

## **RESPONSE TO NEW YORK ENERGY HIGHWAY RFI**

**Submitted by**

**ALLIANCE FOR CLEAN ENERGY NEW YORK, INC.**

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### **RESPONDENT INFORMATION**

The Alliance for Clean Energy New York (ACE NY) is a nonprofit 501(c)(3) member-based advocacy organization dedicated to the rapid adoption of clean energy alternatives and energy conservation. The core mission of ACE NY is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution.

ACE NY is an active participant in public education and outreach efforts, legislative and regulatory affairs, and the oversight of electricity markets. ACE NY has been actively involved in all of New York's major clean energy initiatives, including development and ongoing implementation of New York's Climate Action Plan, Renewable Portfolio Standard (RPS), Energy Efficiency Portfolio Standard (EEPS), System Benefits Charge (SBC) programs, the State Energy Plan, and the Regional Greenhouse Gas Initiative (RGGI). ACE NY has represented its members on the transition teams of Governors Andrew M. Cuomo and Eliot Spitzer; held leadership roles on Governor David Paterson's Renewable Energy Task Force; and serves on the New York Climate Change Advisory Group, NYC's Energy Policy Task Force, the NYC Solar America Cities Advisory Board, the Eastern Interconnection Planning Collaborative (EIPC) NGO Caucus, New York's RGGI Advisory Board, and the SBC Advisory Group. ACE NY works closely with the leaders and staff of the NYS Legislature and Executive Chamber, and relevant state agencies and authorities, including the NYS Public Service Commission (PSC), NYS Energy Research & Development Authority (NYSERDA), NYS Department of Environmental Conservation (DEC), NYS Department of State (DOS), New York Power Authority (NYPA), Long Island Power Authority (LIPA) and the New York Independent System Operator (NYISO).

ACE NY also partners with grassroots clean energy supporters; clean energy trade associations (including serving as the New York-based regional partner affiliate of the American Wind Energy Association and the Distributed Wind Energy Association); environmental, public health, and economic development advocates; educational institutions; local government representatives; labor groups; agricultural organizations; and faith-based initiatives.

## PROJECT DESCRIPTION

ACE NY's proposal is not a project in the traditional sense, but a description of a number of approaches that we feel are crucial for meeting the state's future needs with a modern, adaptable, environmentally-friendly and secure energy highway. At the RFI conference on April 19, 2012, members of the Energy Highway Task Force clearly stated that comments and suggestions on transmission system and generation needs were welcome, and that it was not necessary for respondents to promote specific projects per se. We appreciate this broad view of the mission of the Energy Highway Task Force and hope the members will find this response useful. Furthermore, our comments here focus on generation resources, but it should be noted that energy efficiency and demand response should be developed to their fullest extent to offset the need for additional generation and transmission. We recognize, however, that efficiency and demand response alone cannot be the sole solution.

There is widespread acknowledgement that New York's aging infrastructure is in need of upgrades and that the constraints preventing energy flows from upstate to downstate create price disparities that adversely impact downstate consumers and upstate generators (and conversely, benefit upstate consumers and downstate generators) while contributing to an inefficient grid. In addition, most of the recent discussions surrounding the potential closure of Indian Point Energy Center focus on the problem of supplying power to the downstate region of the state. Transmission upgrades to move clean, renewable power from upstate to downstate, combined with downstate clean energy development (i.e. offshore wind, distributed clean generation, and demand response measures) and strategically placed investments to provide any necessary voltage support, could replace the 2,000 MW in capacity that the nuclear plants now provide.

Our "proposal" is for New York to upgrade its aging infrastructure through transmission upgrades that facilitate and complement increased use of clean, renewable resources such as on- and offshore wind, solar, fuel cells, small run-of-river hydropower and environmentally appropriate storage technologies. We also propose the Task Force consider using public policy and state authorities to assist clean, renewable generation in competing effectively through targeted investments, incentives, and power purchase agreements. We feel strongly that the Energy Highway initiative should focus on assisting the state in meeting its clean energy and climate change imperatives.

The NYISO and New York's transmission owners have conducted several studies of the transmission system. Most of these studies have focused on meeting reliability needs and when costs are addressed at all, they are dependent on the "beneficiary pays" principle and market-based solutions. So-called "regulated backstop" solutions are discussed as possibilities for when and if no market-based solutions exist to address reliability needs. We strongly believe that the Energy Highway initiative should go beyond this perspective and look at what is required to meet the state policy objectives outlined in the state's Renewable Portfolio Standard, State Energy Plan and Climate Action Plan. The work done by the NYISO and transmission owners, however, provides an excellent starting point. We suggest that the projects identified in the STARS report and projects to rectify the potentially constrained areas identified in the 2010

NYISO study on wind generation become part of the Energy Highway upgrades envisioned by the Governor. These projects, combined with transmission to facilitate development of our downstate offshore wind resources, would move New York to a leadership position on modern clean energy infrastructure and be an economic development engine for the state and its residents.

