NYSERDA'S 265TH BOARD MEETING
January 24, 2024
Clean Copy of Transcript

Chair Kauffman:
I'd like to call this leading to order. This is the 265th meeting of the New York State Energy Research and Development Authority. Notice of the meeting was provided to the Members and to the press on January 17, 2024. I directed a copy of this notice and agenda advised notice. Be annexed to the minutes of this meeting. Welcome to the meeting. This meeting's being conducted by video conference. The Authority will post a video and a transcript of this meeting on the web. To confirm that we have a quorum, I'd like to ask the Members to introduce themselves. I'm Richard Kauffman, Chair of the Authority.

Sherburne Abbott:
Shere Abbott Member of the Board.

Vice Chair Bell:
Chuck Bell, Member of the Board.

Jay Koh:
Jay Koh Member of the Board.

Justin Driscoll:
Justin Driscoll, Member of the Board.

Basil Seggos:
Basil Seggos Member of the Board.

Sadie McKeown:
Sadie McKeown, Member of the Board.

Chair Kauffman:
Thank you. So I'd like to note for the record that we have a quorum, but that Arturo Garcia-Costas is participating by video conferences per the extraordinary circumstances exception under the Open Meetings Law and our By-laws, Arturo's participation will count for votes, but will not be included in the count for quorum. We do have a quorum. Thank you. We're going to make some changes to the order of our agenda today. We'll be considering all the resolutions first and then we'll turn back to the remainder of the discussion agenda. The next item on the agenda is a resolution commending Member of Frances Resheske for her work. On behalf of the Authority, Frances has provided us some valuable guidance oversight during her tenure. Cannot thank her enough for her service. So Frances is not here today, but I'd like to read a resolution, honor her. Whereas Frances Resheske served with distinction as a Member of the New York State Energy Research and Development Authority for two years, including two years as a Member of the Audit and Finance Committee, the Governance Committee and the Program Planning Committee.

And whereas Member Resheske's tenure was marked by a constant and reliable dedication to furthering the mission of the Authority and efforts to maximize environmental energy and economic benefits to the people of the state of New York. And whereas Member Resheske's leadership and Insight were instrumental in improving the Authority's financial and programmatic transparency and performance. And whereas the Members of the Authority assembled on this 24th day of January, 2024 have unanimously voted to commend Member Resheske for her distinguished service to the people of the state of New York and her contribution to the Authority and to memorialize that commendation. Now therefore, the Members of the New York State Energy Research and Development Authority commend Frances Resheske and express their deepest appreciation of respect for her dedicated and distinguished service on behalf of the Authority's. They have a motion for resolution number 1715 commending Frances Resheske for her service on behalf of the Authority.

Jay Koh:
Second.

Chair Kauffman:
Thank you very much. All in favor? Any opposed? Good. The resolution has been approved. Thank you. The next item on the agenda is a report on items considered by the Program Planning Committee from that Committee's Chair, Shere Abbott.

Sherburne Abbott:
Thank you Richard. The Committee met earlier today and a quorum was present throughout the meeting. The Committee received a report from the Authority's Executive Vice President for Policy and Regulatory Affairs, John Williams, on proposed provisions to the Authority's Regional Greenhouse Gas Initiative Operating Plan. Executive Vice President Williams presented the RGGI program plan for the next three years. That includes a balanced budget for that period. In addition, executive vice President Williams discussed the various program allocations based on the presentation and discussion. The Program Planning Committee recommends that the full Board adopt the resolution regarding the amendments to the RGGI operating plan as provided. The Committee also received a report on the Authority's various work streams from Government Affairs Program Manager Matt Brown and Single-Family Residential Director Courtney Moriarta. The Committee was able to ask questions and was pleased with the discussion. This completes my report on the Program Planning Committee meeting.

Chair Kauffman:
Okay, very good. Are there any questions for Shere? There being none. Excuse me. May I have a motion for resolution number 1716 approving revisions to the plan entitled *Operating Plan for Investments in New York Under the CO2 Budget Trading Program and the CO2 Allowance Auction Program.*

Vice Chair Bell:
So moved

Jay Koh:
Second.

Chair Kauffman:
All in favor?

Members of the Board:
Aye. Aye.

Chair Kauffman:
Any opposed? The revisions to the RGGI Operating Plan are approved. Thank you Shere. So

Sherburne Abbott:
Budget?

Chair Kauffman:
Yeah, the budget. You're so excited. Okay, I have two questions

Sherburne Abbott:
Moving along,

Chair Kauffman:
I want to give you an appropriate introduction. The next item on the discussion agenda is the Authority's budget fiscal year 2024-25. And Shere Abbott Chair of the Program Planning Committee is eager to discuss portion of the budget considered by that Committee.

Sherburne Abbott:
Thank you Richard. Eager, I am the Program Planning Committee received a report and recommendation from CFO Pam Poisson, the Authority's fiscal year 2024-2025, budget and financial plans, details of which are in your meeting package. Based upon the presentation and discussion, the Program Planning Committee recommends that the full Board adopt the resolution regarding the Authority's fiscal year 2025-25 budget and financial plan as provided. This concludes my report on the side

Chair Kauffman:
Equally. Thank you. So now the other part is I'd like to ask Chuck Bell, he's Vice Chair of the Board and Chair of the Waste and Facilities Management Committee to discuss the portions of the budget considered by that Committee.

