

Usual Suspects Persist In New York Development

New York's dense population and quirky regulatory policies make for a challenging development environment.

BY MARK DEL FRANCO

With 1,274 MW of generating capacity, wind development in New York ranks in the top 10 U.S. states, according to the American Wind Energy Association (AWEA).

However, while the state has experienced many of the same issues plaguing other parts of the country – namely, a lack of transmission, a sour financing environment and depressed energy prices – New York's complex regulatory structure and

cramped population are also affecting the pace of development.

While Gov. David Paterson, D-N.Y., has done much to promote wind development, the industry seems to elude prosperity. For every positive step forward, some event occurs to send development in the state two steps backward.

For example, last October, the New York Public Service Commission (PSC), which oversees development of wind projects larger than 80 MW,

issued a generation and deliverability order that some say is confusing and poses added uncertainty. The PSC has mandated that each wind project conduct studies to determine if the output would constrain or curtail other generating resources already in operation.

According to the PSC, the next major hurdle is ensuring that transmission resources are available to accommodate renewable energy delivery and that renewable energy,

where cost-effective, is not subject to unreasonable bottling in remote areas of the electrical system.

In documents explaining its methodology, the PSC states, "By requiring a quantification and qualification as to whether other renewable energy will be displaced by a particular project and in what amounts, we can make more informed decisions and will have a metric to compare with study results to see if the industry is developing as projected."

Diane Barney, utility supervisor at the PSC, defends the commission's actions. "There are different places within our system where a large amount of hydro comes online," she says. "We want to make sure that we're not double-counting the [renewable portfolio standard (RPS)]."

However, some say the PSC's actions could limit wind development. The Alliance for Clean Energy New York (ACE NY), a regional partner of AWEA, is calling for a re-hearing of the order, according to Carol Murphy, executive director.

"The decision is only being applied to renewable energy, which we think is discriminatory," Murphy says, adding that New York already has such an agency responsible for generation and deliverability: the New York Independent System Operator (NYISO).

According to comments filed with the PSC, ACE NY is concerned about "the appropriateness of the overall concept and the approach taken, which appears to undercut expressed state policy objectives to maximize investment in renewable energy."

Eric Thumma, director of institutional relations at developer Iberdrola Renewables, says the PSC order is misleading.

"The order is unclear on how this information will be used by the PSC and does not set transparent objective standards for its use when evaluating a project's contribution to the electricity grid," he says. "The potential implementation uncertainty caused by the order in its present form could have a dampening effect on renewable energy investment."

Of course, the issue of cost is a concern among developers. According to one estimate, the studies the PSC is promoting could cost developers between \$250,000 and \$500,000, while taking six to eight months to complete. These additional burdens might prove too much to bear.

In fact, some claim the PSC already wields too much power. In 2007, it eliminated 19 wind turbines from Iberdrola's Jordanville project. Granted, developers do not always get what they want, but – says an unnamed source – the PSC was under pressure to do so by local residents who "were upset that wind turbines could be seen from the historic area."

The population density in New York is such that residents are usually close to wind projects, unlike in, for instance, the wide-open spaces of Texas or Kansas. The local residents,

especially upstate, can hold a tremendous amount of influence over a wind project. Bodies such as the PSC listen carefully to opponents.

"In small New York towns, as few as 10 opponents can stop a wind farm," comments Patrick Doyle, founder and CEO of NorthWind Power and former development director at Horizon Wind Energy.

