STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 21-037

ELECTRIC RENEWABLE PORTFOLIO STANDARD

Adjustment to Renewable Portfolio Standard Class III Requirements

COMMENTS OF THE BRIDGEWATER POWER COMPANY

NOW COMES the Bridgewater Power Company ("BPC"), by and through its attorneys, Donahue, Tucker, & Ciandella, PLLC, and hereby submits the following comments with regard to the proposal identified in the above-referenced docket.

1. The Commission issued an Order of Notice on March 5, 2021 in this Docket, in which the Commission stated that, pursuant to RSA 362-F:4, VI, it was considering a modification to the Class III Renewable Energy Credit ("REC") purchase requirements for compliance year 2020 from the 8.0% established under New Hampshire Renewable Portfolio Standard ("NHRPS"). The reason set forth for the Commission's consideration was the potential lack of availability of Class III RECs in the market due to reduced production from a number of Class III certified biomass facilities, combined with uncertain demand and market dynamics on the regional scale, which called into question the ability of electricity providers to procure sufficient New Hampshire Class III RECs to satisfy the Class III RPS requirement for compliance year 2020.

2. BPC submits these comments to express that although it can support a proposal that would result in the reduction of the purchase requirements for Class III RECs for 2020, BPC strongly believes this reduction can and should not become the new precedent for the future purchase requirements. The reduction of such purchase requirements after the electrical generation for the compliance year has been completed is not appropriate unless Load Serving Entities ("LSEs") can demonstrate that they have made every effort to procure RECs during and throughout

the entire compliance year. LSEs seeking and being granted a reduction in the purchase requirement after the generation year has been completed creates an unfair disadvantage for REC eligible generators and undermines the intent of the RPS.

3. If LSEs believe that the Commission will lower the purchase requirement after the generation year has ended, so long as LSEs assert that they cannot procure sufficient RECs, these LSEs will have no motivation to offer competitive prices to generators during the compliance generation year and will, in turn, squeeze generators to accept below-market prices during the compliance year. For this reason, to avail themselves of relief under RSA 362-F:4, IV, LSEs should first be required by the Commission to demonstrate that they have offers in the market for RECs up to the Alternative Compliance Price ("ACP") from January 1st of the compliance year and dates subsequent.

4. Requiring LSEs to make such a showing serves the spirit and intent of RSA 362-F, serves notions of fundamental fairness, and ensures that the RPS, as it relates to Class III generators, remains intact for the future. REC generators incur all of the operating costs of their facilities long before REC revenue is received. Generators can wait up to six months for payment for their RECs. For example, the REC associated with a MW generated January 1st of a calendar year cannot be monetized until July 15th of that year when the Quarter 1 trading period opens. Because of this, if generators do not know that they have RECs sold forward at a price that will sustain their operation, generators must make the difficult decision as to run or not run. When facilities elect not to run, this should send a price signal to the market that supply will be limited and prices would rise. However, if LSEs can rely on the commission to open a docket such as this to lower the purchase requirement, then traditional market forces will not function, and LSEs again continue not offer a price near the ACP. This in turn will create additional operating pressure

and likely further lack of supply due to reductions in output because of the uncertain cash flow to the generator.

5. As reflected in RSA 362-F:1, the purpose of the RPS is, in recognition of the public benefit provided by renewable generation, to “stimulate investment in low emission renewable energy generation technologies in New England and, in particular, New Hampshire whether at new or existing facilities.”

6. Presently, the unavailability of Class III RECs is due in part to the temporary closures of biomass facilities. These temporary closures are largely attributable to two factors: (1) the decreasing price of power due to low natural gas prices and (2) the practices of market participants in the purchase of RECs. With regard to factor (1), biomass facilities such as BPC are “price-takers” meaning they participate in the day-ahead energy market and receive the locational marginal price established by the daily bid process, set most notably by natural gas facilities. The decrease in natural gas prices has resulted in negative pressure on locational marginal pricing, which in turn has significantly reduced the revenues earned from energy sales that can be utilized toward fixed and variable costs.

7. The impact of lower revenues from the sale of energy has resulted in biomass facilities to rely more heavily on sales of Class III RECs. These RECs are now necessary to pay fixed and variable costs to keep biomass facilities in operation. As stated above, REC payments usually have an associated delay between when the REC is generated and when money is received for the REC, with the delay being upwards of six-months. LSEs who are required to purchase RECs are aware that generators are in need of the certainty of the REC revenue they would have generated in the early quarters and that generators have a need to contract for those RECs in early quarters for the biomass plant to secure the known future revenue needed to operate. With this

knowledge and with no obligation to purchase RECs for many moths forward, the LSEs do not bid/pay an amount sufficient for Class III RECs that will allow the biomass facility to operate profitably. As a result, Class III generators are forced to temporarily cease operations until REC prices sufficiently increase to justify operation. As a result, biomass facilities in 2020 have not been in operation sufficient to meet the Class III REC demands, and LSEs are required to make ACPs or, in this case, seek a reduction in the purchase requirements for Class III RECs. The unavailability of sufficient Class III RECs, therefore, is not attributable to insufficient biomass capacity, but the conduct of market participants.