Upgrades to the transmission system within New York should focus on using existing lines and rights of way, coupled with targeted investment in new lines if and where necessary to ensure renewable resources can be delivered to the grid without constraints. Upgrades to distribution level lines, including the networks within New York City, should also be made with the addition of distributed generation, net-metered systems and micro-grids in mind. Developments in smart meters, smart grid technologies and clean, distributed generation are likely to make such distribution level upgrades increasingly important for energy security and environmental reasons, as well as for taking advantage of the economic development opportunities among these advanced energy technologies.

We suggest that the Task Force continue to take a broad view of the Energy Highway and the policy support needed to improve and upgrade our infrastructure. In most instances of new generation project developers are tasked with updating pieces of the transmission system. However, because of their piecemeal nature and because developers are often constrained by financial circumstances, those upgrades may not be the ideal for the state as a whole. For this reason, we suggest the Task Force consider the possibility of power purchase agreements (PPAs) for in-state clean energy resources (e.g. for projects contributing to the Renewable Portfolio Standard and for LIPA and NYPA projects). This would enable the state to achieve multiple objectives including: meeting RPS goals, meeting Climate Action Plan goals, upgrading transmission while increasing fuel diversity, enhancing reliability, decreasing air pollutant emissions, and spurring in-state economic development opportunities.

## **PROJECT JUSTIFICATION**

The RFI requests that proposed projects explain how they meet the stated objectives as described in the RFI itself, which are copied and addressed below with ACE NY's recommendations:

“Reduce constraints on flow of electricity to, and within, the downstate area; and expand the diversity of power generation sources supplying downstate”

Overcoming the constraints preventing the flow of electricity from upstate to downstate will increase the diversity of power generation sources by allowing more onshore wind energy development. Supporting development of transmission for offshore wind resources will likewise provide the downstate region with greater fuel diversity. Upgrading distribution level transmission to allow for more distributed generation (including net metered generation) will also support greater fuel diversity. All of these upgrades will provide economic and environmental benefits as well.

“Assure that long-term reliability of the electric system is maintained in the face of major system uncertainties”

Long-term reliability needs require fuel diversity and a combination of central power stations, transmission, distributed and on-site generation, energy storage and demand response. Long-term reliability of the grid and combating climate change go hand in hand. Continued reliance on fossil fuels and nuclear plants makes the grid vulnerable to supply interruptions and price spikes, as well as creates strains on the supply of natural gas used for heating. Increased reliance on the in-state renewable resources of solar and wind contribute to long-term reliability. Forecasting for variable resources, appropriate market rules, and effective demand response, coupled with increased use of environmentally appropriate storage technologies as they develop, will enable these resources to be integrated reliably at higher and higher penetrations. Even without significant advances in technologies and grid operations, significantly more variable resources can be reliably integrated now (see the NYISO’s 2010 wind generation study, “Growing Wind”), and even more could be added with upgrades to the transmission system. New York’s energy future and the success of the Energy Highway initiative will depend on development of not one single solution but multiple approaches. For example, we urge the Task Force to address transmission needs for both upstate land-based wind and offshore wind resources downstate. Another example is combining solar resources, which produce during the day, with land-based wind resources, which often produce during the night (as well as during the day).

“Encourage development of utility-scale renewable generation resources throughout the state”

We fully support development of utility-scale renewable generation resources throughout the state, including wind and solar, although we also believe that wise and reliable integration of these resources requires transmission upgrades to relieve constraints that impede energy flows and market signals from functioning effectively. Moderate or smaller scale wind plants can also be built closer to downstate load zones. The Energy Highway initiative should explore opportunities to continue and enhance RPS support (going beyond 2015) for land-based wind energy plants, and support downstate offshore wind energy and utility-scale solar as well.

“Increase efficiency of power generation, particularly in densely populated urban areas”

Relieving transmission constraints will allow energy to flow to areas where it is needed most, including from low population density areas to highly populated areas. However, recognizing that the downstate area of New York City and Long Island must have significant generation located nearby, we propose using our substantial offshore wind resources coupled with increased investment in solar energy. While repowering of some fossil fuel resources will obviously be proposed to address this objective, a truly forward-thinking and environmentally aware response would be to utilize our renewable resources.

“Create jobs and opportunities for New Yorkers”

Development of our in-state clean energy resources provides jobs and economic benefits for New Yorkers. Full realization of the potential of our resources cannot take place without a modernized and constraint-free grid. The economic benefits of in-state resource development have been documented in the mid-term review of the RPS, as well as in the price suppression benefits of wind generation noted by the NYISO and the PSC, and by the work on job creation from transmission projects noted by labor unions and related organizations. Transmission upgrades to relieve constraints will allow more land-based wind projects whose payments in lieu of taxes and additional economic development benefits have proven to be enormously beneficial to struggling upstate communities. The development of offshore wind energy projects along the Eastern Seaboard will create thousands of jobs since the work must be conducted in proximity to the projects. New York can capture some of those jobs if it acts now. New York has already shown itself as a leader in clean energy jobs, including R&D for batteries and renewables, and is in an excellent position to continue growth in this sector. Evidence of our strength in this area can be found in a recent report from the NYS Department of Labor to the State Energy Planning Board, as well as in the 2011 Brookings Institution report “Sizing the Clean Economy: A National and Regional Green Jobs Assessment.”