Vice Chair Bell:
Thank you Richard. The Waste and Facilities Management Committee met earlier today. The Committee received a full report from CFO Pamela Poisson describing the significant fiscal year 2024-25 budget items that relate to the West Valley Site Management program and to radioactive waste policy and nuclear coordination activities. The details of the budget are contained in your Board package. Based on Pam's report and the materials in the Board package, the Committee

voted unanimously to recommend that the Board approve the budget for the West Valley Site Management Program and radioactive waste policy and nuclear coordination activities.

Chair Kauffman:
Are there any questions on either portion of the budget? There being none. May I have a motion for resolution number 1717 approving the Authority’s budget Fiscal year 2024-2025.

Basil Seggos:
So moved.

Chair Kauffman:
Very good. Thank you. All in favor? Any opposed? Okay, good. The Authority’s fiscal year 2024-25 budget is approved. We now turn to the consent agenda. There's one item on the consent agenda resolution number 1718 would approve the periodic contracts report. Council's Office has compared the list provided by Members of entities with which each Member is associated, which he or she believes may enter into contracts with NYSERDA to the list of contracts in the periodic contract report. Council's office reports there are two potential conflicts. The Cadmus Group identified by Jay Koh and New York Power Authority identified by Justin Driscoll, Jay and Justin, can we assume that you will recuse yourself from the vote on those contracts?

Jay Koh and Justin Driscoll:
Yes. Yes.

Chair Kauffman:
Thank you. Are there any questions on these items in that case? May have a motion for resolution number 1718?

Sherburne Abbott:
Second.

Chair Kauffman:
Good. All in favor?

Members of the Board:
Aye. Aye.

Chair Kauffman:
Any opposed? The resolution is approved. Alright, the next item on the agenda concerns an executive session and private session Section 105 of the Public Officer's Law authorize Members to convene an executive session in order to discuss the employment history of a particular person. Additionally, Section 108 of the Public Officer's Law authorizes the Members to convene in private session in order to review attorney client privileged matters may have a motion for resolution number 1719 to enter into executive session for the purposes discussing the employment history for a particular person and to enter into private session For the purpose of discussing attorney client privilege matters.

Jay Koh:
So moved.

Sherburne Abbott:
Second.

Chair Kauffman:
Okay, all in favor?

Members of the Board:
Aye.

Chair Kauffman:
Opposed? Alright, the Members will now enter into executive session and private session. During this time, the webcast will remain up. Upon our return, we will reconvene the meeting. I now reconvene the meeting in open session. No formal action was taken during the executive session in private sector. I'll turn back to the discussion agenda. The next item on the discussion agenda is report from the Authority's President and CEO Doreen Harris.

Doreen Harris:
Thank you Chair Kauffman. There are some slides if they are able to be pulled up, but obviously happy January. It's a pleasure to be here with you today. Obviously January is the time when we typically talk about the Governor's agenda for the year as reflected in the State of the State and the budget. So I'll focus my remarks there. However you turn forward two slides. It would not be a year beginning of the year report if I didn't show some amazing photos of the year that was and the milestones that we reflected on together as a Board. So normally today I would be also talking about our progress with Cap-and-Invest a very major initiative that we are advancing with the Department of Environmental Conservation. However, we have a program report from that team in just a bit. So reflecting on these photos, next slide. Did want to note two I think solicitations that have been launched since our last meeting, reflecting the fact that in the first instance we have increased our work not only with workforce development but in doing so in working with organized labor to advance these projects as well. So $45 million to our workforce development team focusing on apprenticeships, free apprenticeships as well as an expansion of our Clean Energy Communities program that was issued since our last meeting. Next slide please.

Those certainly who were present for the PPC did hear about a major milestone that we hit at the end of 2023 in which we joined three other states to submit a very significant fast track application for the home electrification and appliance rebate program. I note this because I not only want to acknowledge our team who contributed to this massive turnaround in the scope associated with it, but the ways in which we collaborated with the Department of Energy staff through the month of December to really realize this outcome. And fundamentally it's going to allow us to get these funds on the street in 2024, which I think is very, very important. Next slide. So moving now to the Governor's State of the State policy and the fiscal year 2025 executive budget proposal. I do want to turn to the next slide. And note, as I described to you via email, the Governor's agenda this year continues the focus on affordability.

She has certainly championed this as a priority for the administration, but I would say it also reflects the changes that we are seeing as an organization as we highlight the importance of resiliency as part of the climate change mitigation agenda. Fundamentally complimenting complement the progress we're making toward the Climate Act goals. So you can see that we are pleased that these are elevated in the Governor's State of the State and including the executive budget proposal as well. You can see here February 7th is the environmental conservation budget hearing. Where should you be interested? You should hear both myself and my colleagues present and represent the Governor before the legislature at that hearing. Next slide please.

So on this slide you'll see some highlights from the Governor's State of the State and budget proposals. And again, I think importantly, there are some developments here that will be quite reflective of the progress we're making toward our Climate Act goals. First, you can see that NYSERDA and DEC would be required to collaborate on a clean transportation standard study, which is something really going to focus on how such a standard could help us drive toward a zero emission transmission or transportation sector. I say this because you'll be hearing later about our progress with Cap-and-Invest a clean transportation standard could be a useful complimentary policy to cap and invest and it is one that we would advance in that light. Certainly my colleagues at DPS, DEC, NYPA would want to weigh in on this. But I think importantly the Governor's executive budget proposal includes the Affordable Gas Transition Act, which would eliminate what is called the a hundred foot rule, a rule that actually requires utilities to hook up any customer that lives within 100 feet of an existing gas line at rate payers expense and certainly protections preventing utility customers from bearing costs related to gas infrastructure.

