

City of Albany
24 Eagle Street
Albany, New York 12207

Community Choice Aggregation Oversight Board

Initial Six Month Report

September 30th, 2020

Hon. Catherine Fahey, Common Council Ward 7
Hon. Alfredo Balarin, Common Council Ward 11
Christopher Spencer, Commissioner of Planning and Development
Tina Lieberman, Chair, Sustainability Advisory Committee
Jason West, Energy Manager

Introduction

Community Choice Aggregation (CCA) allows municipal residents to be automatically enrolled in a bulk electricity buying program which can lock in rates for 100% clean energy for a predetermined amount of time. Residents have the option of opting out of the program for any reason, at any time, with no fees. The program is being managed by Municipal Electric and Gas Alliance (MEGA), and seeks to help 13 participating municipalities in the Capital District¹ purchase electricity in bulk from renewable energy resources. CCA is one of the ten high impact action items in the NYSERDA Clean Energy Communities Program² and is authorized by the NYS Public Service Commission (PSC).

A resolution (39.61.18R) to explore Albany's participation in a CCA was first introduced in June of 2018 and passed in September of 2019. On March 2nd, 2020, Local Law B of 2020³ was passed, beginning the process which led to signing a contract with the Municipal Electric and Gas Alliance (MEGA) to serve as

¹ The cities of Albany, Glens Falls, Saratoga Springs, Schenectady, Troy, and Watervliet; the towns of Bethlehem, Guilderland, New Scotland, and Niskayuna; and the villages of Altamont, Kinderhook, and Voorheesville.

² <https://www.nyserda.ny.gov/All-Programs/Programs/Clean-Energy-Communities/Action-Items>

³ "A Local Law Enacting Chapter 153 of the Code of the City of Albany Entitled Community Choice Aggregation in Relation to Authorizing the Establishment of a Community Choice aggregation Program, and Providing Implementation Thereof."

Administrator and the appointment of the CCA Oversight Board to steer the process on the City's behalf. Albany joined thirteen other municipalities to form a negotiating bloc of 90,000 households in the Capital District CCA (CDCCA).

The CCA process began as the coronavirus spread and by the time the first Oversight Board met on May 7th the region was under lockdown and questions arose about the timing of the CCA's launch. The various communities of the CDCCA agreed to hold off on securing pricing until the pandemic's impacts on energy markets were better understood. MEGA began monitoring energy prices and the CDCCA waited.

For much of the summer, the Albany CCA Oversight Board deliberated on whether to start the clock on the CCA process this fall, for a January launch, or continue to wait. Board members were hesitant to begin CCA out of fears that locking in 100% clean energy for City residents would result in higher utility bills.

CCA's clean energy guarantees are delivered through the purchase of Tier 2 Renewable Energy Credits (RECs). Due to recent efforts by the state to promote renewables, including a NYSEERDA proposal to purchase one-third of available Tier 2 RECs, the market for these RECs has been artificially constricted, driving up prices for renewable energy. Several written comments have been submitted to the Public Service Commission asking the PSC to correct this market aberration in the early part of the new year by allowing NYSEERDA to make subsidized RECs available to CCAs. Given this potential for market correction, the Oversight Board is interested in pausing the start of the CCA process until the situation with market demand for RECs is resolved.

Once approved and in place, the City's CCA program will have a significant impact on clean energy use and greenhouse gas emissions in Albany. For example, converting Albany's 10,887 street lights to LEDs is projected to mitigate approximately 2,545 metric tons of CO₂ equivalent per year. According to Brad Tito of NYSEERDA⁴, if Albany were to adopt a 100% renewable CCA, it would be the equivalent of converting 680,000 street lights. That means that a 100% renewables CCA will - very roughly - reduce greenhouse gas emissions by 153,428 metric tons of carbon dioxide equivalent (MT CO₂e) per year in Albany alone. That's the same volume of emissions captured by more than 2.5 million tree seedlings over the course of their first decade, every year.⁵

Oversight Board Meetings

The Albany CCA Oversight Board has met three times since the project was initiated.

The first meeting was held via Zoom on May 7th at 12:00pm. This meeting also included Mayor Sheehan's Chief of Staff David Galin, corporation counsel Marisa Franchini, and representatives from the Municipal Electric and Gas Alliance (MEGA). At this meeting, the idea of pausing CCA was first broached.

⁴ Email, Brad Tito to Jason West, "RE: Emissions comparisons for CCA" August 21, 2020.

⁵ <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

The second meeting was held virtually on August 14, 2020 at 1:30 pm, this time without MEGA. The Oversight Board discussed whether we wanted to go ahead with an RFP at this time in response to MEGA's July 3 update email re: moving ahead by the first days in August.

The third virtual meeting was held on August 25 at 4:30 pm, again without MEGA. The Oversight Board definitively decided not to move ahead at this time based on indicative pricing and current economic instability.

