

Request for Comment

Please submit comments to [res@nyserda.ny.gov](mailto:res@nyserda.ny.gov) by 5:00pm ET on April 9, 2021.

NYSERDA requests comment on whether the Tier 4 RFP should be amended to introduce a new provision in the Tier 4 Agreement that would share the benefits of any newly-enacted investment tax credit or other direct financial support that would apply to the transmission facility associated with a Tier 4 Proposal.

Under current law, there are no federal investment tax credits that apply to transmission. Were the U.S. Congress to enact a tax credit or other direct financial support for transmission, it would reduce the net cost of constructing new transmission facilities. Some of those savings would be passed on to the subscribers of the new transmission facilities, which in turn could reduce the cost of delivering Tier 4 RECs to Zone J.

On March 31, President Biden proposed a targeted investment tax credit for high voltage transmission facilities, an idea that has also independently been proposed in the U.S. Senate. It appears unlikely, however, that any federal support for transmission would be enacted in time to inform the Proposals due May 12 under this RFP. Uncertainty at the time of bidding as to whether and to what extent Congress will enact new financial support for transmission may lead to inefficient outcomes. If Proposers price their bids as though no new financial support provisions will be enacted, and such provisions are subsequently enacted, ratepayers may perceive that the selected Proposer has received a windfall. Conversely, if Proposers price their bids assuming financial support that does not ultimately materialize, the viability of their as-bid Proposals may be impaired.

With these concerns in mind, NYSERDA requests comment on the following:

- 1) Should NYSERDA implement a benefit-sharing mechanism through which the realized benefits of newly-enacted direct financial support for high-voltage transmission would be shared equitably with NYSERDA?
- 2) How should NYSERDA define the types of financial support that would be subject to benefit sharing?
- 3) We seek comment on how a benefit sharing mechanism could be structured.
  - a) Please comment on an approach whereby a pre-determined percentage of the dollars realized from a new investment tax credit or other direct financial support mechanism would be applied to reduce the Tier 4 REC Price (either fixed or indexed) commensurately.

- b) Would a net present value calculation using the discount rate specified in this RFP be a suitable means to convert dollars received in new federal support into a reduction in the Tier 4 REC price?
- c) Under such an approach, NYSERDA would fix a sharing percentage for all bidders in the RFP. If it does so, what would be an appropriate sharing percentage (expressed as the percentage that would be passed on to NYSERDA)?
- d) Would there be any reason to allow bidders to instead propose their own sharing percentage as part of their bid? Under that approach, how should NYSERDA compare bids that propose different sharing percentages in its evaluation process?
- e) The approach outlined in question 3 would require the dollar amount realized from a new investment tax credit or other direct financial support mechanism to be ascertained in a transparent manner. Please comment on the documentation that a Selected Project should provide in support of a determination of total realized savings from newly-enacted direct financial support.