So that is a major headline from her budget. She also proposed the renewable action through Project Interconnection and deployment, a rapid act that would ship the Office of Renewable Energy siting from the Department of State to the Department of Public Service and fundamentally streamline the environmental review and permitting process for transmission siting facilities. At DPS, we see several different initiatives. One focusing on the grid of the future focusing on smart grid technologies including virtual power plants. Fundamentally looking at this concept of flexibility in a highly decarbonized grid and the values that may come from it as well as a $50 million proposal to be administered through DPS for energy affordability guarantee. Certainly you heard in our earlier discussions for NYSERDA budget specifically, it's focusing on just over $28 million in 18 a funding as well as $25.8 million in capital appropriation again on par with last year's budget.

Next slide. So statewide Solar for All is a proposal in the Governor's State of the State and budget proposal. I'd like to say a bit more about it because it would represent an expansion of our portfolio of existing solar programs and the proposal is really to combine two existing models to deliver clean energy savings across our state and is under consideration by the Public Service Commission really proposing an innovative way to take customers enrolled in the energy affordability program and fundamentally partner with community solar projects to bring bill credits to those consumers. So that is a scale up that could save actually more than 800,000 households, $40 a year on their bills. Next slide.

And finally, I'd like to share some highlights under the theme of resiliency and preparedness also reflected in the Governor's budget. The first is the release of some of the latest projections from the New York State Climate Impacts assessment. I know we've spoken about this with our Board and certainly with Amanda Stevens in the past. You can see a snapshot of these on the bottom of the slide. You may recall it is a multi-year effort led by NYSERDA to research and project future climate change impacts across our state and provide sector-based strategies for adaptation and resilience. More filings, I would say as part of this assessment will be available soon including an economic impact analysis and case studies and reports.

Certainly. The second item to highlight is an announcement that NYSERDA is going to work with DEC, DOS and other partners to develop a statewide adaptation and resilience plan. This is work that we know will be necessary for us to be thinking about as a state and it certainly supports a major finding of the scoping plan to support this statewide adaptation. In addition, there was Bond Act funding, $100 million for our Clean Green Schools program. This is focusing on under-resourced schools and ways in which we can decarbonize and improve air quality and cooling within those buildings as well. And a final highlight is the Division of Housing and Community Renewal led new program to create resilient and ready funding grants to fortify flood prone housing stock. I think it's important to note that that actually could be paired with our Empower Plus grants. So while we're investing in resiliency efforts, we're also supporting decarbonization and efficiency goals as well. So these are some major highlights from the Governor's State of the States. And next slide.

Certainly I do need to touch very briefly on our large scale renewables program. As you recall, when we met in October, we were awaiting a decision by the Public Service Commission on a number of petitions that had been filed by these generators seeking price relief to account for inflation and other economic pressures. The PSC ultimately issued a decision to deny those petitions and I will note that we moved quickly under the Governor's leadership. Next slide, please to announce and issue a 10 point renewable energy action plan reaffirming our commitment not only to the Climate Act goals, but to take a comprehensive approach that we have been executing on since that time to reset this industry and rebuild it at the same time. So since that time, we had a major announcement in October of the largest awards ever of renewable energy 6.4 gigawatts of capacity, 12% of our electricity needs and major developments in a variety of ways. Next slide.

We did issue expedited procurements toward that goal of resetting our portfolio. Both procurements were issued on November 30th of last year. Notably bids for the offshore wind RFP are actually due tomorrow and bids due for the land-based RFP are due at the end of January. And this is affording existing projects with, as I said, economic issues, the ability to recompete for a new agreement from the state. Certainly this is a dynamic time and I will report back as time goes on as to how this proceeds. In the meantime, this dynamic nature is reflected here. We have had one offshore wind project terminate its NYSERDA agreement and our monitoring our entire portfolio given this reset that is underway. Next slide please had to show you a photo. New York's first offshore wind project is being installed as we speak. I believe it's about halfway there. And we went out with many colleagues to see it in the flesh. A nine hour boat trip and an extraordinary view might've had a tear in my eye for that one. It was epic to see, but also to witness steel in the water as it were. A big kudos to the Long Island Power Authority for the award that resulted in this project. Slide please.

And one more, I will skip the majority of this slide, but suffice it to say we have an extraordinary market in New York State for community solar. More than two gigawatts of community solar have been installed. Top community, solar market in the nation. And I would say the statewide solar for all proposal would allow us to expand that portfolio. So certainly a reason for optimism and major progress celebrated in the last quarter. And last but not least, I'd like to update you on something I spoke about during our October Board meeting, energy storage fires. Next slide.

So Governor Hochul convened an interagency working group in response to three large fires that occurred over a series of months here in New York State. This interagency working group has worked quickly to not only reinspect all of the battery energy storage installations across the state, review local emergency response data on the three incidents, and I would say notably review and identify codes, testing and requirements for these systems in order to make recommendations for future changes and evolution. So outward facing in December, the working group released its initial findings and based on available analysis of air quality, soil and water, there were no reported injuries, the harmful level of toxins detected and no evidence of significant offsite migration of contaminants. So we would say that is good news, but the work of the working group continues including potential recommendations for those code modifications given obviously the evolving nature of the technology and the systems needed to support its installation. And with that I will conclude if the next slide reflects the awards that were just announced actually very recently of federal money for EV charging and pair of existing EV chargers. I will say this is reflective of our commitment to really continue the federal leverage that we can obtain. And I will turn to the next slide with a wrap of my president's report for this month. And my thanks.

Chair Kauffman:
Thank you very much, Doreen Are there any questions? Good. Alright. The next item on the discussion agenda is a report on the remaining items discussed at the Waste of Facilities Management Committee.