“Contribute to an environmentally sustainable future for New York State”

Our proposal is almost entirely driven by the need for our energy to come from environmentally sustainable sources. Doing anything other than what ACE NY is proposing here would not support the state’s environmental needs and goals. The state must prioritize clean energy and transmission to support it; support for polluting resources is not in accordance with state energy and environmental goals.

“Apply advanced technologies that benefit system performance and operations”

ACE NY supports a broad view of the energy highway that includes distribution lines specifically because we believe we will see significant advances in clean energy technologies at the distribution level as well as the bulk power level. System upgrades and distributed generation can provide system-wide benefits and increased energy security. Fuel cells, for instance, are already used to provide power for critical infrastructure, and more widespread adoption would provide added security and enhanced system performance.

“Maximize New York State electric ratepayer value in the operation of the electric grid”

Upgrading our transmission system to relieve constraints will reduce congestion costs currently paid by New Yorkers and create a more robust and competitive market. We also firmly believe in taking a long-term view of costs and acknowledging the externalities of fossil fuel and nuclear plants. Clean energy resources such as wind and

solar are fuel-free and therefore emissions-free and also provide price suppression benefits. Long-term power purchase agreements can help project financing and lower the cost of RPS contracts. With an annual retail energy market of approximately \$24 billion dollars, we can well afford to invest in our in-state clean energy resources and transmission upgrades to support them.

“Adhere to market rules and procedures, and make recommendations for improvement as appropriate”

We believe our proposal fits within existing market rules and procedures, and we support the ongoing efforts of the NYISO to ensure that market rules responsibly integrate increasing additions of variable renewable resources. All fuel types have their own operating limitations and the market rules are changed periodically to address them. For example, the reliability needs of the system are geared toward the loss of large nuclear plants, which cannot ramp up and down and take days to return to normal output if taken off line. Seen within that context, the normal operations of wind and solar generation offer reliability benefits.

## **FINANCIAL**

ACE NY is not providing financial information since it is a nonprofit entity and is not proposing a specific project. Furthermore, although we can appreciate why the Energy Highway Task Force has made transparency a priority, it is obvious that the non-confidential nature of these submissions will deter respondents from providing accurate or useful financial information given competition within the energy industry. We strongly encourage the Task Force to meet with project developers to learn more details of financial situations and to move forward with competitive RFPs for clean energy in order to ensure the state supports competitively priced options while protecting the environment and combating climate change.

We strongly support the issuance of Requests for Proposals (RFPs) for projects to address the goals of the Energy Highway initiative. The RFPs would most appropriately be area-wide requests for clean energy solutions (as clean energy solutions are the only ones that will meet the dual purposes of addressing the need to upgrade our aging infrastructure while meeting state environmental goals) and should take a broad view of potential responses, which may be generation or transmission or a combination of the two. In developing RFPs, the Task Force also should keep in mind that providing PPAs for clean energy resources may be a useful mechanism to hold overall and long-term costs to ratepayers steady while providing the means necessary to address the initiative's goals.

## **PERMIT/APPROVAL PROCESS**

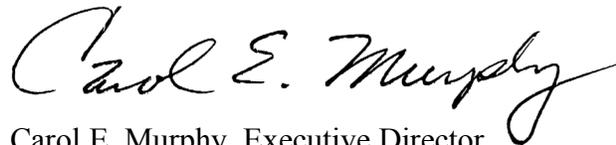
Many of the projects we are suggesting will require permitting and approval processes at the local, state and/or federal levels. We do not believe there are any insurmountable barriers to timely permitting providing the process begins sooner rather than later and providing the state

supports the efforts. Our assessment of the ease of permitting also depends heavily on the outcome of the Article 10 implementing regulations proceeding. Permitting of clean energy resources will only be possible if the changes requested by ACE NY are made to the proposed regulations before they are finalized and adopted by the Siting Board. Given the overlap between the jurisdictions and the sitting members of the Siting Board and the Energy Highway Task Force, we would hope and expect that there is an understanding of the importance of the regulations to the success of the Energy Highway initiative.

## **CONCLUSION**

ACE NY fully supports the concept of upgrading our aging transmission infrastructure but must stress that upgrades should be focused on facilitating development of our in-state clean energy generation and storage opportunities. These are the key to meeting the economic and environmental needs of New York State, including protecting the ratepayers from volatile fossil fuel prices.

Respectfully submitted,

A handwritten signature in black ink that reads "Carol E. Murphy". The signature is written in a cursive, flowing style.

Carol E. Murphy, Executive Director  
Alliance for Clean Energy New York, Inc.  
May 30, 2012  
Albany, NY