



**Testimony of Renewable Energy New England, Inc. before the  
Energy and Technology Committee on**

**Raised Bill 6532**

***An Act Concerning Certification of Class I and Class II Renewable Energy Sources and Class  
III Sources, Renewable Energy Credits and Alternative Compliance Payments.***

**March 7, 2013**

Senator Duff, Representative Reed, Senator Chapin, Representative Hoydick and members of the Energy and Technology Committee, my name is Francis Pullaro and I'm here on behalf of Renewable Energy New England, Inc. ("RENEW"), its Executive Director, to testify in opposition to Raised Bill 6532, *An Act Concerning Certification of Class I and Class II Renewable Energy Sources and Class III Sources, Renewable Energy Credits and Alternative Compliance Payments*. Specifically, RENEW opposes changes to the Renewable Portfolio Standard ("RPS") to lower the alternative compliance payment and broaden the geographic eligibility of qualifying Class I resources.

RENEW is a partnership between the renewable energy industry and environmental public interest groups in New England whose mission involves promoting clean, renewable and environmentally responsible technologies for the region that will increase energy diversity, spur economic development, and improve environmental quality.

Various sections of the bill make changes to the RPS law to lower the Alternative Compliance Payment ("ACP") from 5.5 cents/kWh to 3.1 cents/kWh. A well-designed ACP will strike the right balance between protecting consumers from excessive costs and providing incentives for energy developers to build renewable resources. Setting the ACP at some multiple of the market price a developer needs from RECs to finance a project accomplishes this goal. An ACP set too low becomes a competitor to renewable energy projects rather than a consumer protection safety mechanism. Particularly with today's low natural gas prices, which largely set wholesale electricity prices, and are expected to stay low for years, developers can only assume a small revenue stream from energy sales. An ACP at 3.1 cents/kWh is too close to actual REC price developers may need to finance even the lowest cost projects and well below the incentive needed to develop higher cost renewables, particularly solar, that are likely to be built in

Connecticut. As a result, developers may see the REC revenue stream caused by a low ACP as too risky and/or insufficient and forgo building projects to serve New England.

Over the long-run, total reliance on short-term REC markets may work to encourage renewable energy development, although only if policy-makers and legislators are willing to let renewable energy investors take the market's upside. This means that policymakers cannot constrain through a low ACP the amount of upside which renewable energy investors can obtain and, therefore, limit the prospects for cost-recovery in a market totally reliant on short-term REC price formation. In an unconstrained market (or high ACP), total reliance on short-term purchases of RECs likely will result in extreme market volatility, leading to short-term AEC prices that are either too low (resulting in revenue deficiency for renewable energy investors) or too high (resulting in windfall profits for renewable energy investors).

An alternative to address concerns with REC market volatility and the level of the ACP involves creating a competitive price signal which seeks to price the REC as close as possible to the incremental cost of new renewable generation. RENEW believes this is best achieved through a competitively sourced long-term REC (and energy, for other reasons) contract. A longer-term REC contract will enable renewable energy developers to offer a price less subjected to short-term supply and demand and more reflective of the project's incremental costs. This will produce a flatter average price over time that will significantly reduce the risk that future supply shortages will lead to price spikes which would both negatively impact electricity customers and REC compliance.

Section 10 of the bill expands the geographic eligibility of qualifying Class I resources by including renewable generation in states to our west without those resources having to deliver their energy into New England. This change will dramatically disrupt the supply-demand balance of RECs in Connecticut and hinder the development of new renewable generation.

The requirements for out-of-region project eligibility as a Class I resource should be determined by the policy objectives of the RPS, which is to incentivize the development of new renewable generation and displace older, dirtier and less efficient traditional generation. Resources qualifying for the RPS must be required to deliver their energy to New England to ensure our region reaps the environmental benefits.

In summary, to address concerns about the RPS involving costs and the ability to meet RPS goals, Connecticut should consider the effect of a procurement program for larger scale more cost-effective resources that can increase long term Class I supply and lower REC prices. By using long term contracts to deploy new renewable resources, Connecticut will maintain low, stable REC prices over the long term. Connecticut policy choices can have a dramatic effect on REC prices.

Addressing our energy and environmental challenges cost effectively requires predictable policies and a long-term perspective. Establishing a program of state directed long term

contracting to support large scale resource development will enable the industry to make long term investments and reduce the cost of RPS compliance for consumers in our state and across our region.

Thank you for the opportunity to testify before you today.

Contact: Francis Pullaro  
Executive Director  
RENEW  
PO Box 383  
Madison, CT 06443  
Voice: 646-734-8768  
Email: [fpullaro@renew-ne.org](mailto:fpullaro@renew-ne.org)  
Web: [www.renew-ne.org](http://www.renew-ne.org)