Vice Chair Bell:
CFO. Pam Posan provided a report on the Authority's facilities including an update on the Authority's to Albany locations. In addition, Project Manager Kevin Hunt provided an update on the sale of the Saratoga Technology+ Energy park, including the sale of a portion of STEP G&G Lighting. Members had an opportunity to ask questions and were satisfied with the answers. And lastly, the Committee met in executive session to discuss various matters related to a proposed sale acquisition or lease of real property. No formal action was taken in the session. Mr. Chairman, that concludes my report.

Chair Kauffman:
Thank you, Chuck. Questions, no formal actions required. The next item on the discussion agenda is report of the items discussed by the Audit and Finance Committee. That Committee's Chair Jay Koh will discuss this item.

Jay Koh:
Thank you, Richard. The Committee met earlier today and a quorum was present throughout. First the Committee received reports from the Authority's, Chief Financial Officer, Pam, the Authority's Recent risk assessment Committee was able to ask questions and was satisfied with discussion. A few threads came out of it including kind of a combination, continued interest in focusing on cyber risk, especially as we see increasing profile from federal procurement and other activities in this area and just globally the entire threat environment in the cyber realm becoming challenging. In addition to that, I think interest and somewhere addressing as a follow up potentially the policy and impact of artificial intelligence activities and operations process solicitation like at the agency as well as the risk around that. And then finally, some of the potential implications for examining risk in the future of the agency's operations and the resiliency to backing some of the prioritization here within the Governor's earlier remarks this year. Next, Mary Peck, the director of Internal Audit by the Committee with the report on Internal Audits, recent activities and adjustments to the Internal Audit Rotation Plan. The Committee had no concerns with the results of the recent audits and we continue to report qualified third party audits of the agency's activity. This concludes our report.

Chair Kauffman:
Okay, very good questions. Again, no formal actions required. The next item on the discussion agenda is a follow up to the proposed Code Rulemaking from Chris Corcoran. Senior Associate Director of Codes Products and Standards. Chris, you know we're very eager for this.

Chris Corcoran:
Thank you Mr. Chairman. Good afternoon. My name's Chris Corcoran. I lead the Codes Products and Standards team for NYSERDA based on the discussion that we had at our special Board meeting on 11/29. Well we prepared some additional information for the Board and wanted to share that with you today.

Next slide please. So we'll quickly go through some background but really want to focus on further explanation around the cost effectiveness rule as well as talking a bit more about the interest and discount rates that were used. The next slide, looking at the work that we're doing now on the code update as well as of a cost effectiveness rule, our focus is really around building decarbonization and knowing that that's such a critical strategy for New York State and reducing greenhouse gas emissions. As we're moving towards that building decarbonization, really we wanted to identify three key drivers here that are going to help and really provide guidance on our code update as well as our rule in effect or that we're working on. First off, focusing on the Codes and Standards Act. Just want to remind, remind everybody here that the law really is requiring that best efforts be made to adopt energy savings that are more efficient than the model codes for the national model codes and that they must still be cost effective. So in addition to that though, really this is where the cost effectiveness rule and the guidance comes from. So the Codes of Standards Act is directing NYSERDA to undertake this rulemaking on cost effectiveness for the energy code and the statute clearly sets a two-pronged structure for us. So we're working within that structure to both set lifecycle cost methodology as well as define societal impacts that will guide this rule. Next slide.

From left to right, you can see we have the timeline that we're working under here. Obviously we've finished up our public meetings, we met with you in November and we're currently in our public comment period. So that's going from, it started in late December, it's going until February 25th of this year. The goal is to wrap this up, have a cost effectiveness rule finished in May, and bring it back to you for review and discussion in June. So all of this is leading up to the work that the code council and Department of State will be doing leading into the energy code taking effect in May, 2025. Next slide.

And last time we didn't have a chance to do this, but I do want to just take a quick step back to remind everybody when we're talking about the codes here, we're really talking about two different, two separate buckets. The Uniform Code really sets the minimum construction rules for how a building is constructed and maintained. It has eight different parts, you can see them all laid out here and it's treated differently than the energy code. The energy code really lays out and focuses on energy conservation and buildings. And when you're talking about energy code, the focus, again, it's really around new construction gut renovations and the biggest impact is on the building envelope itself. Next slide.

So looking at the work that we're doing on the code update itself for the uniform code side, we're working with Department of State to build on the 2024 model codes. We've shared updates with Department of State to help support building decarbonization. And just a note for everybody when we're talking about uniform code updates, those do not actually have to be set by the cost effectiveness test. It's really focused more on first cost on that side. The energy code though on the other hand, we've put together a full proposal that builds on the 2024 model codes and is more efficient than the model codes as required by the Codes and Standards Act. So those energy code updates that will be subject to the cost effectiveness rule once the rule itself is finished and the code council starts to consider the code updates. And that brings us to the cost effectiveness rule. So next slide.

As promised, this is the heart, and I apologize that the slide's small, but there's a lot of detail in here. We wanted to make sure that you all had. So again, the codes of Standards Act really set the way that we're thinking about cost effectiveness and changed the way that we're going to be judging the energy code cost effectiveness. The two-pronged cost effectiveness structure was defined in the statute and really directed NYSERDA to develop lifecycle cost methodology and define those secondary and societal effects. We will admit this is a bit of a unique structure. We talked about that last time. But in developing this and in making sure that these rules made sense, we really use the best practices both from the state and federal levels to develop this rule. The rules based on DOE's code effectiveness methodology that was developed by Pacific Northwest National Labs. We actually worked with PNNL on developing this methodology. They were an integral part of combining the two parts, the cost effectiveness and the societal effects in the rule.

