

September 22, 2003

NEW YORK STATE
PUBLIC SERVICE COMMISSION

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

**Initial Comments of Green Mountain Energy Company
Regarding the Summary of Working Group Discussions**

Green Mountain Energy Company (Green Mountain) submits the following comments in regards to the retail Renewable Portfolio Standard in the State of New York. Green Mountain Energy supports the advancement of a renewable portfolio standard (RPS) in the State of New York. Green Mountain Energy's experiences in other markets shows that a green market can work in conjunction with an RPS in leading to the development of more renewable generation than would occur under a structure that supports either a renewable requirement or green market alone as long as the RPS is designed appropriately. One such design element is a certificate tracking system that gives marketers and those obliged to meet the RPS some flexibility in the procurement and delivery of the RPS-eligible resource. In addition, Green Mountain Energy Company has concerns about any proposed Central Procurement Process or allowing the sales from the green market to count towards the RPS. These three overarching topics will be discussed in further detail in the following paragraphs.

Central Procurement Mechanism

The structure of a central procurement mechanism could have an adverse effect on the green market. Green Mountain Energy Company does not necessarily disagree with the central procurement mechanism, but does offer some comments that are critical to ensuring that it does not negatively affect the green-power market.

GMEC proposes that, if there is a central procurement mechanism, that it includes` the following principles:

- Green marketers still have the ability to create bilateral deals for the purchase of renewable attributes.
- All green purchases by the Central Procurement Agency can be disaggregated according to the type of renewable energy and the facility from which it came.
- A green marketer (or any ESCO) can choose to purchase specific resources (e.g. wind) from specific facilities through the central procurement agency.
- A green marketer has a call option (on the specific resources they are marketing. If following the marketers exercise of a call option, there is inadequate renewable supply for other ESCOs and utilities to meet their RPS requirements, then NYSERDA will charge those suppliers the cap price and contract for additional resources in the following quarters.
- Certificates would constitute the tracking mechanism and ownership would have to be transferred to the purchaser rather than the transactions being a simple financial payment by the supplier to the Central Procurement Agency.

- The central procurement process would include certificates that are imported and exported, if NY rules allow Inter-regional trading of certificates.

If these criteria are not met, then the central procurement mechanism could dampen activity in the green power market. Specifically, without the creation of certificates, green-power marketers will have less flexibility in the development of renewable products that the green marketers can offer. In addition, if green marketers do not have the ability to purchase through the Central Procurement Agency, the benefits of the green market will be undermined by being denied access to the Central Procurement Agency's pool of resources.

Green Market Count Towards RPS

Green Mountain Energy Company believes that the voluntary green-power market sales should not count towards the mandated RPS level of 25% in New York. As Green Mountain emphasized in our initial comments to this proceeding, green markets are a powerful driver of demand for renewable generation. While the RPS requirement builds a foundation for renewable generation, the green-power market presents an opportunity to stimulate d significantly more renewable demand on top of that foundation.

Problems associated with allowing the green market to count toward RPS requirements are significant. By allowing the green market to count towards the RPS, the green market no longer builds upon the base percentage of renewables established by the mandate. Instead, the green market becomes part of that base. This shift has consequences for the green market. Ideally, the more renewable power that green marketers sell, the greater the overall volume of renewables that are supported. If, however, the green market renewables kilowatt-hours count towards the base RPS, then that renewable generation would have been supported without the help of the green market. Consequently a key benefit of the green market—renewable demand over and above RPS demand—would be lost..

Let us offer an example of this argument. For the sake of simplicity, say an RPS requirement of 25% equals 10 MW of renewable generation, and green market demand does not count towards the RPS requirement. The ESCOs and utilities would be responsible for all of the 10 MW. If the green market were to result in to 2 MW of additional demand, then total renewable demand would be 12 MW in NY. The green market is making a difference. If, however, if the green market demand counts towards the RPS requirement, then the scenario is as follows: The RPS mandate is 10 MW. The green market produces 2 MW of demand. Now, the ESCOs and utilities make up the difference, which is 8 MW. Overall renewable demand is still only 10 MW, and the green power market does not advance renewable supply beyond the requirements of the RPS. Said differently, the green market would not cause any incremental change, an outcome that is contrary to the desired result with a well-designed mandate meshed with the consumer market.

We understand that there is a reasonable desire to meet the RPS in the most cost efficient manner possible, and as a result, some have suggested that piggybacking the RPS on the back of the green market would hold down the overall cost of compliance to those who are indifferent to renewable generation. The RPS is a social benefit, however, and should be paid for accordingly, with each residential, commercial, and business customer paying its fair share for the benefits associated with renewable generation. The role of the green market should be s to build additional demand for renewables above the minimum requirements of the RPS.

Tracking System

Green Mountain Energy Company believes that NY should develop a certificate-based tracking system to assist in low-cost compliance with the RPS and the needs of the green-power market. Any certificate system should be designed to be compatible with neighboring systems, thereby assisting New York in becoming a leader in renewable energy.

We would like to refer the reader to an additional set of comments to which Green Mountain Energy Company is a signatory in this proceeding for a detailed discussion of a certificate-based tracking system. These comments are filed under the title of *Initial Comments of the Undersigned Companies Regarding the Summary of Working Group Discussions*.

In summary, we strongly recommend that New York adopt a certificates-based accounting system that allows for the full separation, or unbundling, of energy and attributes to ensure that there is a credible and verifiable accounting system. A flexible and value-neutral certificate-based accounting system will be adaptable to changing regulatory and market environments. A fully unbundled certificates-based accounting system is critical in order for New York to be compatible with neighboring systems and to eliminate impediments to cross-boundary transactions. Finally, Green Mountain Energy Company believes that the accounting system for New York must be able to accommodate imports and exports and must allow the attributes of imports to be traded in the same manner that all other MWhs are traded.

Summary

In summary, Green Mountain Energy Company supports the development of an RPS outside of the green market and with a certificate-based tracking system. In addition, if New York does decide to utilize a central procurement mechanism, Green Mountain Energy Company believes that it must incorporate the characteristics outlined in these initial comments for it to work successfully and not hinder the green market.