In addition, MEGA held the following Webinars to update participating communities:

- May 20, 2020 (introductory)
- June 3, 2020 (CCA timeline)
- August 3, 2020 (indicative pricing)
- August 17, 2020 (indicative pricing; variable option)
- September 1, 2020 (delayed start option)

Comments to the Public Service Commission

With Mayor Sheehan's permission, the Oversight Board submitted comments to the Public Service Commission in September of 2020 urging the PSC to allow for the subsidy of CCA programs statewide by the selective purchasing and re-sale of Renewable Energy Credits (RECs). The full comments are based on those developed by members of the citizen volunteer group Capital District Community Energy and are attached to this report for convenience.

Letter to the Municipal Electric and Gas Alliance (MEGA)

Following the Oversight Board's August 25th meeting, the Board unanimously approved sending the following letter to MEGA explaining our position:

To: MEGA CCA Team
From: City of Albany CCA Oversight Board

New York State's Community Choice Aggregation (CCA) energy bulk-purchase program's proposal to provide Albany residents with the ability to purchase green energy at a fixed price, lower than the utility's average price, has been up-ended as a result of historic low energy prices, price fluctuations, the increased cost of Tier II RECs, and future uncertainties due to the ongoing pandemic. After careful consideration, we have decided not to move forward at this time in joining the newly forming Capital Region CCA. We simply cannot put residents at an increased risk of paying higher energy prices than what they would normally pay to National Grid.

We are appreciative of efforts made to offer a fixed/variable pricing model that would lessen the risk of future price fluctuations, however, it is not sufficient to allay our overarching concern about the potentially greater cost to residents. We are at a disadvantage, too, in not being able to

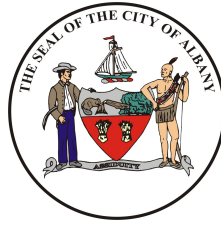
adequately communicate with residents through in-person discussion, meetings and public hearings regarding various aspects of the program.

We understand that the state's requirement for utilities to purchase an increasing amount of clean energy RECs is costly and will contribute to increases in future Green energy price offerings. We support the state's necessary move towards 100% clean energy but there must be recognition that New Yorkers cannot afford additional energy costs. The development of a green energy cost subsidy or some other mechanism is required to offset green energy price increases that undermine participation in CCAs.

Our local law allowing Albany to pursue joining a CCA stands, and we hope for the opportunity to purchase green energy at a reduced price through a CCA in the future. We greatly appreciate MEGA staff's work over the past months to educate Albany residents about the benefits of forming a CCA in the Capital Region and look forward to working together in the future if warranted.

Conclusions

The City of Albany remains committed to the CCA process, and the Oversight Board is determined to find a path forward which provides clean energy, reduces greenhouse gas emissions and saves the people of Albany money. While the market conditions do not currently allow for those three conditions to be met, it is likely that in the wake of the coronavirus pandemic energy prices will rebound from their current historic lows. This, combined with advocacy on the part of CCA communities and our allies for the state to lower the cost of Renewable Energy Credits (possibly subsidizing their purchase by CCAs) gives us hope. The rules of the market can be altered and the financial realities of bulk energy purchase re-written to encourage the widespread adoption of CCA-driven clean energy use. For now, we await the Public Service Commission's decision on RECs and the retreat of the pandemic.



City of Albany
Mayor's Office of Energy and Sustainability
200 Henry Johnson Boulevard
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STATE OF NEW YORK PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to)
Implement a Large-Scale Renewable Program) Case 15-E-0302
and a Clean Energy Standard.)

**COMMENTS BY THE CITY OF ALBANY, NEW YORK
ON NYSERDA'S PETITION REGARDING CLEAN ENERGY STANDARD COMPETITIVE
TIER 2 PROGRAM FOR BASELINE RENEWABLE GENERATION**

August 28th, 2020

The City of Albany is committed to reducing its greenhouse gas emissions and increasing the amount of renewable energy used by its residents and small businesses. That's why we worked hard to pass the necessary laws to enable Albany to be part of a 13-member Capital Region Community Choice Aggregation (CCA), representing approximately 90,000 households. We also understood that by choosing the 100% green default supply within a CCA, we would be helping New York State meet the ambitious renewable energy goals stated in the Climate Leadership and Community Protection Act.

As CCA members, we anticipated being able to provide our residents with the ability to purchase renewable energy at a fixed price that is attractive compared to the regular utility pricing. When our residents vote for us, they also put their trust in us. It is therefore our duty to protect our residents'

economic interests and well-being, while also helping to promote a transition to a green energy future. CCA appeared to provide the best of both worlds. However, the recent increase in the cost of Tier 2 Renewable Energy Credits (RECs) has altered CCA as we knew it. By planning to purchase RECs, along with the increased mandates for utilities to obtain renewables, NYSERDA has helped drive up their cost considerably for voluntary buyers like CCAs. In fact, the cost of RECs has doubled since last year. This has been a key factor in our municipality's decision not to move ahead with a CCA bid this year. We cannot move forward at the current time with our CCA because we simply cannot put residents at an increased risk of paying higher energy prices than they would normally pay the utility.

