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STATE OF NEW YORK PUBLIC SERVICE COMMISSION

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

Evolution Markets (“Evolution”) is a New York-based introductory brokerage firm that is active in the environmental markets, including the markets for renewable energy. Evolution is the highest volume broker in the compliance markets for renewable energy certificates (RECs) in the U.S. In addition, Evolution is actively involved the development of voluntary markets for RECs.

As brokers, we have a unique perspective from which to evaluate the efficiency and liquidity of the markets we serve, and in particular, we have a very good basis from which to evaluate the merits of various RPS programs. Our role as impartial, unbiased market participants precludes us from expressing an opinion on many of the issues raised regarding the RPS. However, we believe strongly in the efficiency of the market, and therefore wish to address the issues that we feel will have a positive or negative effect on the development of a strong market for renewable energy in New York.

1. Procurement

Evolution is not in favor of either of the central procurement options presented in the RD. Evolution believes that the individual compliance model is the most competitive, cost-efficient means by which to enable development of new renewable capacity. Central procurement will result in a single buyer, which will reduce competition by interfering with how the market functions and reduce liquidity.

2. Tradeable RECs

Evolution is strongly in favor of allowing REC trading as a compliance mechanism, and in addition, we would like to note that a REC tracking system – such as the GIS in NEPOOL and Texas – is a very important part of REC trading. A REC tracking system is a major factor in creating market liquidity, because it simplifies questions about ownership and title transfer, as well as delivery and settlement terms in bilateral contracts. Maximum market efficiency is achieved when a fungible commodity is created. For this reason, Evolution would like to strongly advise the Commission against pursuing a compliance mechanism based on conversion transactions, which are unwieldy and inefficient. Furthermore, a REC tracking system would be fully compatible with, and perhaps even enhance, environmental disclosure.

3. Alternative Compliance Payment

Evolution is not favor of the proposed Alternative Compliance Payment (ACP) based on the previous year's REC price, and instead supports a fixed price ACP. A predictable, easy to understand ACP mechanism is a key factor in fostering long-term development of the market, as the ACP will be a factor in setting prices for forward contracts. In contrast, an ACP based on previous REC prices will be difficult to administer and monitor, as well as confusing and unpredictable.

4. Voluntary Green Power Market

Evolution is not in favor of the apparent inclusion of the green power market in the RPS target. Evolution agrees with others that have submitted comments that this could send the wrong signal to the voluntary market. In addition, there is no reason why a vibrant voluntary market cannot exist along side – but separate from – a compliance market.

5. More Certainty Regarding the “2008 Review”

Evolution shares others’ concerns that a review in 2008 might be too early. In any case, we would like clarification of what the 2008 review of the RPS will entail. The Commission should communicate that there will not be fundamental changes to the program in order to ensure that uncertainty about the future does not have a detrimental effect on the market and long-term development.

As a final comment, we would like to suggest that one of the overarching objectives of the RPS should be to increase the total amount of renewable capacity in New York State. If developers are to build this capacity, the market must send the right signals—namely, there must be clear opportunities for rewards for participants willing to assume risk. A key factor in increasing the potential for reward is to create a liquid, dynamic market.

Respectfully submitted,

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