

Various State Approaches to Long-Term Agreements with Renewable Energy Generators for Energy, Capacity and RECs

Presented by Sarah B. Tracy,
OETF Transmission Subcommittee Member

BERNSTEIN SHUR

COUNSELORS AT LAW

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Purpose of Long-Term Agreements

- Long-term agreements for energy, capacity and RECs:
 - Provide greater revenue certainty for new renewable energy generation projects and enable the financing of these projects.
 - Net result: Long-term agreements are necessary to encourage development of renewable energy generation.
- Major tension between encouraging off-shore wind development and keeping electricity prices low for rate-payers.
- Advantage of wind: long-term price stability.

Two Main Approaches to Agreements:

- MA, RI, DE Approach: State directs its electric transmission and distribution utilities to enter into long-term supply contracts with renewable generator for energy, capacity, and/or renewable energy credits (RECs)
 - Company issues solicitation or request for proposal (RFP)
 - State retains approval authority over contract recipient and terms of contract
- NJ Approach: State plans to enter into agreement with off-shore wind generators directly to give off-shore wind generator a fixed long-term payment in exchange for the right to receive all of the proceeds from generator's sale of energy in the spot market and the proceeds from Offshore Wind Renewable Energy Certificates (ORECs).

There's a Lot Going On Right Now:

- Delaware executed a Power Purchase Agreement with Bluewater Wind (Babcock & Brown) on June 23, 2008;
- Only state with a completed agreement.

There's a Lot Going On Right Now:

- Massachusetts:
 - July 2, 2008, MA enacted Green Communities Act that set out renewable long-term contracting obligation and required regulations to be promulgated;
 - MA Department of Public Utilities just issued proposed regulations for renewable long-term contracting on March 6, 2009;
 - Public hearing on proposed regulations is on April 28, 2009.
- Rhode Island:
 - RI has two pending bills in the Legislature regarding long-term contracting with renewable generators located within RI (Senate Bills 111 and 487);
 - Governor Carcieri vetoed a similar bill last year;
 - Deepwater considers the outcome of these bills to be a litmus test for RI's commitment to off-shore wind.

There's a Lot Going On Right Now:

- New Jersey:
 - On March 10, 2009, the NJ Board of Public Utilities (NJ BPU) issued Draft Request for Pricing Proposal setting out the process entering into long-term agreements and creating Offshore Renewable Energy Certificates;
 - NJ BPU will consider straw proposal on April 27, 2009;
 - NJ BPU is expected to adopt final rule on September 16, 2009.

Interesting Tid-Bits:

- New Jersey proposes ORECs:
 - Utilities will be required by law to purchase ORECs from off-shore wind developments located in New Jersey;
 - ORECs will be priced through a not-yet-determined request for pricing proposal process designed to allow off-shore wind projects to recover, over time, the costs of capital investment for construction.
- Delaware's PPA includes a 350% multiplier for RECs:
 - For every 1 REC that Delmarva purchases from Bluewater under the PPA, it gets credit for a total of 3.5 RECs towards meeting its RPS obligations;
 - Means that for same amount of money, Bluewater obligated to deliver less RECs and can auction remaining RECs on the market for increased revenue.