

New York Power Authority

Type of Engagement: Green Bond Pre-Issuance Review

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Engagement Leader:

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Introduction

In May 2020, New York Power Authority (NYPA) developed the New York Power Authority Green Bond Framework¹ (the “Framework”) under which it may issue green bonds aimed at financing or refinancing projects to refurbish, upgrade and modernize power transmission systems in the state of New York. Sustainalytics provided a Second-Party Opinion² on the Framework.

In September 2023, NYPA engaged Sustainalytics to review the project (the “Nominated Project”) that will be funded through the Green Transmission Revenue Bond issued in 2023 (herein referred to as the “2023 Green Bond”) and provide an assessment as to whether the project would comply with the use of proceeds, project selection, and management of proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying project that will be funded through the 2023 Green Bond issuance for compliance based on whether:

1. The Nominated Project is aligned with the use of proceeds eligibility criteria outlined in the Framework; and
2. The commitments to select projects, manage proceeds on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The use of proceeds eligibility criteria is summarized in Appendix 1, the Nominated Project funded by the 2023 Green Bond issuance is summarized in Appendix 2, and Sustainalytics’ findings are summarized in Appendix 3.

Issuing Entity’s Responsibility

NYPA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. NYPA is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2023 issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of NYPA’s 2023 green bond issuance. The work undertaken as part of this engagement included verification of the Nominated Project and confirmation from relevant employees of NYPA that the use of proceeds, processes for project selection and management of proceeds for the upcoming green bond issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by NYPA with respect to the Nominated Project. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by NYPA.

¹ The New York Power Authority Green Bond Framework is available on NYPA website at: <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework.pdf>

² Sustainalytics’ “New York Power Authority Green Bond Framework Second-Party Opinion” is available at: <https://www.nypa.gov/-/media/nypa/documents/document-library/financials/nypa-green-bond-framework-spo.pdf>

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, New York Power Authority's 2023 green bond issuance is not aligned with the Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: New York Power Authority’s Use of Proceeds Eligibility Criteria

The Framework defines eligible projects in the area of electric transmission infrastructure which are intended to support the state’s clean energy and climate goals, including the mandate to obtain 70% of the state’s electricity from renewable sources by 2030. Specifically, NYPA has defined the following five transmission lines, as well as their associated switching facilities, as eligible:

1. The 765-kV line south from the Canadian border to Marcy, New York;
2. Two 345-kV lines from the Niagara Project east to Niagara Mohawk’s Edic Substation in central New York;
3. Two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York;
4. Three 345-kV lines from the Blenheim-Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively;
5. Two 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border.

The additions and improvements to these transmission projects are expected to improve the overall resiliency and flexibility of the NY-ISO electric grid.

Appendix 2: Summary of the Nominated Project

Use of Proceeds Category	Number of Projects
Electric transmission infrastructure	1

Details of the Nominated Project

Project Name	Reported Project Description
Smart Path Connect	<p>Smart Path Connect, formerly referred to as the Northern New York Priority Transmission Project, is a result of the New York State’s Accelerated Renewable Energy Growth and Community Benefit Act (“Act”), which accelerates the siting and construction of major renewable energy projects to combat climate change. The Act and the resulting regulations accelerated progress toward the state’s clean energy and climate goals. The goals include the directive to obtain 70% of the state’s electricity from renewable sources as mandated under the state’s Climate Leadership and Community Protection Act.</p> <p>The project, which is a joint development with Niagara Mohawk Power Corporation d/b/a National Grid, aims to meet the expeditious advancement of the state’s energy goals and support the Authority’s VISION2030. It was submitted to the New York State Public Service Commission (“NYSPSC”) in July 2020 and approved by the NYSPSC in October 2020 as a Priority Transmission Project with an in-service date of December 2025. The project components include rebuilding 46 miles of existing 230-kV transmission lines in Northern New York to 345-kV, along with constructing new substations and upgrading existing substations to address existing congestion and curtailment issues.⁴</p>

⁴ NYPA has communicated to Sustainalytics that financing of the Nominated Project will be allocated to the 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border.

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the project funded by the 2023 Green Bond issuance (Appendix 2) to determine if the project aligned with the use of proceeds eligibility criteria outlined in the Framework (Appendix 1).	The project reviewed (Appendix 2) complied with the use of proceeds eligibility criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the project funded by the 2023 Green Bond to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	New York Power Authority has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2023 Green Bond issuance are consistent with the commitments described in the Framework.	None

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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