

2018 NH RPS Review Comments

Karen Cramton
Sustainable Energy Division, Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Joint Comments to New Hampshire Public Utilities Commission Regarding Review of RSA 362-F:5, the New Hampshire Renewable Portfolio Standard.

Dear Ms. Cramton,

The New Hampshire Sustainable Energy Association, New Hampshire Clean Tech Council, the Town of Hanover, Conservation Law Foundation, The Nature Conservancy, Union of Concerned Scientists, Ceres, New Hampshire Businesses for Social Responsibility, Acadia Center, and ReVision Energy ("Joint Commenters") provide the following joint comments regarding the status and implementation of New Hampshire's Renewable Portfolio Standard ("RPS") to inform the current review pursuant to RSA 362-F:5.

1. Update the RPS to be more in line with current regional and market circumstances.

Energy markets have changed significantly since the RPS was adopted in 2007 and following the prior RPS review in 2011. The RPS needs to be updated to avoid hindering the expansion of renewable energy resources within the state. Since the last RPS review 7 years ago, the markets for renewable energy and the potential for new and expanded renewable energy resources have grown, and new technologies have developed. As a result, many other Northeast states have updated and increased their RPS requirements, leaving New Hampshire lagging behind. We urge the New Hampshire Public Utilities Commission ("the Commission") to recommend that the legislature increase the RPS targets to better align with neighboring states. Increasing the RPS targets will better position the state to compete for

local, low-cost clean energy projects and good local jobs, while diversifying the state’s energy supply and reducing harmful emissions. Increasing these targets will also help New Hampshire reduce the need for imported energy from outside of New England.

2. Enhance understanding of RECs and eliminate unnecessary REC market weakness.

At present, eligible renewable energy system owners looking to participate in the Renewable Energy Certificate (“REC”) market face confusion and frustration regarding eligibility to monetize RECs. Some eligible participants are completely unaware of the opportunity to recover RECs, while others find the process cumbersome and not worth the effort to participate given the minimal potential return. We urge the Commission to provide recommendations that address this concern.

One improvement would be to create an Opt-Out provision for anyone applying for the State Rebate Program who does not wish to be eligible to generate RECs.¹ This option would help to ensure meaningful participation in the New Hampshire REC market and alleviate concerns that arise from a utility-taking of RECs, pursuant to RSA 362-F:6. The Commission should also recommend that the legislature eliminate RSA 362-F:6, II-a, which allows utilities to receive free credits in lieu of REC purchases for Class II resources. This allowance causes substantial consumer confusion over REC ownership and has resulted in the price suppression of Class II RECs, which were trading at approximately \$50 for several years but now trade at just \$15.

3. Increase technologies eligible to meet thermal goals, adding air source heat pumps.

Thermal energy requirements were adopted subsequent to the original passage of the RPS, and that lag has placed thermal resources in a delayed market development scenario relative to other RPS

¹ This could be a simple checkbox that allows the applicant to voluntarily confirm they do not wish to be eligible for REC generation.

technologies. We recommend ensuring adequate fund allocations and that, as new and improved thermal energy technologies become commercially available, the Commission should add qualified sources to the approved list of technologies eligible to generate TRECs. Air source heat pumps should be made eligible now. The availability and efficiency of cold climate air source heat pumps have improved greatly in recent years. Heat pumps are a key tool to cut emissions while reducing reliance on volatile fossil fuel imports. Significant work has already been done to develop standards governing the eligibility of heat pumps in the neighboring Massachusetts Alternative Portfolio Standard, as well as in the Northeast Energy Efficiency Partnerships (NEEP) Cold Climate Air-Source Heat Pump Specification.² In order to further the goals of the RPS, New Hampshire should adopt a similar framework for including air source heat pumps in the thermal portfolio standard.

4. Do not collapse the four existing REC classes into a single REC class or mandate multi-year REC contracts.

New Hampshire should not collapse the four existing and well-established REC classes into one REC class. Such a step would create chaos for the financial vehicles established to support those classes, and for existing and planned projects designed consistent with those classes. System owners who have invested in eligible energy resources have relied on the reasonable understanding that the current REC classes will remain in place, allowing them to meet necessary return rates based on longstanding financial analysis. Collapsing or reducing those class values would not only severely damage existing project owner returns but would also send a shock through the market resulting in a potential halt to the majority of new projects.

