

# Cross-State Air Pollution Rule (CSAPR): Impact on Supplier Reference Levels

**Timothy Duffy**

*Manager – MMA Production Processes  
New York Independent System Operator*

**NYISO Market Issues Working Group**

*November 8, 2011  
Rensselaer, NY*

# Background on CSAPR

- ◆ **US Environmental Protection Agency (USEPA) finalized CSAPR rule in July 2011**
- ◆ **Replaces CAIR (Clean Air Interstate Rule) on January 1, 2012**
- ◆ **Key Provisions**
  - *Significant reduction in SO<sub>2</sub> and NO<sub>x</sub> emissions from CAIR*
  - *Provides for limited interstate trading of emission allowances*
  - *Effective January 2012*
  - *Interstate trading of emission allowances in excess of 18% / 21% (in excess of New York State's assurance level) exposes generator to a potential two-additional-allowance-purchase penalty*
    - *Only if State also exceeds assurance levels*

# CSAPR: Technical Correction

- ◆ **USEPA released Technical Correction to CSAPR on October 7<sup>th</sup> for review and comment.**
- ◆ **If finally adopted, revisions would result in an increase to New York's annual SO<sub>2</sub> budget, annual NO<sub>x</sub> budget, and ozone season NO<sub>x</sub> budget.**
- ◆ **EPA is also proposing to delay to 2014 the effective date of the penalty for purchases beyond the assurance level.**
- ◆ **NYISO preparing to file comments in support of Technical Correction.**

# Supplier Emission Costs: Current

- ◆ **Emission Costs Captured in Cost-Based Reference Levels**
  - *Annual CO<sub>2</sub> (RGGI)*
  - *Annual NO<sub>x</sub> (CAIR/Title IV of the Clean Air Act)*
  - *Seasonal NO<sub>x</sub> (CAIR/Title V)*
  - *Annual SO<sub>2</sub> (CAIR/Title IV)*
- ◆ **LBMP/Bid-Based References presently indexed to fuel-costs only**
  - *Emission indexing previously viewed as unnecessary due to lack of variability*

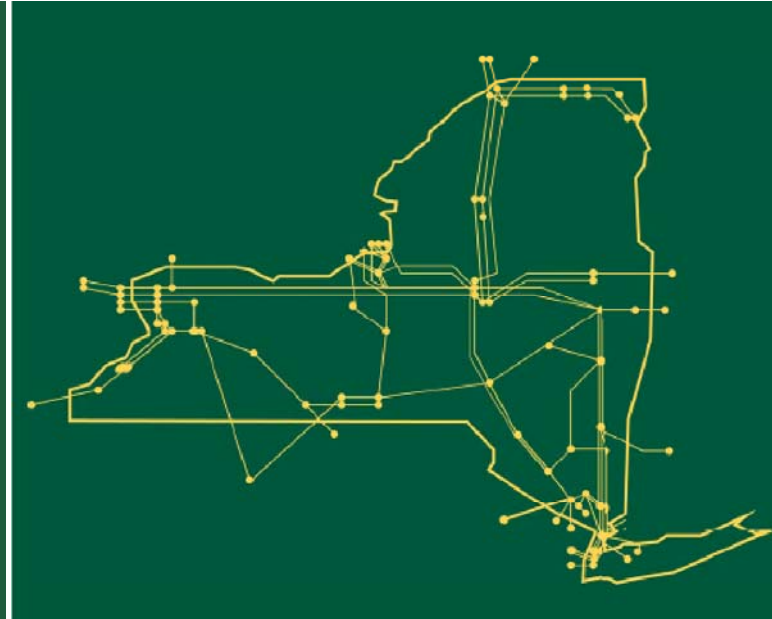
# Supplier Emission Costs: Actions

- ◆ **Suppliers should review and update as necessary the emission values in RLS to reflect in-place emission mitigation technologies**
- ◆ **Cost-based reference levels will capture increased allowance costs; LBMP and bid-based may not; NYISO (as always) would consider requests from Market Participants to review reference levels (in advance) to ensure costs are appropriately accounted for**
- ◆ **NYISO to continue to consult with MMU and Market Participants on appropriate mechanism to reflect risks of assurance penalties in reference levels beginning in 2014.**

# Supplier Emission Costs: CSAPR

- ◆ **Beginning on January 1, 2012, NYISO will access and incorporate in cost-based references emission allowance costs for CSAPR**
  - *Annual  $No_x$ , Seasonal  $NO_x$  and  $SO_2$*
  - *Allowance indices for on going emission purchases will be maintained*
- ◆ **Initially, CSAPR costs will be manually aggregated with existing emissions line items for single value per emissions type**
- ◆ **Software development in progress that will enable automation of retrieval and processing of CSAPR allowance costs**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



[www.nyiso.com](http://www.nyiso.com)