8. There remains sufficient capacity to satisfy demand for Class III RECs under the NHRPS. Although the Class III REC production was likely below the 8% purchase requirement, the a shortfall is not the result of unavailable capacity.

9. The lowering of the purchase requirements for Class III RECs after compliance year 2020 will erode market leverage on the part of Class III generators who wish to continue to operate in the future and will create a further market incentive for LSEs to offer below market REC prices to Class III generators in future compliance years, so long as they can anticipate that the Commission will lower the purchase requirement if facilities do not generate. In that regard, the solution to temporary unavailable supply that best satisfies the purposes and goals of RSA 362-F is to be addresses the above-referenced inequities in the purchasing process. Absent an adjustment to the purchasing process, economic pressures associated with further difficulty in contracting Class III RECs in early quarters may result in further closures (which may adversely impact future capacity prices and is contrary to RSA 362-F:1), remove available renewable generation from the market, and result in further scarcity of Class III RECs. It is not unforeseeable, that further closures would have impacts on other regional REC markets due to many New

Hampshire biomass generators being qualified REC generators in other states, where the removal of that renewable generation may impact the availability of qualified RECs in those states. As a result, this proposal has implications beyond the State of New Hampshire and compliance year 2020.

10. This docket represents a circumstance different and distinct from other occasions during which this Commission considered adjusting the purchase requirements for Class III RECS. In PUC Dockets DE 13-021, 14-104, 15-035, 15-477, this Commission considered lowering the Class III REC purchase requirement due to the scarcity of Class III RECs available to New Hampshire LSEs caused by Class III generators selling RECs in markets with higher REC prices or higher ACP rates. See Electric Renewable Portfolio Standard, Order 25,484, DE 13-021 at 16 (Decided April 4, 2013); Electric Renewable Portfolio Standard, Order 25,674, DE 14-104 at 9 (Decided June 3, 2014); Electric Renewable Portfolio Standard, Order 25,768, DE 15-035 at 9 (decided March 13, 2015); Electric Renewable Portfolio Standard, Order 25,844 DE 15-477 at 5 (decided December 2, 2015). Unlike those prior dockets, the scarcity of Class III RECs in this instance is due to market conditions forcing the suspension of operation of biomass facilities. Therefore, unlike in prior dockets – where the reduction of the Class III RECs purchase requirements in past compliance periods did not stand to cause an adverse effect on biomass generators – a reduction in this compliance year will have an adverse effect on biomass facilities like BPC in future compliance years if the commission does not address a primary reason for the lack of supply, which are referenced above. See Electric Renewable Portfolio Standard, Order 25,484, DE 13-021 at *10-14 (decided March 6, 2020).

11. BPC respectfully suggests that the commission requires LSEs to either initiate their RFPs for at least a portion of their anticipated Class III RECs before the end of quarter 1 of each

compliance year. LSEs who do not use the RFP process to secure their RECs should be required to demonstrate that they have offered prices in the market up to the ACP from quarter 1 forward. If they cannot demonstrate this to the Commission they should be required to pay ACPs at the full 8% purchase percentage. This requirement would support the intent of the RPS and give generators their strongest likelihood of continued operations.

I. **Conclusion**

12. In conclusion, the negative purchase requirement adjustment to Class III RECs for compliance year 2020 can be supported by BPC however, the commission should suggest future procurement guidance to LSEs if they want similar consideration in future compliance periods. BPC is mindful of the compliance costs of the RPS program to ratepayers and does not support large ACP payments when RECs cannot be procured. BPC will always support the LSEs request to lower the purchase requirement if they have acted in good faith as recommended by our procurement suggestions. If they do not, BPC strongly believes these LSEs should be required to pay ACPs at the full 8% purchase requirement. This is the only way that the integrity of the program can be maintained and at the same time ratepayer interests protected.

13. BPC appreciates the Commissions thought and consideration.

Respectfully submitted,
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Through its Attorneys
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Certificate of Service

I hereby certify that I served a copy of this filing pursuant to Puc 203.11(c) to the current service list in this Docket this 29th day of March, 2021.

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Eric A. Maher, Esq.