² For more information on specifications adopted in Massachusetts, see <https://www.mass.gov/service-details/alternative-portfolio-standard-rulemaking>. The NEEP Cold Climate Air-Source Heat Pump Specification is available at <https://neep.org/sites/default/files/resources/NEEP%20cold%20climate%20Air-Source%20Heat%20Pump%20Specification.pdf>.

As for the possibility of mandating multi-year REC contracts, the established REC trading market already provides participants with options for multi-year trading contracts that are and can be structured to each party's desired outcome. As a result, there is no need to create a mandate or other requirement for multi-year contracting. Mandating multi-year REC contracts would interfere with market mechanisms and reduce flexibility for all parties. Other states in the region do have bilateral multi-year contracts that include RECs, but this is implemented outside of the RPS.

5. Continue to use the Renewable Energy Fund (REF) solely as a dedicated funding source for further eligible renewable energy development, as intended under the statute.

The Alternative Compliance Payment ("ACP") mechanism established pursuant to RSA 362:F:10 helps to provide a cap on REC prices and makes possible the effective use of ACP funds for renewable energy investments through the Renewable Energy Fund ("REF"). The ACP is an important complement to the core RPS and its renewable resource targets, and funds collected through the ACP should be used to advance the purposes of the RPS. RSA 362-F:10(I) directs that the funds collected through the ACP should be invested in renewable energy resources including "solar energy technologies in New Hampshire" and "thermal and electrical renewable energy resources." *Id.* (I). Additionally, these funds may be used for the costs of administering the renewable energy programs. *Id.* Even interest earned on REF funds must be deposited back to the REF and cannot be diverted to other uses. *Id.* ACP funds are intended to be used to help stimulate new investment that will generate additional RECs in future years, keeping costs down and ensuring continued growth of renewable energy. Using the REF for any purpose other than its statutorily intended purpose – to advance renewable energy – is inappropriate and may be unconstitutional.

Due to market interactions in the region and overlapping REC eligibility, significant price differentials between the ACP levels in states can be arbitrated. It may be beneficial for New Hampshire

to harmonize the ACP to levels more in line with its neighbors in order to maximize the benefit of local projects.

6. *Keep nuclear power and large-scale hydropower out of the RPS.*

The intent of the RPS is to increase the state’s development and use of renewable energy, not to incentivize the greater use of nuclear power, which is not a renewable energy resource or a local resource, and should not be eligible for RECs. No other state RPS in the nation includes nuclear power as an eligible resource.³ Moreover, the notion that New Hampshire can prop up the nuclear industry through its RPS is faulty. Any such effort would have to be broader in scope. Including nuclear energy in the New Hampshire RPS would be an egregious waste of limited state resources.

Large-scale hydropower, while renewable, similarly does not fit the parameters defined by the legislature. It is a long-established resource with ample available markets and economies of scale. Existing Class 4 RECs help support and maintain a fleet of small hydropower projects that help keep energy and investment dollars in the state to benefit our economy, in accordance with the statute.

In conclusion, a robust RPS that harnesses market mechanisms to achieve economically prudent goals will help provide a healthy and thriving clean energy future for New Hampshire families and businesses. A strong, updated, and well-functioning RPS will also serve the state’s goals of expanding the supply of “local renewable fuels and resources,” “keep[ing] energy and investment dollars in the state,” reducing exposure to “volatile fossil fuel prices,” and improving public health while “mitigating against the risks of climate change.” 362-F:1. We appreciate the opportunity to provide these comments.

³ Although some jurisdictions have established means to compensate, or are presently considering whether it may be appropriate to compensate, the “zero emissions” aspect of nuclear resources, no state has undermined its RPS by making nuclear power an RPS-eligible resource, and nuclear energy is not considered a “renewable” resource.

Sincerely,



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