procure attributes only;
4. Determine one clearing price for all parties either by RFP or auction/bid.

### B. Individual Compliance:

**Participants:** While Hess does not support an individual compliance requirement, Hess agrees that targets should be adjusted if LIPA and/or NYPA do not participate. It is recognized that LIPA and NYPA do not currently fall within the Commission's jurisdiction. If they choose not to participate, targets should reflect their nonparticipation.

Contrary to RETEC proposal, Hess believes that all generation, including self generation should be eligible. This is in line with Hess' belief that the RPS target should apply to a percentage of all generation in the NY market. However, Hess can support exclusion of self generation as the wholesale market and self generators fall outside the Commission's jurisdiction.

**Target levels, tracking and trading:** Hess agrees that targets should be tracked, credit trading and banking should be allowed with a true up period as Hess proposed earlier. Targets should increase annually, and reflect actual

renewable supply in the marketplace. Hess can accept that credits and trading will be used to compensate for weather rather than target adjustment.

**Alternative compliance mechanism:** Hess supports an alternative compliance mechanism set at a level which reasonably replicates cost of participation. Alternative compliance at \$50/MWh or 150% of market value of renewable generation is unnecessary. Hess' recommendations for appropriate costs of alternative compliance were presented at the end of section III. Hess agrees that alternative compliance mechanisms suffice as an enforcement mechanism.

**Utility cost recovery:** Hess disagrees that utilities should be allowed to recover prudent costs. Guaranteed cost recovery assures a significant competitive advantage, leaving utilities in a stronger financial position than ESCOs. ESCOs will never have a guaranteed cost recovery mechanism as costs are recovered only if the marketplace allows a market price greater than the underlying cost structure.

### C. **Central Procurement:**

1. **Preferred Central Procurement Entity, with Rational:** Hess' preference for central procurement was thoroughly reviewed within section III. While Hess finds both an ISO model and a State Agency Procurement Model acceptable, Hess prefers the NYISO procurement model. The ISO model more closely addresses Hess' preference for a wholesale market RPS requirement. Likewise, Hess supports charges flowing through the OATT to all transmission customers, as Hess' believes that the wholesale market should be responsible for the RPS requirements.

As explained earlier in the document, Hess supports a renewable generation and REC price determination in the marketplace, but does not support the establishment of multiple clearing prices for the same product, i.e. a daily or hourly market. Markets that produce multiple price signals cause ESCOs to realize different costs for renewable generation, which will create competitive

(dis)advantage. Likewise, end use customers will absorb varying costs for renewable resources.

Hess can support a periodic auction (i.e. seasonal or annual) to establish one price all participants pay for renewable generation or credits. An auction clearing price enables all parties to realize the same cost structure, thereby allowing competitive neutrality, and still ensures economic efficiency.

Hess would also support a State Agency option. Hess appreciates that the jurisdictional issues may make the ISO model less desirable. Therefore, should the State Agency option be implemented, Hess advocates the formation of an independent group to implement the RPS standard to forecast annual quantities, bid for suppliers, evaluate bids, and enforce compliance.

## **VI. Credit Trading**

**Consensus Issues:** Hess agrees there is no need to wait for establishment of a regional system. NY should move ahead and design a system compatible with neighboring systems. System detailed design should be spun off as a parallel track, not to delay adoption of an RPS policy. Hess recommends that any trading system will need to accommodate imports and exports and the reasoning to support imports was explained previously.

## VII. Conclusion

Hess thanks the Department of Public Service (“DPS”) for this opportunity to comment on a Renewable Portfolio Standard for New York State. Hess reiterates its support for the underlying goals in establishing such a program and looks forward to working with the DPS and other market participants in the development and implementation of this standard.

September 25, 2003

Woodbridge, New Jersey

Respectfully submitted,  
Amerada Hess Corporation

---

Alyssa D. Weinberger  
Director of Regulatory Affairs