

**Comments of the New York Independent System Operator, Inc.
On the State Guidelines for Greenhouse Gas Emissions from Existing Electric Utility
Generating Units**

Docket No. EPA-HQ-OAR-2017-0545

February 26, 2018

I. Introduction

The New York Independent System Operator, Inc. (“NYISO”) is the independent not-for-profit corporation responsible for the reliable operation of New York’s high-voltage transmission lines including the dispatch of electric power generators. In addition, the NYISO administers wholesale electricity markets that clear billions of dollars in transactions for electricity and related products annually. Finally, the NYISO conducts robust planning processes to maintain resource adequacy and transmission security throughout the New York bulk power transmission system. The NYISO’s mission is to serve the public interest and provide benefit to consumers by maintaining and enhancing regional reliability; operating open, fair and competitive wholesale electricity markets; planning the power system for the future; and providing factual information to policy makers, stakeholders, and investors in the power system.

On December 21, 2017, the Environmental Protection Agency (“EPA”) published in the Federal Register for public comment an advanced notice of proposed rulemaking, *State Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units* (hereinafter referred to as the “ANPRM”).¹

The NYISO is not taking a position on the policy objectives of the ANPRM or the proposed repeal of the Clean Power Plan.² These comments are intended to advise the EPA of approaches to developing potential guidelines for greenhouse gas (“GHG”) emissions from existing electric utility generating units that maintain electric system reliability and are compatible with wholesale electricity markets.

II. The EPA Should Work With ISOs/RTOs to Maintain Electric Grid Reliability During the Preparation of any Guidelines to Limit Greenhouse Gas Emissions

The NYISO encourages the EPA to provide the opportunity for independent system operators and regional transmission organizations (“ISOs/RTOs”) to review electric grid reliability concerns during the preparation of any guidelines to limit GHG emissions from existing electric utility generating units. The EPA should continue working with the ISOs/RTOs and all relevant parties to avoid conflicts between maintaining electric reliability and developing new GHG emission standards. The EPA should rely on the ISOs’/RTOs’ expertise to analyze state-specific and cross-border, multi-state grid reliability considerations.

¹ 82 Fed. Reg. 61507 (December 21, 2017), <https://www.federalregister.gov/documents/2017/12/28/2017-27793/state-guidelines-for-greenhouse-gas-emissions-from-existing-electric-utility-generating-units>.

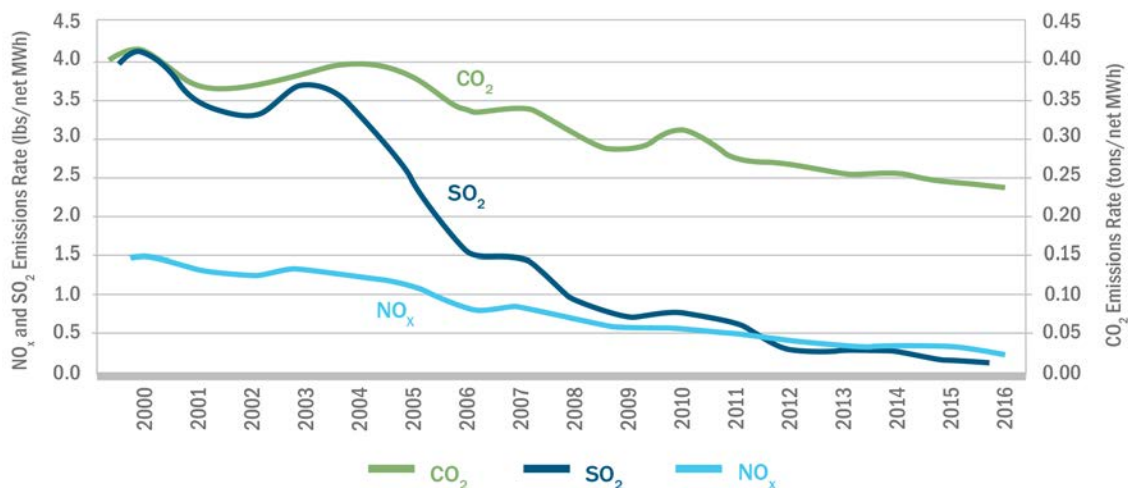
² 82 Fed. Reg. 48035 (October 16, 2017).

The EPA should require states to identify potential electric system reliability impacts in their implementation plans, and direct states to provide a “reliability safety-valve” to allow units to operate when necessary to avoid a temporary conflict between maintaining electric reliability and complying with emission standards or guidelines.

