September 26, 2003

VIA FEDERAL EXPRESS

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

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

Dear Acting Secretary Brilling:

Enclosed for filing with the Commission is an original and six (6) copies of the Comments of the Long Island Power Authority.

The parties on the service list have been served by electronic mail.

If you have any questions, please feel free to contact the undersigned.

Respectfully submitted,

Sarah Barish-Straus
Assistant General Counsel

SBS/na

Enclosures

cc: Hon. Eleanor Stein (electronically, via email list server for the proceeding)
Active Parties (electronically, via email list server for the proceeding)

State of New York
Public Service Commission

Case 03-E-0188 – Proceeding Motion	:
Of the Commission Regarding	:
A Retail Renewable Portfolio	:
Standard	:

INITIAL COMMENTS OF THE LONG ISLAND POWER AUTHORITY

Dated: Uniondale, New York
September 26, 2003

Introduction

Pursuant to the *Ruling Establishing Comment Procedures,* issued by Administrative Law Judge ("ALJ") Eleanor Stein on June 19, 2003, in which ALJ Stein requested that Parties comment only on those issues affecting their interests, the Long Island Power Authority ("LIPA") hereby submits its comments on such issues.

While LIPA is not subject to the jurisdiction of the Public Service Commission, as it has publicly stated before, it supports the efforts of the Commission in establishing a renewable portfolio standard (RPS") for New York State ("State"), and intends to meet the spirit of the goals of this proceeding.

1. Target Resource Eligibility

LIPA favors a broad scope of generation technologies being considered "eligible". Having participated in Working Group One and understanding the arguments presented there by the different Parties, LIPA believes that in order to be successful, the target levels and subsequent ramp-ups should not be further challenged by adopting strict definitions of which technologies should be deemed eligible. Furthermore, a broader definition of what is considered an eligible technology may have more beneficial impacts to the grid from a reliability standpoint than a more restrictive classification would.

With respect to customer-sited eligible technologies, LIPA believes that all technologies defined as eligible and interconnecting with the grid should be accounted for to achieve the RPS target levels. Over the past four years, the State and LIPA have instituted policies to promote the growth of customer-sited clean generation technologies.

Not including such present and future installations in the calculation of renewable technologies to meet goals of the RPS may put certain State policies in conflict with one another, as well as causing confusion as to what these installations are, if not renewable.

In its March 28, 2003 filing, LIPA stated its position on the likelihood of certain technologies not being able to compete on a least cost basis with other, more established technologies. With respect to the various "Tiering" proposals discussed in Working Group One, LIPA suggests that such efforts be closely coordinated with the efforts undertaken in Working Group Four on Green Attribute Trading. LIPA believes that it is important to maintain transparency regarding which technologies are receiving a premium for being renewable so that developers may be able to easily gauge the market.

2. Overall RPS Structure

As stated above, LIPA intends on meeting the spirit of the goals of the RPS, but desires to maintain its ability to decide how best to achieve such intentions. Consequently, LIPA would be adverse to any central procurement model that would eliminate or override LIPA's purview. However, LIPA would not be averse to having an option to participate in a central procurement effort when and as it deemed necessary in order to supplement its individual effort.

3. The Consensus Items of Working Group Four

LIPA actively participated in the meetings of Working Group 4 (Credit Trading) and supports the following recommendations of this Group:

> A consensus was reached that there was no need to wait for the establishment of a regional system to do this in New York; and that therefore New York should move ahead and design a New York trading system compatible with neighboring systems. Near-consensus was also reached that Working Group Four's task should be spun off into a separate track to continue to design the details a New York trading system over the next months, without delaying the adoption of a general RPS policy favoring a trading system of some kind. Most, but not all, parties concluded that the creation of a New York trading system accommodating imports and exports was critical.

4. Establishing a Seamless Credit Trading System Within the Northeast Independent System Operators ("ISOs")

The success of an RPS within the State is linked to creating a seamless credit trading system among the Northeast ISOs**,** including separating the energy from the attributes, similar to the ISO-New England system**.** LIPA has been a strong advocate of reducing seams in the Northeast's energy and ancillary service markets in order to facilitate a competitive wholesale power market. Similarly, it is important not to create unnecessary barriers to trading the attributes from renewable energy sources.

