DE 14-104

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New Hampshire
Public Utilities Commission

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Testimony of
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Members of the Commission,

My name is Francis Pullaro- the Executive Director of Renewable Energy New England, Inc., or RENEW. RENEW is a non-profit association uniting the renewable energy industry and environmental interest groups whose mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in New England from the region's abundant renewable energy resources.

RENEW's membership is focused on development of generation to meet New England's Class I renewable portfolio standard (RPS) goals. With this concentration, RENEW's comments address the provision in the Public Utilities Commission (Commission) Notice and Revised Notice that, "Electricity providers have also expressed concern regarding their ability to purchase sufficient Class I (new renewable) RECs to meet RPS requirements for 2013 and possibly 2014" and does not cover REC supply adequacy in the other classes.

RENEW takes the position that "good cause" does not exist for the Commission to delay any planned increase in Class I requirements if the cited cause is the inability to meet the entire annual requirement with renewable energy credits (RECs) or that REC purchases are more costly than alternative compliance payments (ACP).

The purpose of RECs is to provide renewable energy developers with a financial mechanism to recover their incremental capital costs. Prices in the REC market send a signal to developers as to whether to new resources are needed to meet RPS goals. Rising and falling REC prices in response to supply and demand changes indicate REC markets are working as designed. Up until recently, New England REC prices were for several years in the range of $10 to $20 per

REC; the region was adequately supplied. With rising RPS requirements, REC prices have risen indicating a need for new investments in the coming years. Policymakers must be willing to accept higher prices during periods of shortage to encourage development. A delay in a planned Class I RPS percentage increase in any given year will frustrate attaining RPS goals by sending a discouraging signal to investors about investing in new Class I RPS resources in the region.

State RPS programs typically have an ACP that serves as a consumer protection mechanism by setting a megawatt-hour cap on the cost of complying with the RPS. For electric providers, the cap provides a REC trading range and therefore a degree of price certainty to facilitate hedged products to their customers. It is a valid form of non-REC compliance. RSA 362-F:10 (II)(a) explicitly allows electric providers to pay the Commission the ACP if RECs are not available at a price below the ACP. This situation may now be the case in the market. New Hampshire and Connecticut have the lowest ACPs at $55/MWh. The other three states in New England with an RPS have higher ACPs, estimated to be $68.57/MWh in 2015, which increase annually at the rate of inflation. Due to the tight supply of RECs in today's market, if RECs are trading closer to the higher ACPs in those other states (above New Hampshire's ACP), New Hampshire electric providers might make the economically rational decision to pay a lower ACP than secure higher price RECs. In this scenario, New Hampshire may even have only have a perceived shortage of RECs. RENEW submits that the fact payments have been made under the ACP does not alone constitute "good cause" to delay the planned increase in the RPS Class I requirement for any year. The ACP is a safeguard against high costs for renewable energy development. Its activation is not intended to trigger proceedings to delay RPS growth.

If as a matter of policy the Commission wishes to place downward pressure on REC prices for the benefit of consumers and minimize use of the ACP, RENEW submits the Commission should encourage the distribution utilities to utilize the power purchase agreement (PPA) mechanism already established within the RPS scheme at RSA 362-F:9. REC markets tend to be short-term markets with a limited number of buyers and sellers. This creates a binary market for RECs in which prices fall to near zero during periods of abundance and rise to near the ACP during times of scarcity. Over the long-term, average REC market prices should be that necessary to provide new resources with the revenue to cover their incremental capital costs. Competitively sourced long-term fixed-price PPAs enable developers to offer a REC price less subjected to short-term supply and demand and more reflective of their projects' incremental costs. Connecticut's utilities, for example, in the fall of 2013, entered into a PPA with a wind developer for energy and RECs in which the imbedded cost of the REC was only $12/MWh. This purchase will soften corresponding REC price spikes and provide savings in RPS compliance. If the Commission wishes to attain these benefits for New Hampshire consumers, RENEW urges the Commission to support the distribution utilities conducting solicitations for Class I RPS resources.

Thank you for the opportunity to testify before you today.