III. The EPA Should Design any Potential Greenhouse Gas Emissions Guidelines to be Flexible and Compatible with Wholesale Electricity Markets

The NYISO encourages the EPA to consider potential guidelines that are flexible and compatible with wholesale electricity markets. Any potential new GHG emission guidelines should allow states to continue and expand membership within functioning market-based emission programs, such as the Regional Greenhouse Gas Initiative (“RGGI”). New York’s market structure, as well as the structure and requirements of RGGI, have a proven record of accomplishment demonstrating that market-based approaches can incent and produce emission reductions, including a 43% reduction in the rate of carbon dioxide emissions from the state’s electric generation sector since the NYISO’s competitive wholesale markets were formed in 2000.

New York Emission Rates from Electric Generation: 2000-2016



EPA should recognize and encourage, in any guidance documents, the opportunity for market-based compliance mechanisms, such as RGGI, to achieve desired emissions reduction program goals. Regional emission approaches that utilize market-based carbon dioxide pricing are useful to internalize the cost of emission control within the electric system dispatch. In RGGI, each power plant owner/operator is obligated to obtain a carbon dioxide allowance for each ton of carbon dioxide emitted in the compliance period – currently three years. In New York, the value of the carbon dioxide allowance is established through market-based trading and/or RGGI-managed carbon dioxide allowance auctions. Under the NYISO’s federally-accepted tariffs, suppliers may include the cost of allowances in a generator’s offer-cost of providing power. Those power plants with higher carbon dioxide emissions/MWh of energy produced (lbCO₂/MWh) will require more allowances per unit of electricity produced, all other things being equal, than those power plants with lower carbon emissions. When including these costs in offers within the NYISO’s competitive wholesale market design, those power plants

with higher carbon dioxide emission rates/MWh will appear more expensive to the system operator and, as a result, will be economically dispatched less frequently than power plants with lower or no carbon dioxide emission rates. Such an approach incents investment in more efficient, cleaner technologies, benefiting both consumers and the environment.

Integrating the cost of emissions allowances into a generator's energy offer-cost embeds the cost of controlling carbon dioxide emission in the wholesale price of energy. The resulting market signals reward efficiency improvements across the fleet, incentivize conservation and energy efficiency, encourage storage and other technologies that can reduce emissions, and can lead to other market responses that reduce emissions. In addition to RGGI, the NYISO and the New York State Department of Public Service are currently exploring options to incorporate the cost of carbon dioxide more directly into wholesale energy markets through a jointly facilitated task force (the Integrating Public Policy Task Force). The goal of pricing carbon dioxide emission in the wholesale market is to contribute to achieving New York State's energy and environmental policies at the least cost to consumers, while sending appropriate price signals to incentivize investment and maintain grid reliability.

Market-based approaches are well suited for graduated implementation of new or modified carbon dioxide control measures. The value of emission allowances will increase (provided they are subject to market-based pricing) over time as emission controls intensify, and more emission-intensive power plants see increasing offer-costs and declining opportunities to be economically dispatched. This is how RGGI has influenced electric dispatch in New York.

IV. The EPA Should Allow Both Mass-Based and Rate-Based Market Friendly Options

“The EPA requests comment on whether emission guidelines for GHG emission rate standards is all that it or the States should consider in a potential future rulemaking or whether the use of mass-based emission standards should also be considered.”³

The NYISO recommends that the decision as to which approaches are better for a given state and its region should only be made after a detailed consideration of all the facts and circumstances related to that state, its fleet of generators, its neighboring states, and its region. Selecting only one approach in advance could have negative impacts for states that have already developed or are in the process of developing programs to limit carbon dioxide emissions, or states that may opt into a regional program. The EPA should allow flexibility for state-specific decisions about which approach or approaches are suitable for each individual state.

The NYISO encourages EPA to allow states to pursue regional carbon-control options and to allow states to continue existing, regionally-coordinated carbon control mechanisms, such as the Regional Greenhouse Gas Initiative.

³ ANPRM at p 61512.

V. Conclusion

The NYISO appreciates this opportunity to provide comments to assist the EPA. While the NYISO is not taking a position on the repeal or replacement of the CPP, these comments are intended to identify opportunities for the EPA to develop potential guidelines or rules that are compatible with existing wholesale electricity markets. Accordingly, the NYISO respectfully requests that the EPA consider these comments when developing any potential subsequent rulemakings.

Respectfully submitted,

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