# Generators, big users fight New York CO2 double payments

July 10, 2018

**Payments from state, wholesale markets cited**

The IPPs of New York (IPPNY) and the "Multiple Intervenors" – a group of industrial customers – filed a petition at the New York PSC yesterday seeking to stop double payments from state programs and the wholesale markets for carbon-free attributes of generation. The petition argued customers could be paying for the same things twice through the Clean Energy Standard (CES), for distributed energy resources (DERs), a new goal for offshore wind, and NYISO's efforts to price CO2 in its markets.

The state programs pay generators for environmental attributes – the most predominant of which not producing CO2. Carbon pricing at the NYISO level would also lead to higher payments to those clean generators, with consumers picking up the tab for the state programs and the wholesale costs.

"Inasmuch as such increased revenues under carbon pricing would be based on carbon emissions (or the lack thereof), there exists a substantial risk of large, consumer-funded double-payments for the same attribute," the petition said.

The ISO process came up with a straw proposal under which the cost of carbon would be incorporated into the wholesale markets using a carbon price in dollars/ton of CO2 emissions and suppliers would embed those added costs in their energy bids so as to impact dispatch and price formation.

The state programs are run by the New York State Energy R&D Authority (NYSERDA) and ultimately their costs are recovered from customers. The higher wholesale energy prices due to the cost of carbon likewise would be recovered from consumers.

With hydropower, nuclear, and renewables more than half its generation, New York is already carbon-free, but the marginal units in most hours in most locations are still fossil fueled plants, meaning energy prices would be higher with a carbon price most of the time.

Those higher energy prices with carbon factored in would be paid to the renewables, DERs, and offshore wind that are already compensated by the state.

Many stakeholders in the NYISO process said they worry pricing carbon at wholesale could trigger double-payments to such state-compensated resources, which are also paid for their non-carbon emitting properties under the PSC-approved processes.

"Ultimately, New York consumers would bear the cost of such double-payments," the petition said. "Moreover, the existence of double- payments would have the effect of distorting the state's competitive wholesale electricity markets."

NYSERDA is already committed to paying renewables about $100 million for their renewable energy credits (REC) from 2022 through 2041 and that does not include any future solicitations for RECs under the CES, the environmental value to DER tariffs, or any "offshore" REC payments for future wind facilities. NYSERDA has an ongoing CES solicitation that uses a standard contract that does not take into account any carbon pricing in the ISO's wholesale markets.

IPPNY and the Multiple Intervenors said they take no position on the merits of wholesale carbon pricing and do not want relief from the various state programs aimed at cleaning up the sectors' emissions.

"Rather, this petition seeks relief from the commission, on an expedited basis, to prospectively protect New York consumers, and the state's competitive wholesale electricity markets, from potential double-payments related to retail and wholesale compensation for the same or similar non-emitting attribute in the event that carbon pricing is implemented," they said.

**Markets need protecting**

A major benefit to NYISO's carbon pricing is that it will avoid or reduce the "harm" to wholesale markets from lower wholesale bids from clean resources that are also getting paid under state programs. Such out-of-market payments to uneconomic resources are already undercutting the sustainability of the ISO's markets.

The harm to the wholesale markets would be compounded if such clean resources got paid under a wholesale price on carbon that duplicated parts of the state programs' payments, the petition argued. The state programs are being implemented in part to help New York cut its statewide GHG emissions 40% by 2030, so the link to a carbon price is clear.

"It is incumbent upon the commission to identify and mitigate such potential overlapping recovery to safeguard consumers and the wholesale markets," it added.



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