

A Brief Explanation of Renewable Energy Credits and Zero Emission Credits from the New York Municipal Power Agency

New York State enacted the Climate Leadership and Community Protection Act (CLCPA) in 2015 for the stated purpose of reducing greenhouse gas emissions from electric generation. In response, the NYS Public Service Commission adopted the Clean Energy Standard (“CES”) to implement a program designed to help New York meet the CLCPA’s clean energy and climate goals and achieve zero emissions from electricity generation in New York State by 2040.

The CES requirements are centered on two programs, the Zero Emission Credits (ZECs) and Renewable Energy Credits (RECs). Because the PSC recognized that the CLCPA mandates could never be reached without the state’s nuclear generators, the ZECs were designed to ensure that those facilities remain operational. That program works in a fairly straightforward way. Essentially, the participating nuclear generators were guaranteed a payment per MWh of energy they generate every year. If market prices and demand for electricity in any given year are not high enough to result in that guaranteed payment level, then NYS utilities, and hence their customers, are required to purchase their proportional share of ZEC’s in an amount sufficient to make up the deficiency owed to generators such as Nine Mile Point and Fitzpatrick in Oswego County. For example, if the total due to the generators under the program in a given year is \$100M, and NYMPA represented 2% of the statewide load for that year, NYMPA is required to pay 2% of \$100M, or \$2M to fund the program. **The NYSERDA rate for these ZEC subsidies for 2025 is 0.273 cents per kilowatt hour, which is passed on to customers based upon the number of kilowatt hours they consume.**

Beginning In 2025, the REC program will function in a similar manner. The goal of the REC program is to incentivize construction of new renewable generators, typically solar and wind projects. Before constructing these facilities, the project developers submit a “bid price” to NYESERDA stating the amount of financial subsidy per kilowatt hour their project will need to be financially feasible. If approved by NYSERDA, upon the commencement of the project actually generating electricity, the project owners are entitled to receive their requested subsidy in the form of REC payments tied to their actual kilowatt hours of generation, the cost of which is passed on to utilities and their customers. The REC obligation is based on NYSERDA’s total costs of buying RECs from eligible generators spread over all of the electric usage in the state. **The NYSERDA rate for these REC subsidies for 2025 is 0.15381 cents per kilowatt hour, which is passed on to customers based upon the number of kilowatt hours they consume.**

Combined, ZEC and REC charges total 0.42681 cents per kilowatt hour. So, if you use 1,000 kWhs of electricity in a month, you would have \$4.27 added to your bill just to pay for these mandated REC and ZEC charges.

What is the Purchase Power Adjustment (PPA)

The PPA is a calculated rate that allows the utility to collect the difference between the “base cost of power” included in the tariff and the actual cost of power paid by the utility each month, which includes transmission and State surcharges.

Why does a Municipal Electric Utility (MEU) have to pay for transmission and wholesale power?

MEUs generally do not generate their own electricity, so to supply power to its customers, the MEU must purchase the power. MEUs have a contract with the New York Power Authority (NYPA) for an allotment of low-cost hydro power generated by the Niagara Project. However, in months where customer power use exceeds the allotment, additional power is purchased from the market.

Where does supplemental power come from?

Supplemental power is purchased from the New York Municipal Power Agency (NYMPA). This power is purchased from the open market, and its cost fluctuates based on current market conditions.

How does the power get to the MEU?

The power travels to an MEU through transmission lines. These transmission lines are owned by utilities throughout New York State, such as National Grid and NYSEG. An MEU must pay the utility to get the power into the Village, Town, City, etc.

What other charges are included in the PPA?

The PPA also includes State imposed surcharges, like RECs and ZECs. The MEU calculates the PPA for each month, and files the rate with the public service commission in advance of it being applied to customer bills. These statements are publicly available online.

Why is the PPA so high some months?

In addition to market conditions, the PPA fluctuates with the seasons. During the winter months, from November to April, usage tends to be higher. When more power is used throughout the MEU, it can cause usage to exceed the allotment of hydro power from NYPA. Basically, the colder it is, the more supplemental market is needed. In addition, the colder it is, the more expensive that power is. This causes

the total purchased power costs to be higher, resulting in a higher PPA rate. In addition, each customer bill is higher, because their usage is typically higher as well.

Does the MEU profit from the PPA collected?

No, the MEU does not profit from the PPA dollars collected from customers. The PPA is a direct recovery of purchased power costs.