In terms of the two parts that we're looking at though the cost evaluation, just want to note kind of the big change here. We're in this role, we're going from a 10 year simple payback. That was the previous process, if you will, and shifting to this 30 year lifecycle where we're looking at the full holistic cost and benefits of a code update. So the goal here is really to get a more realistic view of what a building costs to construct and own. And when we're thinking about this, again comparing it to a simple payback, this is really much more along the lines of what an owner would experience in a building on the societal effects. The rule are based on DEC's guidance, the establishing value of carbon guidelines for state agencies. Thank you DEC for that. We use that as our guide and compass as we were working on this and developing it.

Again, the previous rules didn't even consider societal effects and so this is a significant jump and change in looking at a much wider impact for the rules as we're looking ahead. We also want to note that because of the longer time horizon, we also needed to start to consider interest rates and discount rates to consider the future benefits and bring them to current value. So those lifecycle costs and the lifecycle cost methodology piece, those are tied to the interest rates for commercial loans and mortgage rates as you see here. Really that's reflective of the perspective of a property owner. The societal effects on the other hand, those are set at a 2% discount rate really, again, with the goal of reflecting the wider societal perspective in the rule and the effects that it has. So we go to the next slide, last slide here. And that's really to dig in a little bit more on these interest and discount rates. So again, when we're thinking about these, the interest rates for the lifecycle costs, they're reflecting the rate that money can be borrowed. So while the societal benefits are really more thinking about the discount rate that reflects a widespread benefit accrued from avoided emissions.

When we're talking specific interest in discount rates, the rule is using DOE guidance again for that lifecycle piece, but is really building on DEC and federal OMB guidance to come to a 2% discount rate for those societal effects. So again, taking the best practices both from the federal level with DOE and the end OMB, and then also adding in the guidance that has been given by DEC for that 2% societal discount rate. I think at that point those are the main items that we wanted to cover. Suzanne or Anthony, anything else to add in on that?

Chair Kauffman:
Great, thanks Chris. Alright, any questions?

Chair Kauffman:
Again, we're not approving anything today. This is just start the clock, right?

Chris Corcoran:
Exactly.

Jay Koh:
Finally, we had a good discussion in the interim about this process and it's great to see if the notice account will see the cons come back through. It seems clear, two things ain't clear. One, obviously the statute dictates this kind of type of approach. And then it's great to see that there's a good reasonable basis for manager's recommendation that adopts these methodologies which come from separate. I think Providence is a good practice. You combine them also see what that animal looks like. But I think it's great to be in the process of getting commentary on.

Chair Kauffman:
Okay, any other questions or comments, Chris? Thank you. Thank you. Okay, so the next item on the discussion agendas report on the Authority’s NYCI work from Senior Advisor to the President, Erich Scherer. Then there is Energy and Environmental analysis Director of Vlad

Gutman-Britten and New York State Department of Environmental Conservation Deputy Commissioner for Climate Change Air Resources and Energy Jonathan Binder. Erich, you're going to take us

Erich Scherer:
Thank you Chair Kauffman. I will kick us off indeed. And so for the three of us with John Binder online at the Albany offices and Vlad Gutman-Britten sitting next to me, it's our pleasure to provide you with an update as Chair Kauffman said on the New York Cap-and-Invest program, the program that we referred to as NYCI. Next slide please. And so I will kick us off with an overview of the process. Some of you may recall in June last year, that was the last time we provided you with an update. At that point we were this timeline that you can see here in the first step of the process, which was an initial round of engagement with stakeholders. We provided a list of open questions to stakeholders on the various design and other features of NYCI. And in response received over 3,400 comments. So a very substantial level of input.

And since then the DEC and NYSERDA team has been hard at work to consider that response and more generally to design the NYCI what we're calling pre-proposal outline. And so that's the third highlighted step that you can see on this timeline that we're in right now. At the end of last month, we published this pre-proposal outline. So our first indication of program leanings on the various NYCI design features. And we will hear more on that pre-proposal outline from John and Vlad. Also, we published at the same time the climate affordability study required by the legislature portability of horse being a key aspect in the design of the NYCI program. And we will hear more about that study towards the end of this presentation as well. So as I said, that's another opportunity for stakeholders to work with us and provide input on NYCI. So we're right in the middle of that process.

And in fact, very much this week we are in the middle of that outreach with a series of webinars on NYCI and on the pre-proposal, the first of those webinars took place yesterday and provided an overview. And tomorrow we will have more. And on Friday we will have more detailed webinars on the pre-proposal outline. So the design features on the one hand and on the other hand on the preliminary analysis that accompanies the materials that we've put out there. So I might say if today's presentation wets your appetite on NYCI, you might want to tune in on Thursday and Friday to be presented with what would effectively be an all you can eat NYCI Buffet.

Back to the process here. That is also not the last time we will engage with stakeholders. So more towards the middle of this outline, you can see that we of course as the next significant step we'll be working on the actual draft NYCI regulations and publish those which will then kick off the process of public hearings and beyond that move into the final rulemaking process. So that's the overview of the overall process. In a moment I will hand over again to John and Vlad for discussion of the specifics of the pre-proposal outline. First I'll briefly talk about another important topic. Next slide please

Chair Kauffman:
To interrupt. In terms of this Board, what is the Board's obligation going forward? We just went through this code discussion. What is our requirement informed along the way or at some point do we need to take action?

Peter Costello:
So at the culmination of the pre-proposal process with all the stakeholders, the next step would be for us to draft regulations and then go through a similar process we're going through with codes. In terms of the regulations we are taking the auction side of it, this is similar to RGGI. And then the Substance policy regulations will be at DEC complimentary.

