

Work Session #3: Alternative Methods of RPS Compliance
May 25, 2011, 2:00 PM

Each of New Hampshire's utilities employ different renewable energy certificate (REC) procurement methods because RSA 362-F:9 does not require long-term contracting.

- NHEC: As part of NHEC's environmental and social responsibility initiative, its Board of Directors pushes NHEC to procure more RECs than is required under the RPS law. Although NHEC prefers to purchase RECs through its power purchase agreements (PPAs), it also relies on short-term arrangements.
- UES: UES purchases RECs three times a year through its request for proposals (RFP) process subject to a Commission prudency review. UES prefers to purchase RECs (separate from power) than pay alternative compliance payments (ACPs).
- PSNH: In addition to acquiring RECs from its own qualified facilities, PSNH has PPAs with the Lempster and Laidlaw facilities. PSNH likes the flexibility of the current statutory regime, which allows it to issue RFPs for class III and class IV RECs and purchase RECs from brokers.
- NGrid: Similar but not identical to UES' procurement method, NGrid relies on a solicitation process via the settlement agreement with the Commission.

I. Multi-year purchase agreements for certificates (along with purchased power)

- The utilities agreed that a major drawback of long-term agreements is the Commission's approval process.
- The Office of the Consumer Advocate suggested that the RPS statute should clarify requirements for long-term contracts.
- Many workshop participants agreed that developers need long-term contracts to secure funding, although competitive energy suppliers are not willing to enter into any contract with a duration greater than seven years, maximum (may be less).
- Another benefit of long-term contracts is that they hedge against the binary nature of the market. That is, when supply is short, prices equal ACPs; when supply is long, prices are too low.

II. Alternative methods for renewable portfolio standard compliance

- A participant stated that the only solution to the binary nature of the market is to employ a California-like system that sets price at no less than long-term avoided costs for RECs (energy and capacity of natural gas-fired sources).
- An alternative is the Maine PUC model whereby load serving entity contracts (containing RECs, energy and capacity) are purchased by the PUC. The PUC publicly discloses REC prices and issues RFPs for energy (and RECs?) for varying length ranging from three months to three years. However, even the longest duration falls short of the 15 to 20 year duration required by developers.

- The Massachusetts Clean Energy Center (CEC) offers a type of hedging contract whereby a generation source can sell RECs to the CEC for a fixed price or sell RECs into the market. A major drawback is that this program is funded by ACPs and competes with grant programs.
- California's Reverse Auction program allows utilities to start bidding at least cost and purchase RECs until requirements are met.
- All of these alternatives require government funding and that each participant incurs some level of risk.
- Another option is to amend RSA 374:G to streamline and expedite Commission approval of utility projects. In addition, the Commission could institute a market based test in lieu of a TRC (benefit/cost) test.
- Other participants suggested transferring all RPS obligations to the distribution utilities because, in the current regime, competitive energy suppliers drive down the prices by waiting until the last minute to purchase RECs.

III. Other Considerations

- HB 311 transfers the Class II RPS requirement to distribution companies. PSNH supports HB 311 provided that long-term contracts are not mandatory.
- Feed-in-Tariffs mandate a given contract length and sets price equal to the cost (average or marginal?) of technology. The drawbacks of a FIT are that the resulting price for renewable energy is usually expensive to either ratepayers and/or taxpayers in the near term. NHEC stated that supporting renewable sources through net-metering and rebates would be cheaper, referencing a spreadsheet model that was built in order to verify this assertion.
- Discussion about combining the classes into a single class, possibly with multipliers or with weighting the technologies. While some thought this would be an improvement and make RPS compliance simpler and streamlined, others expressed concerns for technologies that are currently in their own class.

Comments due June 22, 2011.