

March 28, 2003

Hon. Janet H. Deixler  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

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

Dear Secretary Deixler:

Enclosed for filing in the above-referenced Proceeding please find the original and three (3) copies of the Initial Comments of the New York State Energy Research and Development Authority. In accordance with the Ruling Revising Schedule, issued March 6, 2003, service of these Initial Comments upon the Active Party list was made today by e-mail transmittal.

Please time-stamp the additional copy and return it to my attention in the enclosed stamped, self-addressed envelope. Thank you.

Sincerely,

Peter R. Keane  
Assistant Counsel

Enclosures.

cc: Active Party List (by e-mail transmittal)



March 28, 2003

Honorable Eleanor Stein  
Administrative Law Judge  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, New York 12223-1350

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

Dear Judge Stein:

In response to the Ruling Revising Schedule, issued March 6, 2003 in the above-referenced Proceeding, the New York State Energy Research and Development Authority (NYSERDA) submits these comments with regard to the development and implementation of a renewable portfolio standard ("RPS") in New York State.

The RPS has the potential to set the groundwork for substantial investment in the economy and environment of New York. A diversified menu of eligible resources will promote geographically dispersed investment, creating new sources of local economic development and encouraging the retention of energy dollars in New York. The use of indigenous renewable resources will moderate the energy price volatility that follows reliance on fossil fuels, while increasing the security of our energy supply.

Given the number and the complexity of the issues, the competitive electricity market environment in New York, and the varied stakeholder interests, NYSERDA recommends that the following principles should be considered throughout the collaborative process:

- Resource eligibility criteria must be clear, simple and predictable. Uncertainty about the eligibility of technologies or resources over the term of an RPS could severely hinder resource development. However, while it is important to present clear and binding eligibility requirements, New York should not be so restrictive with regard to eligibility that compliance with the 25% RPS goal becomes unattainable.
  
- The RPS standard should be applied to all retail suppliers of electricity, including the provider of last resort (POLR). This essential element will ensure that all those who benefit from increased renewable energy production will also bear a portion of the costs.
  
- Predictability is a necessary ingredient to establishing long-term power purchase agreements. New renewable generation will require capital investment, and a regulatory environment that supports long-term power purchase agreements will be important to the availability of financing. RPS rules must identify a start date, a date certain at which a pre-established, long-term target penetration of eligible resources must be achieved, and include a reasonable annual schedule of procurement targets for achieving the long-term target penetration of eligible resources.
  
- The RPS should be compatible with continued development of New York's competitive energy market. The RPS rules should be structured so that no matter the size and capabilities of the retail provider (*e.g.* POLR, energy service company [ESCO], *etc.*) the economic costs and benefits are as fairly and equitably distributed among retail providers and customers as possible. Retail providers must be assured that reasonably incurred prudent costs associated with long-term contracting for eligible resources can be recovered from those customers served by the retail provider. At the same time, economic benefits to the retail provider in excess of cost recovery should be shared with the customer.
  
- New York should alleviate market barriers to imports and exports of eligible resources for purposes of compliance with the RPS. To the extent practicable, market mechanisms that support the efficient development of competitive markets should be preferred to those that seek to exclude market participants or resources.

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- Some degree of compliance flexibility will be necessary to protect both providers and buyers of renewable energy.  
External influences on the supply and demand for renewable resources will be difficult to predict or control.  
Noncompliance penalties should be high enough to encourage investment in eligible resources.

NYSERDA recommends that attention be given to each of these principles throughout the course of this Proceeding.

Respectfully submitted,

Peter R. Keane  
Assistant Counsel

cc: Service list.