Erich Scherer:
Great, thanks for that. So I will briefly cover another topic on this slide, which is around investment planning. Topic of, I think everyone here is aware that NYCI through the emission allowance auction process will raise revenue. So the question on this slide is how we will approach the use of those proceeds. I will note firstly that the materials we put out in December do not at this time go into detail on this topic. So as you can see, indicate that top of this slide we do, however of course envisage a process later this year of again, an opportunity for stakeholders to provide input also on this important topic as it stands right now, we do know a couple of aspects of use of revenue because they were determined in the most recent budget process. First of all, use of revenue is subject to appropriation. So any hurdles that we would be developing would of course go to the legislature.

Secondly, the most recent budget also determined that user revenue will be broadly across two scoring buckets. The first one being a third of proceeds to be used for what we refer to as affordability rebates. So again, on the topic of affordability, very critical as a mechanism to channel a portion of revenue back to households to manage cost impacts. And the second bucket being broadly two thirds of revenue to be used for equitable, equitable decarbonization programs. So with that, I'm going to conclude my portion of the presentation again, perhaps Chair Kauffman opportunity to pause for questions or comments so we can keep going until the end as your,

Chair Kauffman:
Sorry, did you say that the investment account will be determined by the legislature how that money's going to be expended? So even though this is being created administratively because this is being created administrative, we right, what's the requirement that why aren't the funds going to be invested in this?

Peter Costello:
The legislature determined last year and passing the statute that they were going to be in control of the appropriation, they're going to appropriate the money and then be in control.

Chair Kauffman:
The statute that was enacted didn't enact the creation of the, to just direct the creation of the Cap-and-Invest program to be done administratively. Did they help me with the history?

Peter Costello:
So Cap-and-Invest is being done pursuant to the general regulatory Authority that was CLCPA, which does not say do this through capital investment. So we've determined that capital invest is the best way to implement that. Statutory correct. There was a follow-up statute passed last year in which the legislature directed that all proceeds go to the general fund so that they can then turn around and distribute pursuant to these various buckets.

Chair Kauffman:
Okay, thank you.

Erich Scherer:
Any other questions or comments before we do the next speaker John Binder? I think I can hand it over to you at this point on the next slide.

Jonathan Binder:
Yep. Hi everybody. Nice to be with you all. I'm John Binder. I'm the Deputy Commissioner for Climate Change Air Resources and Energy at DEC and as Erich described with the overall NYCI program development process. Last month was a pretty big milestone for us with the release of those two key documents, the pre-proposal outline and the climate affordability study process, which I will talk about in a moment. And this week is a really exciting week for the NYCI program development process because of all of those webinars that Erich was referencing. I want to spend just a minute on the pre-proposal outline document. Again, this is a document that we released on December 20th of last year, and it goes into some detail about the anticipated program design and what the regulations are likely to look like. And I think it is important to emphasize what Pete Costello was referencing in that there are a number of regulations that will serve the basis of this program.

And it will be very similar to the way that the RGGI program operates in that there will be complimentary regulations, meaning a Cap-and-Invest program adopted by DEC and then a companion or parallel regulation, an auction regulation adopted by NYSERDA. But in addition to that, we also have a mandatory greenhouse gas reporting program that we think is going to be the foundation for the Cap-and-Invest program. It is important to keep in mind that while we do have various reports and inventories with respect to greenhouse gas emissions and some sources that are required to report emissions to us right now, we don't actually have a comprehensive mandatory greenhouse gas reporting program in this state. And so that's why we intend to adopt one as part of the NYCI program development process. So that regulation is going to provide some detail about the types of emission sources that will be required to report information to us, meaning the Department of Environmental Conservation and which entities are required to verify the admissions that they report to us and what type of information that they report to us.

So that program will serve as the foundation for the Cap-and-Invest program. And again, the Cap-and-Invest invest program or NYCI will be made up of these two companion regulations. The first is our cap invest program. That will be a DEC regulation and that'll include a number of components. And again, these components are described in some detail in that pre-proposal outline document we released last month and will be described at the webinar that we're holding tomorrow in detail as well. But for now, just very briefly, what this regulation will do is it'll first establish the greenhouse gas emissions cap as well as the allowance budget. So we already know the 2030 and the 2050 emission caps. Those are set forth in the Climate Act. That's the 40% by 2030 and 85% by 2050. But we have to define where we start and how we go down in that trajectory to get to those points.

So our DEC capital investor regulation will do that. It'll also have an adjustment for what we refer to as non-ED entities. So we want to cover all emissions in this program, but we know that we can't obligate every emission, every ton of emissions and every source. So we have an adjustment from that cap and that gets us to the allowance budget. Our regulation, and this is described in the pre-proposal outline, will also define obligated sectors and entities. So that is going to be who is the actual regulated entity that has a legal obligation to provide to DEC emission allowances to cover each ton of their emissions. So this will be defined in terms of the applicability and with thresholds for who has this obligation. And so we have a chart in that outline that lists forth which of the different emission sectors are likely to have an obligation, which of the sectors, for example, the aviation sector is not likely to have an obligation.

And then some sectors where we have not yet made a determination and we want to take stakeholder input on that. And a good example of that is the electricity sector where we have not yet made a determination. So that is the obligated sectors and entities and who has an obligation. Also part of our regulation will be provisions for emissions intensive and straight exposed industries or EIT industries. And because we are concerned about the problem of emissions leakage and economic leakage as well, we have provisions for providing no cost allowances to EITE entities. So our regulation will have that component as well. And then finally, before I hand it over in a minute to Vlad, we also have provisions for program stability measures. And so that includes things just like, again, we have some of these provisions already in the existing Reggie program, but lease is for both emission stability and cost stability.

