



**Constellation**<sup>SM</sup>

An Exelon Company

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Karen Cramton  
Sustainable Energy Division Director  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

Dear Ms. Cramton:

Constellation NewEnergy, Inc. ("Constellation") submits the comments below in response to the Public Utilities Commission's ("Commission") July 27, 2018 notice relating to the 2018 Renewable Portfolio Standard Review (RSA 362-F:5). Constellation is a leading supplier of electricity to businesses across New Hampshire and to businesses and residences throughout New England, as well as a leading supplier of default service requirements to utilities within New Hampshire and across New England. As one of the region's largest purchasers of renewable energy certificates ("REC") for portfolio compliance, Constellation participates in all the New England REC markets on a daily basis and is well positioned to assess the adequacy of REC supplies for compliance purposes within New Hampshire, as well as the flow of certificates into and out of New Hampshire in light of supply and demand in neighboring New England states. Constellation was a participant in the stakeholder sessions convened by the commission and appreciates the opportunity to offer its observations and recommendations.

## **Observations**

The market is somewhat different for each RPS class and varies over time. With that in mind, our observations of the current market conditions for each New Hampshire RPS class are as follows:

### Class 1

Demand for Class I RECs is robust but is not driven by the New Hampshire RPS. Class I RECs from New Hampshire are also eligible to meet RPS requirements in the much larger Massachusetts and Connecticut compliance markets. Due to greater demand and higher alternative compliance payment (“ACP”) rates in those states, Class I RECs produced in New Hampshire are easily sold but are not generally used for meeting RPS compliance in New Hampshire.

### Class 2

Demand for Class 2 RECs for compliance is constrained by the uncertainty load servers such as Constellation face as to their actual Class 2 obligation. This is because load servers don’t learn the amount of the net metering credit until the end of the year.

### Class 3

Class 3 RECs are highly constrained on the supply side. There are an extremely limited number of suppliers and most Class 3 RECs flow into Connecticut where they are also qualified and where they fetch a higher price due to greater demand and higher ACP rates.

### Class 4

The supply of Class 4 RECs is consistently below the aggregate regional demand. These same RECs qualify as Class 2 in Massachusetts, which has a higher ACP rate and much larger demand. As a result, Class 4 RECs created in New Hampshire generally flow to Massachusetts first, leaving load servers in New Hampshire to pay the ACP.

## NH Thermal

From inception, this class has been undersupplied. Most offers in the market show up in small blocks of 10-80 RECs. This creates high transaction costs relative to the total cost of compliance, leading many suppliers to pay the ACP rather than to transact for supply.

## **Recommendations**

### The NHPUC should have more discretion to suspend RPS increases.

The Commission currently has limited ability to suspend increases for some but not all classes for limited terms. Constellation recommends that this authority be expanded. As noted in the observations above, the regional demand for RECs created in New Hampshire is causing RECs to be sold at prices at or near the ACP and for the RECs to be used for compliance in neighboring states. This leaves suppliers in New Hampshire undersupplied, causing them to charge customers the ACP without incrementally contributing to the economic support of New Hampshire renewable generators. In such a situation it makes no sense to increase the RPS requirement unless and until supply catches up to demand.

### The NHPUC should increase transparency for Class 2 REC supply and demand.

As noted above, suppliers struggle with not knowing the amount of net metered load and supply until the end of the year. Provision of monthly actual quantities or a projection from the Commission would be very beneficial.

### Class 4 should be eliminated.

For load serving entities, the transaction costs in this market are simply not supported by the dollar value at stake. Traders, lawyers, credit specialists, compliance officers, etc. are all required to be involved in enabling, reviewing and approving trades with potential REC suppliers. From Constellation's perspective, the time and effort of all these individuals is simply

not justified by the potential savings associated with purchasing Class 4 RECs as opposed to meeting compliance obligations through the ACP. If the New Hampshire General Court believes that economic support for Class 4 resources is appropriate then we recommend consideration of a simpler mechanism such as a tariff or a grant program.

Thank you for considering the foregoing comments.

Respectfully submitted,

/s/ 

Dan Allegretti  
Vice President, State Government Affairs