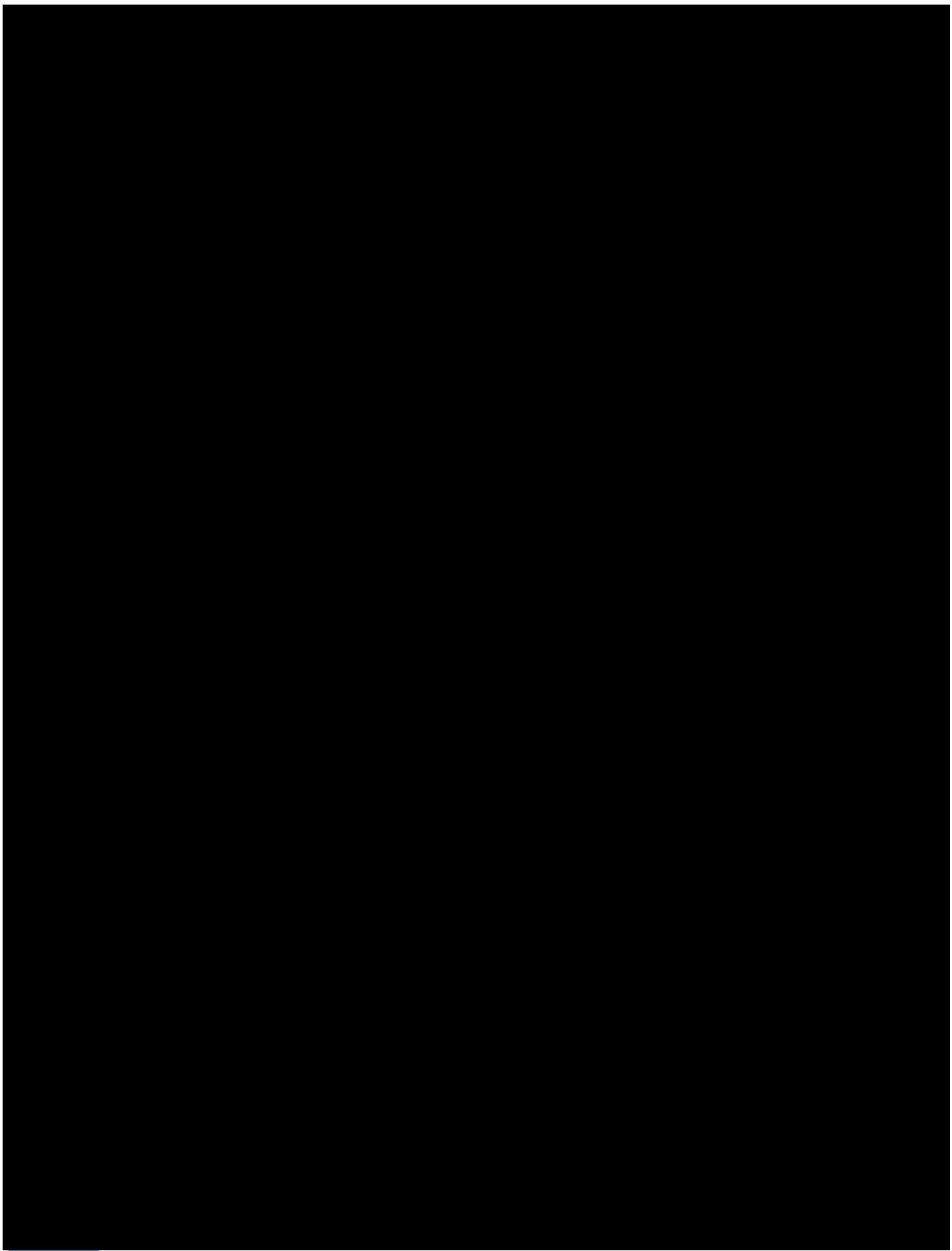
However, local issues in New

York extend beyond traditional not-in-my-backyard opposition. In late 2008, New York Attorney General Andrew M. Cuomo unveiled the Wind Industry Ethics Code after allegations surfaced over corruption between wind developers and local officials. The code calls for oversight through an advisory task force and transparency that will deter improper relationships between wind develop-

ment companies and local government officials.

Fifteen companies have since joined the two that signed in October 2008 to make a total of 17 wind industry leaders agreeing to the code of ethics. The companies represent more than 90% of wind farm development in New York.

The code was the direct result of a campaign by anti-wind activists





The 20 MW Steel Winds project in Lackawanna, N.Y.