So we have provisions like a cost containment reserve, which will provide additional allowances to keep costs low in the event that costs are higher than anticipated. We have the reverse of that, which is referred to as an emissions containment reserve, which withholds allowances from the market if costs are less than anticipated. And then we will also have a price ceiling, so that'll be the maximum price that allowances could be provided for and allow additional price ceiling units we refer to them as would be released as we reach that ceiling. So all of these provisions would be in the DEC regulation along with working together with that NYSERDA regulation. And I guess one more piece I'll mention is that we are also considering potential mechanisms to protect against the possibility of disproportionate impacts on disadvantaged communities. We expect that we will not see those types of impacts, but we have heard that concern and we know that that's a key requirement of the law and a principle for us that the Governor gave us when she directed us to develop this program. So we have potential mechanisms for that as well. And that'll work in companion with that NYSERDA regulation, which is going to have provisions for auction participation and market integrity. And I'll hand it back to Vlad to describe some of those provisions.

Vlad Gutman-Britten:
Yeah, thanks John. So I'll talk about the last 10 bullets on this slide. So the last two bold bullets I guess on this slide. So one is auction logistics and mechanics. We want to create a program that has a high degree of predictability and transparency to market participants and stakeholders and things like that. The auction logistics and mechanics portion of the rule is the way we're going to effectuate that. So it's going to have a series of transparency and disclosure requirements from entities that want to participate in the auctions to us to the state so that we can understand their roles and associations with one another and how participants are configured within the market as well as notification requirements for us to make sure that we're noticing auctions with an appropriate amount planning room for market participants so they can understand the amount, the volume and types of allowances available, structures of the various kind of features of the auctions and the like.

We'll also have additional pieces in there around of course describing how the auction functions, the auction, the proposal for auction function should be very familiar to folks that have participated or are tracking or aware of either the RGGI Auction System or the WCI systems that are operating in the Western Prime initiative systems that are operating in California and Washington and Quebec and other places. And so we describe the format of the auction and how entities can participate in that setting. As John described, the program stability measures that are really important for providing and maintaining both emissions reduction certainty and cost reduction certainty, A lot of those are effectuated through the auction systems by making available additional allowances, some allowances in certain circumstances and through the sale of additional compliance instruments. So those will also be reflected within the NYSERDA rule in a way that is of course aligned between the two agencies rules.

And then the last piece on here is protecting the integrity of the auction system and the associated market that it creates will be an important component principally of NYSERDA rule, but there will be components of this and DEC'S rule as well. So some of these are basic things. We're going to prohibit collusion, collusive behavior between entities that are participating in these markets. We don't want a group of entities coordinating their actions in a way that exercises excessive or high amounts of market power that creates a private benefit instead of serving the kind of public purposes that we're seeking to advance here, we're also going to create a series of other mechanisms including auction purchase limits, holding limits, restrictions on associations between participating entities and other things along those lines. Also intended to further this goal to make sure that the markets, the auction markets as well as the secondary markets that are created are competitive, accessible and that no one entity or group of entities can exercise excessive control.

The next slide is climate affordability studies, but maybe we can pause there if that is reasonable on the line as we did on the timeline pieces, but otherwise I can keep moving. So the climate affordability study was directed and assign to NYSERDA to DEC with coordination from the Department of Public Service Division of Budget and the Department of Taxation Finance. In the last year's budget, we advanced climate affordability study that helped really sketch out the appropriate mechanisms and evaluate trade-offs associated with spending proceeds deposited into consumer climate action account. And that's 30% of the NYCI revenue and it's intended to deliver, to address, to help manage energy costs, of course, to deliver benefits broadly and equitably. And one of the important considerations is delivering it those benefits in a way that minimizes interaction with existing means tested public programs and minimizes interactions with individuals tax obligations.

Of course, we want to do this in a way that is administratively simple for individuals and households to take advantage of and relatively implementable simple administratively for the state to implement as well. So the report came out at the end of December along with the pre-proposal outline and other documents that included a number of recommendations. We recommended that the main delivery mechanism for the consumer climate action account would be a refundable tax credit in this way, would be able to leverage existing points of interaction between households and the State, leverage the existing knowledge and things like that we have of where people are and what their incomes are and things like that that we have through the tax system. We are suggesting a regional adjustment across the State of New York that is a function of energy costs and emissions intensity of the household recognizing that people who live in New York City really consume energy much differently than the people who live, for example, upstate.

We're recommending a progressive distribution that will phase out above a certain threshold to make sure that we're concentrating benefits, especially among low and moderate income individuals, but many households across the state of course will benefit. And then we recognize the final recommendation is to continue work on the design of this mechanism over the course of this next year so that it is ready for advancement next year. On the next slide I'm going to, this is the BBO that Erich promised a little bit of a about the analysis that we will offer later this week on Friday in a much greater degree of detail. So the team has worked with sort of a slate of a large research team to really understand how NYCI will function and have impacts throughout the economy. So one of the insights we identified is that we want to understand the impacts of varying different price ceiling levels and we found, as you might expect, that there's a trade-off that the state and our stakeholders need to evaluate, which is that if you have a higher price ceiling, you have higher upfront costs, immediate impacts on the cost of energy, but you also have greater levels of decarbonization and clean energy transition and other associated benefits, health benefits and things like that that we would see.