The RPS and credit trading system must allow for unbundling the attributes from the energy so that these two commodities can be traded independently from one another. This is essential in order to provide market participants with a seamless and efficient opportunity for trading renewable energy credits. ISO-New England's Geographic Information System has successfully implemented a process to separate and track the attributes. LIPA advocates that the RPS implement a compatible process in New York that separates the attributes from the energy and not create any unnecessary seams between the Northeastern markets.

5. Deliverability of Energy From Renewable Power Sources Across Control Area Borders

LIPA suggests that deliverability of energy from renewable power sources across control area borders is not necessary for New York's RPS and credit trading system and that it would be harmful to the development of the RPS and the removal of market seams. Requiring deliverability of energy from renewable energy sources in neighboring control areas is inconsistent with the separation of attributes from energy. Deliverability is a concept related to the physical flow of energy and thus is not relevant to an RPS nor to a renewable credit tracking and trading system; it is an important physical energy flow concept and should be handled within generation interconnection and installed capacity rules and procedures. Nor is deliverability necessary to meet the goals of an RPS, and it should not be included as a requirement in an RPS or credit trading system. Existing energy market seams place additional hurdles on scheduling dispatchable energy resources from neighboring control areas. Intermittent generation, such as wind, would face extreme difficulty in meeting the transaction scheduling rules between the Northeastern ISOs. It is LIPA's belief that a strict deliverability requirement would effectively preclude intermittent resources from neighboring control areas from participating in New York's RPS.

While it may be tempting to use a deliverability requirement to help define a proximate region of participation in the RPS program, LIPA contends that there are other means of achieving this goal, such as reciprocity or defining a region as one with contiguous control areas. Setting a strict deliverability standard may seem like an open

requirement on the surface, but in actuality, it would limit participation to intermittent resources in the New York Control Area.

6. "Behind the Meter" Generation from Eligible Resources

There was no consensus on the issue of including "behind the meter" generation from eligible resources in a credit tracking system. However, it is LIPA's opinion that "behind the meter" generation from eligible resources should be included in this proceeding. It appeared that the main argument among the Parties against its inclusion concerned the issue of administrative efficiency. While there clearly is a need to develop an administratively manageable system, LIPA believes that it could be handled within the detailed program guidelines.

Renewable distributed generation has numerous benefits to the environment and the electrical system, and should be treated on a level playing field with larger generating resources. LIPA suggests a bifurcated approach to accounting for "behind the meter" generation assets. As noted above, a large number of existing behind the meter installations have received financial incentives from State entities to foster their development. The incentives at that time were calculated and included a premium for what we would now consider the "green attribute". For these existing systems, LIPA recommends that their output be considered to increase the baseline for the locality in which they exist, but that they not be eligible for receiving further compensation through their ability to sell into the attribute market, as this would, in effect, result in their being paid twice for the attributes. LIPA would suggest that if future installations be afforded the opportunity to participate in the attributes market, a firm installation date be set so

that existing ratepayer financed incentive levels could be adjusted to allow for the value of the "green attribute" being received by the owner through a separate mechanism. The gross generation from eligible "behind the meter" generation should be estimated and included in a credit tracking and trading system.

The NYISO has successfully created programs for estimating the energy contribution of "behind the meter" generation for its demand response programs. The NYISO allows these resources to participate in the NYISO markets on an equitable basis and the programs have been very successful. In addition, the Massachusetts RPS program has developed procedures for the inclusion of these resources. It is essential that a credit tracking and trading system allow "behind the meter" eligible resources to compete on a level playing field to ensure the participation of these valuable resources.

Conclusion

LIPA appreciates this opportunity to share its comments with the Commission in this proceeding, and respectfully requests consideration of its proposals in the adoption of a New York RPS.

September 26, 2003
Uniondale, New York

Respectfully submitted,
LONG ISLAND POWER AUTHORITY

By:_____
Sarah Barish-Straus
Assistant General Counsel