Photo courtesy of First Wind



The 321 MW Maple Ridge Wind Farm, co-owned by Iberdrola Renewables and Horizon Wind Energy

Photo courtesy of Maple Ridge Wind Farm

to file complaints with the attorney general accusing wind developers of improperly seeking land-use agreements. Complaints also stemmed from whether improper benefits were given to public officials to influence their official actions relating to wind farm development.

In a matter related to land use and siting, some observers say the return

of Article X – which, until 2003, gave New York a one-stop siting and permitting agency – could spur development and alleviate misconduct.

“Development in New York is extraordinarily challenging,” comments Clifford Rohde, a senior attorney with law firm Cooper, Erving & Savage. “New York has a very strong, home-rule history where municipali-

ties are very much in control over local zoning. There are more than 900 towns in New York, and every one of them has a different law or no laws over siting at all.”

“Although we would rather not speculate on the return of Article X, a predictable and efficient siting process is vitally important,” admits John Lamontagne, director of corporate

communications at Boston-based developer First Wind.

Lamontagne refers to the ease of project development in Maine, the home of several First Wind projects, as a stark contrast to New York.

“In Maine, you can site a large, utility-scale wind project within a year,” he remarks. “Given the amount of money it takes to finance such a

project, it is important to have an efficient permitting process such as this.”

Adding renewables

The uncertainty that exists in development among New York towns also extends to broader statewide issues, such as the call for renewable energy. Regulators hope the New York energy plan, which was accepted by Paterson in December, will end the guessing game when it comes to solicitations for renewable energy.

Last September, the New York State Energy and Research Development Authority (NYSERDA) issued a call for renewable power. The winning bids are expected to be announced this month.

NYSERDA, which administers the RPS program for the PSC, says it has allocated \$95 million in state funds to support renewable energy projects. These projects are expected to yield 1,164 MW of clean energy, including power from 11 wind projects.

Some say the near two-year lag between calls for power (the last was in early 2008) has hindered development. John Saintcross, program director at NYSERDA, is urging the PSC to institute a long-term timetable, which he says will provide clarity and certainty for the market.

“Most parties support the idea of a regular solicitation that would lay out solicitations over the next five years,” he says. “From a developer’s point of view, it would end speculation and attempts to time the market.”

Scheduled solicitations, he adds, would also help New York from a competitive standpoint when companies are contemplating siting wind projects in other states.

The state energy plan, which calls for more renewable energy while reducing energy usage, also spells out details surrounding an increase in the state’s RPS from 25% of electricity from renewable sources by 2013 to 45% by 2015. (Broken down, 30% is expected to come from renewable energy and 15% from reducing electricity consumption.)

The RPS process works through renewable energy certificates (RECs) being awarded to developers by NYSERDA. Because New York is a deregulated market, developers can sell their power to utilities via a power purchase agreement (PPA) or on the wholesale electricity market, with the RECs added on.

New York is also taking full advantage of its prospects for offshore wind energy. Several New York agencies, such as the New York Power Authority (NYPA), are supporting

offshore wind energy projects off Long Island and in Lake Erie.

“We have a long way to go, and offshore wind energy will, inevitably, be more expensive in the short term, but this is a really exciting technology development that deserves the support of all the states along the Northeast coast,” asserts North-Wind’s Doyle.

NYPA announced the release of a

request for proposals (RFP) for the development of utility-scale offshore wind power projects in the New York state waters of Lake Erie and Lake Ontario. The NYPA is soliciting proposals for the development of a project in the range of 120 MW to 500 MW.

According to the RFP, the project would interconnect with new or existing transmission facilities of the appro-

priate regional electric utilities, which are all controlled by the NYISO. NYPA would purchase the full output of the project under a long-term PPA.

According to Doyle, “Offshore will bring so many new industries and jobs – be it turbine, tower, foundations, auxiliary equipment manufacture and repair, marine-related construction or operation-related businesses.” **SYIP**