



NYSERDA TIER 1 RENEWABLE ENERGY CREDITS (REC) RFP REVIEW

June 14, 2017

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To: Clients and Colleagues
From: John Dalton, President, Power Advisory LLC

New York State Energy Research and Development Authority (NYSERDA) issued a Request for Proposals to purchase approximately 1.5 million Tier 1 (Tier 1 is equivalent to Class I as the term is used in New England) Renewable Energy Credits (RECs), about 430 MW at a 40% capacity factor. New York Power Authority is also issuing a Large-Scale Renewables RFQ at the same time. Bidders are able to submit the same "Bid Facility" under both solicitations assuming that it is eligible for both.

A Bid Facility must be located: (1) within the New York Control Area or in an adjacent control area (which would include Quebec or Ontario) and supply energy into New York State and meet the RES Delivery Requirements outlined further below;¹ (2) have first commenced commercial operation on or after January 1, 2015; or (3) produce new, incremental energy and Tier 1 RECs from new capacity. To participate in the RFP a Bid Facility must have: (1) registered in NYGATS (New York generation attribute tracking system), such registration required by June 28, 2017; and received a Statement of Qualification or a Provisional Statement of Qualification (for facilities not yet operating). An overall schedule for the RFP is presented below. As indicated, there's a considerable amount of effort required in a relatively short period of time.

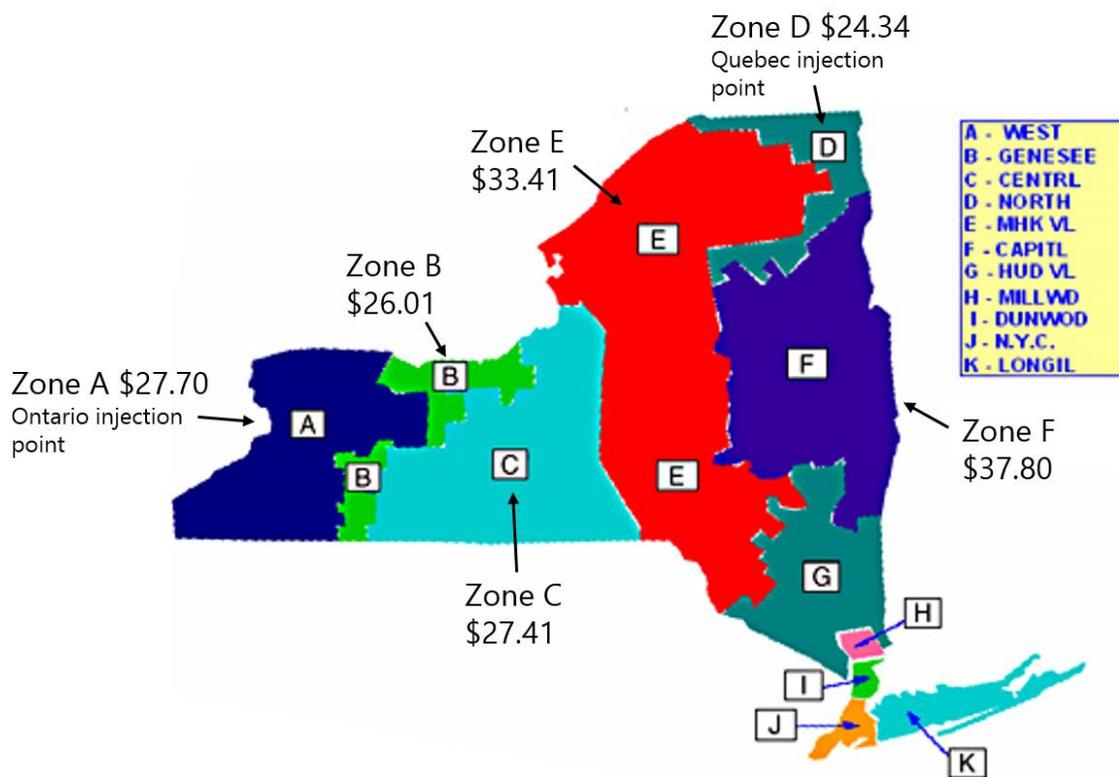
The RFP is designed around a two-step process with step one, a Threshold Eligibility Determination; and step two a competitive bid package proposal review. There are six minimum Threshold Eligibility categories: (1) Site Control; (2) Interconnection; (3) Permitting; (4) Project Development; (5) Project Financing; and (6) Resource Assessment. In step two proposals are scored based on the bid price which is weighted at 70% of the overall score and non-price factors for the remaining 30%. The three non-price factors are equally weighted and include: (1) incremental economic benefits to New York State; (2) project viability; and (3) operational flexibility and peak coincidence. Incremental economic benefits to New York State are measured in terms of: (1) Long-Term New

¹ These delivery requirements specify that "The electricity associated with the Tier-1 Renewable Energy Certificates for Bid Facilities in control areas adjacent to the New York Control Area shall be scheduled, transmitted, delivered to and settled in the NYISO energy market in each hour, and be accompanied with documentation of a unit specific contract path between the Injection Point in the control area of origin to the Delivery Point in New York that includes the provision of transmission or transmission rights for delivering the generation via the NYISO using the North American Electric Reliability Corporation (NERC) tag fields Sending and Receiving Control Areas and Purchasing/Selling Entity Name and Number."

York State Jobs; (2) Payments/Benefits to New York State and/or its Municipalities; (3) Payments for Renewable Fuels and Resource Access; and (4) In-State Purchases, Consumption of Goods, and Short-term Employment. Projects must be in-service by November 30, 2019.

Another important competitive dynamic given that NYSERDA is only purchasing RECs and developers will have to hedge energy market prices are relative LMPs in New York State. The map presented below shows levelized LMPs derived from futures prices for the various zones that represent the most attractive opportunities for wind project development. These prices clearly suggest that Zones E and F are the most attractive. While suppliers are able to hedge this location risk through financial transmission rights (FTRs), the cost of these FTRs should be reflective of anticipated levels of congestion. Therefore, the cost to acquire these FTRs is likely to reflect the market's expectation of future price differentials.

New York ISO Zones and Futures Prices from 2019 – 2026





RFP Schedule: Key Dates

RFP Release	Friday, June 2, 2017
Proposers' Webinar	Wednesday, June 14, 2017
Deadline to submit Written Questions	5 pm, Thursday, June 15, 2017
Responses to Questions posted on NYSERDA's website	Tuesday, June 20, 2017
Deadline to submit Tier 1 Eligibility Request	5 pm, Wednesday, June 28, 2017
NYSERDA responds with Tier 1 Eligibility Determination	Friday, July 7, 2017
Deadline to submit Step One Threshold Eligibility Application Packages (Step One)	5 pm, Thursday, July 13, 2017
NYSERDA notifies Proposers of Step One Qualification determinations	Tuesday, August 22, 2017
Deadline to submit Step Two Bid Proposal (Step Two)	5 pm, Thursday, September 28, 2017
NYSERDA notifies winning Proposers	November 2017

Power Advisory would welcome the opportunity to assist clients in evaluating opportunities offered by the RFP and participating in the RFP process.