



## Stakeholders Annoyed by NYISO Carbon Price Draft

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By Rich Heidorn Jr.

NYISO's release of draft carbon pricing recommendations — and its refusal to immediately discuss the report — sparked annoyance and frustration among some stakeholders Monday.

The nine-page *draft*, released Aug. 1, summarizes discussions to date in New York's Integrating Public Policy Task Force (IPPTF).

But NYISO staff declined to discuss it at Monday's IPPTF meeting, which was scheduled for a *briefing* on the ISO's "Dynamic Change Case" — its analysis to refine estimates of how carbon prices will impact customer costs.

Before the briefing began, several stakeholders pressed ISO staff to answer questions about the draft recommendations. IPPTF Chair Nicole Bouchez, the ISO's principal economist, promised to schedule time for the discussion but said it would likely not occur before Aug. 27.

Attorney Kevin Lang, representing New York City, questioned language in the document that suggested the ISO was making decisions on issues that should be subject to a stakeholder vote. "It's not up to the NYISO to adopt things," he said.

"The draft is just a draft," Bouchez responded. "It was based on our best understanding of the discussions and a coherent proposal. We're definitely looking forward to input on any and all components."

Jay Brew, attorney for Nucor Steel Auburn, said he also had questions about the recommendations, citing as an example, "basic principles that were applied by NYISO staff" regarding the allocation of carbon residual payments.

"I think the NYISO should be aware of the effect it has on the market — even something with a 'draft' recommendation," added Seth Kaplan of EDP Renewables. "Be aware that you guys are producing turbulence out in the market as you float these things."

"Nicole, we asked you not to do this. We said that it's premature to put out recommendations," interjected Lang. "You rejected that and said, 'No, we have to do it.' For the NYISO to now put out a series of draft recommendations and then not schedule anything to discuss them and just have them sitting there is inappropriate."

"Thank you for your feedback," Bouchez responded evenly. "We'll look for continued discussion and get something scheduled."

The task force is not scheduled to meet Aug. 13, and the Aug. 20 meeting is tentatively earmarked for presentations by two stakeholders, Bouchez said, making Aug. 27 the first time the recommendations could be discussed.

### **Report Builds on Straw Proposal**

NYISO said its report builds on the April 30 straw proposal on a potential design for incorporating the social cost of carbon (SCC) into the ISO's wholesale markets and subsequent stakeholder discussion.

The ISO proposed implementing the SCC without a transition mechanism and said internal suppliers participating in the wholesale markets will self-report their carbon emissions or their estimated emissions to the ISO weekly, subject to true-ups.

It rejected a proposal by some stakeholders that the ISO estimate emissions and have suppliers report final emissions. "This approach was not adopted because suppliers are better positioned to accurately estimate their emissions than the NYISO," the report said.

Still under review by the ISO is whether the carbon impact on each component of the locational-based marginal price (LBMP) needs to be determined and how to prevent what the ISO called "double payments" for the same carbon reductions. The ISO cited stakeholder concerns that some resources may receive both state renewable energy credits and the ISO's carbon charge.

EDP's Kaplan took issue with the ISO's statement, saying it "sort of assumes the REC payments are a carbon payment, which a lot of us would say is not true. So simply embedding it as an assertion ... before a discussion [with stakeholders] is troubling."

The ISO also has not decided on how to handle external transactions, saying it "is considering whether the external proxy bus LBMPs should be posted without the carbon effects rather than establishing a settlement mechanism that applies a carbon charge to imports and a credit to exports."

It also noted the "robust stakeholder discussion" over how carbon charges will be allocated to loads, outlining four proposals without expressing a preference for one.

### **Questions on Analysis**

ISO officials also faced tough questions during the briefing on the Dynamic Change Case.

Lang questioned how the NYISO will adjust the results of the MAPS analysis regarding the assumed location of renewable resources.

"Wind is being sited in particular areas because of cheap land, wide open spaces and good wind," said Lang. He asked what the NYISO's basis is for assuming that developers would move projects into other areas, such as Rockland County or New York City, solely because of higher LBMPs.

Bouchez said the ISO is not projecting wind development in the city.

"It is reasonable to assume — and I've talked to a number of developers — as to whether or not higher LBMPs in different locations would affect their choice to develop a project or not. And the answer has always been yes, because they're looking to all the inputs to the project."

Lang said it appeared the ISO was using a “very *ad hoc* approach, without any kind of methodology” and asked that NYISO discuss its methodology before performing the analysis.

Bouchez promised to research the issue with the experts working on it and report back. But she could not promise an explanation would come before the analysis is conducted. Officials said the first results from the analysis should be available about Sept. 10.

Mike Mager, representing Multiple Intervenors, a coalition of large industrial, commercial and institutional energy customers, said his client is unlikely to support carbon pricing without more certainty about how the state Public Service Commission will allocate residual payments to customers and between residential and non-residential accounts.

“We’re trying to get comfortable with [the concept of ] carbon pricing,” Mager said. “Are you telling us we’re going to vote on something and have no idea whether the PSC is ever going to let [all of the carbon residuals even] flow back to end-use customers or flow [them] back in an equitable manner? We would automatically oppose that. I think you’re going to get a lot of concern from other parties too. ...

“I view it similarly to the whole issue of how is the carbon price set? How is it updated? When is it updated? What’s the method for updating it? These are all huge gaps in the proposal that [are] going to need to be fleshed out before something’s ready to be voted on, in my opinion. Otherwise you’re going to get a lot of votes in opposition due to the extreme uncertainty.”

Bouchez said a vote is unlikely before the second quarter of 2019 and that the ISO will begin its normal stakeholder process once the task force concludes its work.

“So we’re going to, at that point, spend a lot of time talking about exactly what we mean and how do we do this and how do equations for different things work and what does the Tariff look like. So that at that point we’ll be really nailing down a lot of the details but also potentially talking about different options,” she said. “So, I think there’s lots of opportunities to have those detailed discussions.”

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