On the other hand, if you limit that, you can limit that upfront cost, but you would also limit the pace of change and transformation that you would anticipate seeing. We found that NYCI is a really transformative program. Again, this will vary depending on the price ceiling level that we establish, but NYCI really drives substantial additional clean energy deployment over and above the levels that we might anticipate from the many ambitious programs that the state has already enacted. We also were happy to find that while disadvantaged community census tracts that are designated as disadvantage are home to 36% of New York's population, 46% of the health benefits accrue to people living in these census tracts and disadvantaged communities. And this exceeds the target in the Climate Act of at least 35% or a goal of 40% of benefits accrue to disadvantaged communities. We also found that NYCI is a real job creator and the four sectors that saw job expansion, job growth, NYCI would help create 20,000 jobs by 2030 and that these growing sectors would exceed job displacement from those sectors that declined by about 10 times.

Finally, of course, affordability is really an essential and essential component of NYCI policy design as directed by the Governor. In particular, we found that the consumer climate action account is a really meaningful and impactful mechanism to deliver on that. Our initial analysis, our preliminary analysis found the Consumer climate action account really has the potential to make millions of households across the State of New York whole and even for some, provide some net financial benefits. That's especially the case for low income households and low emissions households. So for example, transit dependent households and things like that. We found that the consumer private action account benefits many more than just those households though and has the potential to really offset the majority of costs for millions of additional households. And we also found that NYCI's investments, the investments of 67% that are dedicated to clean energy transition in incentives for electric and zero emission cars, trucks and buses, heat pump energy efficiency and is itself an essential affordability strategy by helping more people reduce their emissions, they continue to receive the benefit of the consumer climate action account, which means that over time their financial position only improves as a result of this program.

And so making sure that we are driving ambitious clean energy deployment through our investments is both good for achieving the climate X purposes of clean energy transition, but is also a really essential strategy for managing affordability for New Yorkers across the state. I think with that I'll hand it back to John with some initial steps, some next steps on the process timeline similar to what Erich previously described On the next slide,

Sara LeCain:
John, you're on mute.

Jonathan Binder:
Tomorrow we have a webinar that's going to summarize some of the detail that I was describing with respect to the pre-proposal. Friday the 26th. We have another webinar which will be the more detailed view of what Vlad just summarized with respect to the preliminary analysis of the program's, projected benefits in terms of emission reductions and otherwise. And then what we've been asking for additional input from the public as part of this. This is all part of our pre-proposal stakeholder outreach, and we're encouraging folks to submit comments to us on all of these materials by March 1st. Then we'll move on to that next phase, which is where we're going to be assessing the input that we have received to date to get to the actual regulatory drafting phase. And that's where we transition from the pre-proposal stages that we're at right now to the formal draft regulation stage. So when we go through a regulatory process that includes regulatory text as well as supporting materials including a risk, which is a regulatory impact statement. So that's the material that we would be working to develop over the course of the spring with the hope of proposing that for public comment later on this year and then working towards a program launch, meaning that compliance obligations begin and allowance auction revenue starts coming in 2025. So that's I think the quick summary. Of the next steps in the process. And I think maybe with that we can see if there are other questions that folks have.

Chair Kauffman:
So the health benefits, are you able to quantify those?

Vlad Gutman-Britten:
Yeah, so we'll show both a monetized health benefit, the value of the health benefits as well as reduced avoided incidents of varying kinds of impacts.

Chair Kauffman:
I'm thinking about it in a budget context just because of the perception of this program is going to be that it's going to be a transfer, it's this New York started high attack state, this is going to be a tax on people. I don't know what the cutoff is. And so to the degree to which we could say actually this is really going to not pay itself for lower income people, but that it has other benefits would be very helpful to the degree that those numbers,

Vlad Gutman-Britten:
That's an interesting point that we can look into, Richard, how kind of incremental kind of cost savings to the

Chair Kauffman:
State budget aggregate budget relief.

Jay Koh:
Two comments are in the process of designing this just as other interventions we have the green bank, you're thinking about the emissions avoidance or production component of it. Just making sure we're taking a future proof lens to that the state of climate impact is going to accelerate. So I don't know if deforestation is part of this or long-term hydropower, but both of those are clearly being implicated right now by climate impact. So some of the carbon credits, you thought Canadian forestry last year was a net massive emitter because of giant wildfires. So just being thoughtful about are we really getting this in the same credible way as we have projected and making sure that whatever methodologies there is consistent with the other interventions we're taking here at the, because this is just going to get dramatically worse, a more complicated way. And anything we do here that doesn't actually take account of that will be surprises on the downside and the efficacy.

Jay Koh:
Good, measure it the same way as whatever you do with green banks. So resiliency and make sure these one's an informative financing mechanism versus a cap trade. Me, we would be sad if one was using the metric system, which using the imperial system and both more them.

Chair Kauffman:
Other questions or comments. All right. Thank you Erich, Vlad and John.

Unknown Speaker:
Thank you.

Chair Kauffman:
Okay, so we now turn to other business. We have one item under other business in February. Each of the Members will receive the annual Board Member evaluations required.

You've been waiting by the public Authority's law. This will be emailed to you using the same online tools last year. Al Alteryx. As you know, this is an important opportunity for the Members to provide feedback on the working for the Board and its Committees. And I know all of you will take the time to respond because if you don't, I will get in touch with you gaps. So you complete confidential forms and return it by the first week, by March, 2024. Your responses will be compiled in the annual report and any recommendations will be reviewed by the governance Committee and later by the full Board. Are there any other matters the Members would like to discuss? Alright, there being none. May I have a motion to adjourn the meeting?

Jay Koh:
So moved.

Unknown Speaker:
Second.

Chair Kauffman:
All in favor? The meetings adjourned. Thank you. Thank you.