NEW YORK ENERGY CONSUMERS COUNCIL

Tier 4 Renewable Energy Credit Panel Discussion Summary

Overview

The New York State Energy Research and Development Authority (NYSERDA) released an RFP in 2021 to solicit projects intended to deliver renewable power directly into the New York City/Westchester grid (Zone J) that would be administered via a voluntary renewable energy credit (REC) market that NYSERDA would manage. The solicitation received 7 project responses with 35 alternate bid variants. Ultimately, 2 projects were selected: the Champlain Hudson Power Express (CHPE) led by TDI and Clean Path New York (CPNY) led by Clean Path New York. These projects will provide 1,250 and 1,300 MegaWatts (MW), respectively. Each project equates to approximately 20% of New York City's load and, together, are anticipated to reduce NYC's fossil fuel use for electricity production by approximately 80% by 2030 when combined with New York State's deployment of clean energy and offshore wind.

The New York Energy Consumers Council (NYECC) hosted a panel on November 17, 2022 to provide an opportunity for some of the key stakeholders from NYSERDA (Mark Gundrum), TDI (Don Jessome), CPNY (Frank Norcross), and Vornado (Lauren Moss), a New York City-based, large energy consumer, to share some details about the projects, discuss how Tier 4 RECs are intended to work, and to show how important this development will be for energy consumers in Zone J.

Project and Tier 4 Updates

Power provided from these projects will be purchasable by consumers in the voluntary market once the projects are completed which is scheduled for late 2026/early 2027 for CHPE and 2027 for CPNY. CHPE sources power from Quebec hydropower and will be building a transmission line to deliver this power from Quebec to Zone J. CPNY is a New York State-based renewable energy project intended to aggregate various renewable energy and energy storage sources in upstate New York and transmit that power directly to Zone J.

While these projects are being constructed, NYSERDA will be establishing the voluntary market for the Tier 4 REC program which it will manage long-term. In November 2022 NYSERDA filed a petition to change the way Tier 1 RECs are sold in order to test out the demand for a voluntary market in advance of Tier 4 RECs becoming available to the marketplace. Tier 1 RECs have been available since 2017 but only to utilities and load-serving entities, and the petition details how these, and subsequently Tier 4, RECs would be sold in the voluntary market.

Proposed Charges for Consumers

According to NYSERDA's Tier 4 REC petition, the impact to consumers would be a 2.1-4.1% increase to electric bills on average during the 25 year term. As the logistics for how Tier 4 RECs will be sold into the voluntary market are ironed out, the details of costs to those buying the RECs will be fleshed out.

These RECs will be imperative to consumers in NYC who will be required to comply with Local Law 97 (LL97) carbon reduction requirements, and will provide much needed relief as it relates to the carbon intensity of electricity in Zone J. REC procurement is a key strategy for many companies as they look to comply with their self-imposed carbon reduction goals as well as LL97, and companies like Vornado who are New York-based have voiced a preference to invest in New York even though less expensive RECs may be available from elsewhere. That said, LL97 only allows buildings to utilize RECs that are sourced into Zone J which creates a compelling market case for the Tier 4 REC program in NYC.

Future Grid Considerations

During the panel discussion, there was commentary made around the timing of the peaks of different grid systems that will be interacting in the future. For Con Edison the grid currently peaks in the summer. For Quebec, however, the peak is in the winter. It is unclear how these grids will interact with the shift to electrification of heating in New York, which will ultimately shift Con Edison to a winter peaking grid.

NOTE: **– This summary is intended to be a basic overview. For details please listen to the discussion here:**
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