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CLIMATE

Power producers fear N.Y. customers could pay twice for carbon

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A group of New York power generators and consumers yesterday warned of a possible collision between the state's initiatives on pricing carbon and parallel efforts by its independent grid operator.

State utility regulators are working on multiple policies to encourage low-carbon resources, and the New York Independent System Operator is exploring a carbon price of its own. Neither suite is finalized yet.

But regulators should act to prevent — or at least acknowledge — the risk that New Yorkers could end up "double-paying" for carbon, the Independent Power Producers of New York (IPPNY) and a group of power consumers called the Multiple Intervenors (MI) said in a filing yesterday.

"Suppliers should not be paid twice for the same attribute," they said in a document filed with the New York Public Service Commission. "If, arguendo, carbon pricing is implemented, then, absent the requested relief, such double-payments could occur, and they also could be substantial in magnitude and long-lasting."

IPPNY represents the state's competitive power generators, while MI is a group of about 60 "large industrial, commercial and institutional energy consumers" with facilities in New York. The groups said that double-paying, as they view it, would distort the state's competitive electricity markets.

"The PSC will be reviewing the concerns raised in the petition," said a PSC spokesperson.

With the federal government shifting into reverse on climate policy, New York has been among the more ambitious states in trying to integrate carbon into its energy markets. Gov. Andrew Cuomo (D) has tasked regulators and energy officials with moving the state's power portfolio to 50 percent renewables by 2030.

Toward that end, the state PSC is considering how to structure its financial incentives for land-based renewable energy, distributed energy resources and offshore wind.

Meanwhile, the New York Independent System Operator (NYISO) is looking at the carbon issue on its own track. Stakeholders are debating the design of a potential "carbon adder" to be folded into the everyday dealings of wholesale power markets. IPPNY supports the concept ([Energywire](#), May 2).

The PSC and NYISO initiatives remain largely unfinished. But IPPNY and MI said it's possible they could become duplicative down the road.

Why? As they argue, the PSC is considering measures that would pay, whether directly or indirectly, for the carbon-avoiding value of renewable energy. And NYISO is considering measures that would directly price carbon.

As the thinking goes, if a solar or wind project gets a 20-year contract with the state for its renewable energy, and NYISO enacts a carbon price down the road, the project will receive two streams of earnings for the same thing.

IPPNY and MI didn't specify a policy action, but they asked the PSC to "take action to protect New York consumers, and the relative competitiveness of the State's wholesale electricity markets, by, inter alia, eliminating, or at least minimizing, the possibility of double-payments in the event that carbon pricing is implemented by the NYISO sometime in the future."

Anne Reynolds, executive director for the Alliance for Clean Energy New York, said it sounds like a technical issue that can be worked out in the design of the incentives.

She emphasized, however, that policy uncertainty would scare off investment. To raise money, solar and wind developers need to secure long-term revenue contracts, such as the kind that New York currently offers.

If companies sense that policymakers have the ability to renegotiate the payments in these contracts, the revenue stream will be seen as riskier. "They can't take that to the bank," she said.

Miles Farmer, a staff attorney with the Natural Resources Defense Council, said it's premature to worry about double payments when NYISO hasn't finalized the details of the carbon adder.

"This issue will eventually need to be worked out one way or another, and I would be shocked if the state signed onto a policy that provides double payments to resources," he said by email. "But it's unrealistic to expect a blanket order from the PSC tying their own hands when they don't even have firm details of the carbon adder."