We cannot willingly raise utility prices for our residents, especially those suffering from the current economic situation brought on by Covid-19. We are ready and eager to sign up for 100% renewables for our residents, however, the cost of Tier 2 RECs has put this out of our reach.

We support the state's necessary move towards 100% clean energy but there must be recognition that New Yorkers cannot afford additional energy costs. In a nutshell, the development of a green energy cost subsidy or some other mechanism is required to offset Tier 2 REC price increases that undermine participation in CCAs.

The Tier 2 Petition proposal by NYSERDA is to size the overall program to include the majority of eligible generation, but to limit annual procurement volumes so as to promote competition and lower cost bids. In each year of the proposed three-year program, NYSERDA would issue RFPs for approximately one-third of the total eligible generation. Unpurchased RECs would be available for voluntary market purchase by CCAs, ESCOs, or any other interested entities. This White Paper seeks comments on whether NYSERDA should also be authorized to resell Tier 2 RECs to such entities. We say YES, and to have NYSERDA sell them to CCAs at a discounted price.

Considering the state's support for the increased utilization of CCAs, we urge the PSC to help reduce the costs for CCAs to obtain renewable energy. We support the proposal outlined in the comments submitted by Brookfield Energy, not only in support of NYSERDA's proposal to sell RECs that they procure, but

also to offer them at a discounted rate to CCAs and others promoting a clean energy package to utility customers. This would make it more feasible for participating municipalities to launch a 100% green CCA at a price their residents can afford and that is attractive to them, as opposed to the brown power default. We believe this would go a long way toward encouraging many more communities to join a CCA and provide affordable, green energy to their residents.

We have copied the relevant paragraphs from Brookfield Energy's proposal below:

“Procuring the majority of the eligible baseline MWh in each solicitation would inevitably lead to less available supply for the voluntary market to secure on a bilateral basis from generators for uses such as “green power products, Community Choice Aggregations, etc.” The Commission should consider directing NYSERDA to implement a Tier 2 REC resale process, similar to the established quarterly Tier 1 REC solicitations, to allow LSEs and voluntary buyers to access RECs at a discounted price and partially offset Program costs.

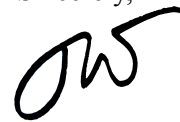
Under Brookfield Renewable's proposed modifications, 75-85% of all available baseline RECs may be procured by NYSERDA in the first annual solicitation. To facilitate voluntary market access to RECs for uses cited by NYSERDA such as “green power products, Community Choice Aggregations etc.,” Brookfield Renewable proposes that the Commission direct NYSERDA to establish a Tier 2 REC resale process to make procured RECs available at a discounted price to the voluntary market and Energy Service Companies (“ESCOs”) seeking to comply with the ESCO Retail Market Reset Order.¹⁵ This is not unlike the mechanism in which NYSERDA makes Tier 1 RECS available to LSEs via quarterly sales in the Main Tier of the CES, and NYSERDA may consider relying on the existing framework and infrastructure to accomplish such a task.

“There are multiple benefits of running a resale process allowing the demand side to purchase procured RECs at a discounted price:

- *Harmonization of NYSERDA's objective to support baseline resources with its secondary objective to animate the voluntary market and make accomplishing both objectives more likely.*
- *Access to a larger and consistent volume of RECs for LSEs and voluntary buyers seeking to make renewable energy claims.*
- *Access to RECs for multi-year terms since NYSERDA would be procuring Tier 2 RECs under three-year contracts.*
- *Giving NYSERDA discretion to achieve other policy outcomes such as promotion of Community Choice Aggregations and facilitating ESCO compliance with the Commission's ESCO Retail Market Reset Order by allowing it to structure a resale process that accommodates the characteristics and limitations of each voluntary market segment.*
- *Reducing the inherent advantage of scale and sophistication that larger generators have in accessing demand-side opportunities.*
- *Protecting generators and LSEs from taking on additional risks associated with bilateral transactions, particularly in the current market environment, by having NYSERDA play the role of intermediary."*

We strongly support the efforts by DPS and NYSERDA to expand the existence of renewable energy in NYS. However, it is important that the state address any unintended problems created by this effort during the transition. It is important for the state to help protect initiatives such as CCA during this rollout. If the state provided NYSERDA's purchased RECs at discount to CCAs, it would be extremely helpful in supporting municipalities in our efforts to transition our residents to renewable energy and to support the goals of the Climate Leadership and Community Protection Act.

Sincerely,

A handwritten signature in black ink, appearing to be 'JW', written in a cursive style.

Jason West
Energy Manager
City of Albany