Retail Energy Supply Association

Memo in Opposition to the New York Renewable Energy Development and Jobs Act of 2010 A11317 (Rules – Hevesi, Englebright) and S8009 (Maziarz)

The Retail Energy Supply Association ("RESA") is a trade organization that includes some of the largest retail electricity and natural gas suppliers in North America.[1] RESA members are active in the New York retail market and provide residential, commercial and industrial customers with a variety of products including voluntary green power, energy efficiency and demand response services.

The Retail Energy Supply Association opposes the adoption of A11317 (Rules – Hevesi, Englebright) and S8009 (Maziarz), the New York Renewable Energy Development and Jobs Act of 2010. While we very much support the objectives of the bill in providing customers with greater access to renewable generation and in creating renewable-related jobs in New York State, and while many of our members currently offer renewable systems to our customers, we believe that this bill will cause confusion in the market and unnecessarily increase the costs of renewable technologies to the state's ratepayers.

Currently, New York State, through the Renewable Portfolio Standard program implemented by the New York State Public Service Commission (PSC) and administered by the New York State Energy Research and Development Authority (NYSERDA) operates a statewide centralized procurement system for renewable energy credits (RECs). This system has proven to be an efficient, cost-effective method in achieving New York State's renewable generation goals and is doing so without disrupting the competitive markets for electricity in New York. The PSC recently completed its mid-course review of the RPS program. One of the issues that it examined was whether to transition to a decentralized approach in which each load serving entity (electricity retailer) would be responsible for procuring a required amount of RECs. In weighing the voluminous record on this issue, the PSC determined that, at this point, it would not be in the best interest of consumers to adopt a decentralized procurement model, stating

[1] RESA's members include ConEd Solutions; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energy Plus Holdings, Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Gexa Energy; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; PPL EnergyPlus; Sempra Energy Solutions LLC. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

emphatically that "We see no basis for changing our conclusion that the central procurement model provides efficiencies and is the most cost effective approach to administering the RPS program. We do not believe that possible (speculative) benefits would offset the certainty of delay and increased costs."[2]

The Commission sided with parties that argued that a transition to a decentralized approach would require an entirely new oversight function to police the actions of all of the active marketers in the state with respect to REC purchases, and could interfere with the competitive marketplace by deterring marketers (many of whom are offering voluntary green power, energy efficiency and customer-sited generation) from entering into and/or staying in the market.

Given the recent endorsement of continuing centralized procurement for renewables and the commitment to revisit this issue in the future, the prudent course of action would be to continue to procure renewable power within the existing RPS framework. In contrast, this bill would likely increase customer costs for renewable generation because it would overlay an RPS requirement on suppliers while maintaining the centralized NYSERDA procurement, creating conflicts between competing renewable programs, rather than between providers. The result would be gross market inefficiencies as renewable developers play one program off against another, as they choose whether to sell RECs to NYSERDA under a long term arrangement or to retail electric suppliers under shorter termed deals. Programmatic inefficiencies would also increase since the bill would require new bureaucracies within the PSC, the Long Island Power Authority and the New York Power Authority to monitor REC transactions for compliance with the statute.

Furthermore, because this bill imposes new compliance costs within the commodity portion of a customer's bill but does not eliminate the NYSERDA / RPS charges on the utility's delivery bill, customers are likely to be confused and may believe they are being double charged to meet the state's renewable mandate.

RESA believes that, in the near term, the best means of increasing the penetration of renewable generation in the market is to work within the existing RPS structure, which has been designed to be compatible with the competitive energy markets that continue to offer great value to New York's electric customers.

For these reasons, we request that the legislature oppose A11317 and S8009.

Respectfully Submitted
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New York State Chair
Retail Energy Supply Association

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[2] http://documents.dps.state.ny.us/public/Common/ViewDoc.aspx?DocRefId={30CFE590-E7E1-473B-A648-450A39E80F48}, page 22