



March 3, 2022

New Hampshire Department of Energy
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Adjustment to Renewable Portfolio Standard Class III Requirement

These comments are filed on behalf of the New Hampshire Electric Cooperative, Inc. (“NHEC”). NHEC appreciates the opportunity to offer written comments to the New Hampshire Department of Energy (the “Department”) as it considers making an adjustment to the Class III Renewable Portfolio Standard (“RPS”) requirement for the 2021 compliance year.

NHEC meets its RPS obligations through a combination of long-term contracts and forward market purchases designed to minimize cost impacts on its members. NHEC is continually looking for cost effective producers of NH Class III qualified Renewable Energy Certificates (“REC”) to meet its current and future obligations. Despite these efforts, Class III RPS obligation costs are expected to approach 40% of the total cost NHEC members pay for compliance with the RPS in 2021.

A scarcity of Class III RECs in the New Hampshire market

NHEC recognizes that RECs, and the RPS that govern their creation, are part of a regional market with many competing interests. The New Hampshire legislature vested the Public Utilities Commission (the “Commission”) with authority to maintain some degree of balance between these competing interests by including cost protections for electric ratepayers through RSA 362-F:4(VI). In circumstances of Class III REC scarcity similar to those present today, the Commission has exercised this authority to reduce Class III RPS requirements. In 2014, 2015 and 2016, the Commission reduced the Class III RPS requirement to a level of 0.5% of retail sales. *See, Order No. 25,783 (March 13, 2015), Order No. 25,844 (Dec. 2, 2015)*. In 2020, when faced with similar market scarcity, the Commission reduced Class III RPS requirements to 2.0% of retail sales. *See, Order No.26,472 (April 20, 2021)*.

Similar to the 2020 RPS compliance year, there has been a significant shortage of NH Class III RECs for 2021. The Connecticut Class I RECs market has remained several dollars per REC above the NH Class III ACP of \$34.99. This disparity has resulted in higher demand for 2021 qualified NH Class III RECs for similar programs in Connecticut, eliminating the availability for NHEC to use for RPS compliance.

In discussions with REC brokers active in the New England REC markets, NHEC has been advised that there have been no New Hampshire Class III transactions for many months, dating back at least to the summer of 2020. Dual qualified 2021 vintage RECs from biomass and LFG fueled generators have consistently been sold into the Connecticut Class I market during this period. In addition, several New Hampshire biomass fired plants that formerly produced New Hampshire Class III RECs apparently have shut down.

The demand and higher prices for New Hampshire Class III qualified RECs from neighboring states has benefitted New Hampshire Class III REC producers, which is certainly a positive development from that perspective. Under current circumstances, however, NHEC has no reasonable expectation of being able to purchase additional 2021 Class III RECs at or below the ACP.

NHEC member cost implications

Absent action by the Department to reduce the Class III obligation for 2021, NHEC expects to meet its obligation of 54,416 RECs with an ACP payment of approximately \$1,904,016.

NHEC recommends the Department reduce the 2021 Class III obligation to 0.5% of annual sales, as was ordered by the Commission for 2014 through 2016, reducing NHEC's obligation to 3,401 RECs. At that level, NHEC could meet this obligation with an ACP payment of approximately \$119,035 and reduce current Class III RPS compliance costs by approximately \$1.8 million for NHEC members.

A scarcity-driven reduction

Current market conditions have continued an environment of scarcity identified in April 2021 by the Commission in *Order No. 26,472*. NHEC urges the Department to reduce 2021 Class III RPS requirements to the lowest level consistent with the RSA 362-F:4(VI) criteria. The demand and higher prices for NH Class III qualified RECs from neighboring states combined with lower production are creating an environment of scarcity of NH Class III RECs. NH's full production of Class III qualified RECs in 2021 does not appear to materially impact the CT Class I market as the current price of around \$37 is trading above the NH Class III APC. Furthermore, there are significant dual qualified resources between the Connecticut and Massachusetts markets that are evidenced by an equalization of the market value between those states' Class I resources. The CT Class I price (as well as the MA Class I price) would move downward to the NH Class III ACP if RECs moving to the Connecticut market created a supply imbalance. This NH Class III scarcity eliminates any rational supply available for meeting a NH Class III obligation when it is also available to meet another state's Class I obligation.

NHEC also requests that the Department make this reduction of the 2021 Class III obligations effective prior to May 31, 2022, at the latest. This will allow NHEC and other retail energy suppliers to adjust to the lower obligation prior to the end of the Compliance Year to meet the expected 2021 obligations, and enable NHEC's members to benefit from the scarcity-driven reduction in the Class III RPS obligation costs.

Regards,



Elijah Emerson

Cc: Service List (via e-mail)