

40 Washington Street
Westborough, MA 01581

Tel 508.836.9500
Fax 508.836.3138

www.csgrp.com



Conservation Services Group

December 27, 2004

VIA OVERNIGHT MAIL

Hon. Jaclyn A. Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

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

Notice of Proposed Rulemaking published November 10, 2004 (SAPA ID No. PSC-45-
04-00013-P)

Dear Secretary Brillling:

Enclosed for filing please find an original and five copies of Comments of
Conservation Services Group Inc. on Proposed Rulemaking.

Respectfully submitted,

Ashley H. Mason
Manager of Renewable Energy Market Development
Conservation Services Group Inc.

cc: Active Parties (Case 03-E-0188) via RPS List Server

NEW YORK STATE
PUBLIC SERVICE COMMISSION

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

**COMMENTS OF CONSERVATION SERVICES GROUP INC. ON
PROPOSED RULEMAKING**

On November 10, 2004, the New York State Public Service Commission published a Notice of Proposed Rulemaking, identified as SAPA No. 03-E-1088SA2, in the State Register. In this Notice, the Commission requested comments on certain measures of implementing the Renewable Portfolio Standard that was adopted by Commission order on September 24, 2004. The measures identified in the Notice include, but are not limited to, criteria and procedures to certify facility eligibility, procurement methodologies and timeframes, and potential modifications to the Environmental Disclosure program and mechanism. Conservation Services Group Inc. (“CSG”) hereby submits its comments regarding potential modifications to the Environmental Disclosure Program and mechanism.

In the Notice, the Commission discusses the compatibility of the Environmental Disclosure Program (“EDP”) with the RPS Program and the need to modify the EDP. The Commission outlines several possible interim changes to the EDP in order to make it more compatible with the RPS Program. In particular, the Commission discusses the possibility of providing a tracking and accounting mechanism for purposes of determining the effectiveness of the RPS Program in meeting the renewable resource goal and of providing a tracking and accounting mechanism for transactions of renewable energy across neighboring regions. CSG believes that providing a tracking and accounting mechanism to reach both of these goals is a critical step towards the implementation of a successful RPS program including both the mandatory and voluntary

components of the renewable policy. Furthermore, CSG believes the most effective tracking and accounting mechanism to reach these goals is a regionally compatible, certificates based accounting system that enable the full unbundling of electricity attributes from the underlying energy commodity.

The September 24, 2004 Order deferred to the 2009 review discussion of the process to transition to a regionally compatible certificate accounting and verification system under the RPS program. However, in the Notice, the Commission states that it is considering launching these discussions in early 2005.

CSG supports the Commission launching these discussions in early 2005 and strongly urges the Commission to establish a regionally compatible certificate-based accounting and verification system to support the RPS program as well as support the voluntary market for green power at the earliest date possible.

As stated in comments previously submitted in the RPS Proceeding, CSG believes that a credible and verifiable accounting system is a fundamental component of a successful RPS program. In addition, CSG believes that a regionally compatible certificates-based accounting system that allows for the full separation and unbundling of energy and attributes is the most appropriate accounting mechanism for New York. This system is uniquely capable of a) determining the effectiveness of the program in meeting the renewable resource goal, b) accurately accounting for transactions of renewable energy across neighboring regions, and c) supporting the voluntary green power market.

Determining Effectiveness of RPS Program in Meeting Its Goals

The Commission estimates that 1.36 million MWh of renewable energy resources will be needed to meet the RPS goal in 2006 increasing to nearly 12 million MWh in 2013. Given the volumes of resources, an accounting and verification mechanism that can accurately and effectively track all RPS transactions is critical to ensuring that the program goals are met. A certificates-based accounting and verification system will

provide the highest level of accuracy and credibility in the most cost-efficient manner. Such a tracking system will enable the Commission and other interested parties to determine exactly how many MWh of renewable energy attributes were created in any given period of time, what the particular attributes of those MWh are including control area of origin, and which certificates, each associated with a MWh of energy, were used to comply with the mandatory RPS goals and towards the supply of green power products in the voluntary green power market. As such, the system can provide data on a regular basis where the State is in terms of meeting its RPS goals while ensuring that there is no double counting of attributes.

Ability to Accurately Account for Transactions of Renewable Energy Across Neighboring Regions

The Commission has stated that it expects a substantial portion of the resources needed to meet the RPS goal will be imported from surrounding control areas. A regionally compatible tracking system will be imperative to accurately account for and track the movement of renewable energy resources across control area boundaries. A regionally compatible tracking system will provide assurances that resources are not double counted and that generators meet the delivery requirements to which they are subject.

By the middle of 2005, much of the Northeast will be covered by a certificates based accounting system. The New England Power Pool Generation Information System, which covers the six New England states, has been on-line since April of 2002 and in mid-2005, the PJM Generation Attributes Tracking System (“GATS”) is expected to come on-line. GATS will cover all or parts of Pennsylvania, New Jersey, Maryland, Delaware, Indiana, Ohio, West Virginia, Kentucky, Tennessee, Virginia, Illinois, Michigan, and the District of Columbia.

It will be important that resources originating in the NEPOOL or PJM regions and being imported into New York can be accounted for and verified to ensure the accuracy and credibility of the NY RPS program and New York’s voluntary green power market.

Support for the Voluntary Green Power Market

The Commission has stated that an important objective of the RPS program is to stimulate and complement the voluntary market for green power. The voluntary component of the RPS program calls for the voluntary green power market to contribute 1% to the overall goal of 25% renewable resources by 2013. A certificates-based accounting system will enable those suppliers active in the voluntary green power market to provide their green products in the most cost-effective manner possible, thereby stimulating the green power market. Under the EDP currently, green power suppliers can only purchase unbundled renewable energy attributes through the spot market. The expanded procurement options provided by a certificate tracking system reduces supplier risk and transactions costs and therefore enables them to offer more competitively priced products.

Respectfully Submitted,

Ashley Mason
Conservation Services Group
40 Washington Street
Westborough, MA 01581
Voice: 508.836.9500 ext. 3212
Fax: 508.836.3181
Email: ashley.mason@csggrp.com

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