

NH Sustainable Energy Association

54 Porstmouth Street

Concord, NH 03301

DE 14-104: ELECTRIC RENEWABLE PORTFOLIO STANDARD

May 1, 2014

In the matter of DE 14-104:

*"The Commission has also determined that it may be appropriate to modify the incremental increase in Class I REC requirements. Pursuant to the law the Commission "[for good cause], and after notice and hearing may accelerate or delay by up to one year, any given year incremental increase in class I or II renewable portfolio standard requirement under RSA 362-F:3."*

**The PUC does not have "good cause" to accelerate or delay the Class I or Class II RPS requirements.** The RPS is working. New resource supply does not come online in a manner that perfectly mirrors the annual state-set percentage requirement. Alternative Compliance Payment (ACP) compliance *is* RPS compliance, and does not necessarily indicate a program failure. Renewable Energy Certificate (REC) prices/ACP compliance send the market signals as to when and what types of new generation need to be built, and then provide a revenue stream through the Renewable Energy Fund to catalyze the development of new projects that will generate RECs.

Issuing this notice for any RPS resource class on an unscheduled annual basis, sends problematic market signals that NH is considering delaying or weakening its RPS requirements.<sup>1</sup> This is inappropriate given that the RPS is a market-based program based upon broad stakeholder support and extensive economic analysis<sup>2</sup>. It is a state program embedded within a regional market. Undue interference with this market (changing the rules of the game) increases risk and undermines program integrity, which discourages project development. Stakeholders have long requested policy stability and continuity, which was reinforced in the legislative study committee report of 2013 (HB 542), which recommended no further legislation at the time (November 2013). The Commission should act, as a regulator, in a similar manner, and allow the legislative changes of 2012 and 2013 to take effect in the market without altering Class I or Class II requirements in 2014 or 2015.

Furthermore, the trend in Class I compliance in NH does not indicate a "crisis" in compliance, as the data show in the PUC 2012 and 2013 RPS reports to the legislature:

---

<sup>1</sup> Adjusting Class III requirements may also be inappropriate in advance or what has already been scheduled. ACP payments from Class III can likewise advance the goals and purpose of RSA 362-F by providing funding into the Renewable Energy Fund to support Class I, II, and even Class IV supply. NH cannot entirely predict nor control other states' RPS markets, which may change in the future and thereby impact the supply and demand dynamics of the resources that produce NH Class III RECs.

<sup>2</sup> Gittel, Ross. 2007. Economic Impact of a NH Renewable Portfolio Standard. The main findings of this report include [but are not limited to] 1100 new full time jobs and \$1 million in new state revenue annually in 2025.

In NH in 2012, 55,354 MWh of Class I was met with ACPs, where the 2012 Class I requirement was about 324,800 MWh: therefore approximately 17 % of the Class I requirement was met with ACPs in 2012.<sup>3</sup>

In 2011, 41,606 MWh of Class I was met with ACPs, where the 2011 Class I requirement was about 216,500 MWh: therefore approximately 19 % of the Class I requirement was met with ACPs in 2011.<sup>4</sup>

Additionally, Class II requirements should be maintained, and even strengthened. As indicated in numerous studies, including the recent technical potential study conducted as part of the ten-year state energy strategy, NH has very large potential for solar electric resource development.<sup>5</sup> The total Class II requirement calls for approximately 30 MW of capacity by 2025. This is a modest requirement, and well below the resource potential. It is also below the statewide cap on net metering, which is 50 MW. New group net metering policies and pending legislation (HB 1600) clarifying and enabling greater participation in the solar REC market will also enable greater development of Class II resources.

In its 2011 RPS review, the Commission specifically recommended:

“Maintain the existing class obligations in favor of policy consistency and predictability for the renewable energy industry, particularly given the inability of NH to significantly affect the regional REC market and the potential for increased rate impacts if the class obligations were to increase.”

The ACP levels in each state affect the supply and demand of RECs in each state’s compliance market. From the [Avoided Energy Supply Costs in New England 2013 Report](#) by Synapse Energy:

“The rate at which the ACP is set—which is not uniform across the New England states—will, however, influence the manner in which compliance is achieved. All else equal (e.g., in the absence of bilateral contracts or asset ownership which would dictate otherwise), states with lower ACPs (CT and NH) will tend to receive more Alternative Compliance Payments than REC compliance during periods of shortage, while RECs flow to markets where the ACP and REC prices are higher.”<sup>6</sup>

“The Class 1/New Renewable ACPs in Massachusetts, Rhode Island, and Maine are harmonized. For these states, the 2013 ACP is \$65.27/MWh, and escalates with the Consumer Price Index (CPI) thereafter. New Hampshire recently parted company from this group and now has an ACP of \$55/MWh in 2013 with annual escalation at ½ of CPI.”

NH has a similarly lower [than neighboring states] rate for its Class II ACP. The NH legislature made a policy decision to set the ACP at a rate lower than some neighboring states. As a result, generators are choosing to sell RECs to other New England states at higher costs, while New Hampshire utilities may seek compliance with lower-cost ACP payments – a natural outcome in a market-based program. The

---

<sup>3</sup> NH Public Utilities Commission. [2012 Annual RPS Compliance Report](#).

<sup>4</sup> NH Public Utilities Commission. [2011 Annual RPS Compliance Report](#).

<sup>5</sup> Navigant Consulting. March 7, 2014. NH Resource Potential Study. <http://www.nh.gov/oep/energy/programs/documents/sb191-2014-3-7-revised-energy-vision-and-resource-potential-study.pdf>

<sup>6</sup> Hornby, Rick; et. al. 2013. Avoided Energy Supply Costs in New England: 2013 Report at 5-18. <http://www.synapse-energy.com/Downloads/SynapseReport.2013-07.AESC.AESC-2013.13-029-Report.pdf>

Commission cannot alter the ACP rates: that is a legislative prerogative. However, it can and should maintain the existing Class I and II requirements.

Sincerely,

NH Sustainable Energy Association

The NH CleanTech Council

The Nature Conservancy

Conservation Law Foundation

IBEW 490