



106 MAIN STREET | P.O. BOX 349 | LITTLETON, NH 03561-0349

February 1, 2024

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 2023 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 has historically sought cost effective producers of NH Class III qualified Renewable Energy Certificates (“REC”) to meet its current and future obligations. Despite these efforts, absent an adjustment to the Class III requirement for 2023 Class III RPS obligation costs are expected to be 41% of the total cost NHEC members pay for compliance with the RPS in 2023.

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 Department of Energy (the “Department”) 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 Department (and the Public Utilities Commission (the “Commission”) before that) has exercised this authority to reduce Class III RPS requirements. For 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). For 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). For 2021, the Department reduced Class III RPS requirements to 1.0% of retail sales. See, Order dated March 31, 2022. For 2022, the Department reduced Class III RPS requirements to 0.50% of retail sales. See, Order dated April 11, 2023.

Similar to the 2021 and 2022 RPS compliance years, there has been a significant shortage of NH Class III RECs for 2023. The Connecticut Class I REC and the Rhode Island Class I markets have remained above the NH Class III Alternative Compliance Payment (“ACP”) and continue to trade actively. This disparity has resulted in higher demand for 2023 qualified NH Class III RECs for

similar programs in Connecticut and Rhode Island, 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 significant New Hampshire Class III transactions during the past several years. We have been advised there was one trade of 2023 Class III RECs that was “small volume” and transacted at \$33/REC, well below the current CT Class I market price. Dual qualified 2023 vintage RECs from biomass and landfill gas (“LFG”) fueled generators have consistently been sold into the Connecticut Class I and Rhode Island markets during this period. In addition, several New Hampshire biomass fired plants that formerly produced New Hampshire Class III RECs that were shut down and did not operate in 2022, remained closed in 2023.

The demand and higher prices for New Hampshire Class III qualified RECs from neighboring states has benefitted New Hampshire Class III REC producers. Under current circumstances, however, NHEC has no reasonable expectation of being able to purchase additional 2023 Class III RECs at or below the ACP.

NHEC member cost implications

Absent action by the Department to reduce the Class III obligation for 2023, NHEC expects to meet its obligation of 52,578 RECs with an ACP payment of approximately \$2,044,800.

NHEC recommends the Department reduce the 2023 Class III obligation to 0.5% of annual sales, as was ordered by the Commission for 2014 through 2016, and again in 2022, reducing NHEC’s obligation to 3,286 RECs. At that level, NHEC could meet this obligation with an ACP payment of approximately \$127,800 and reduce current Class III RPS compliance costs by approximately \$1.91 million for NHEC members.

A scarcity-driven reduction

Current market conditions have continued an environment of scarcity identified in April 2023 by the Department’s most recent order. NHEC urges the Department to reduce 2023 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 continued low production are creating an environment of scarcity of NH Class III RECs. The current price of the CT Class I market is trading slightly above the NH Class III ACP. This differential in price eliminates any rational NH Class III supply available for meeting a NH Class III obligation when it is also available to meet another state’s Class I obligation. NHEC recognizes that the Connecticut biomass phasedown for Class I resources began in January 2022 where existing CT Class I biomass and landfill gas resources that were qualified more than 15 years ago began to be restricted to 50% of their output for RECs. Market prices in the region are reflective of this phasedown and given that CT Class I, MA Class I, and RI Class I prices are trading slightly above NH Class III ACP, the impact of the phasedown does not appear to be affecting the economic scarcity of NH Class III resources. Additionally, the lack of significant transactions for NH Class

III resources and knowledge that many NH Class III qualified resources can trade their RECs in Massachusetts and Rhode Island markets, further limits the impact of the Connecticut Class I biomass phasedown on the availability of NH Class III resources.

NHEC also requests that the Department make this reduction of the 2023 Class III obligations effective prior to May 1, 2024, 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 2023 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)