

Carbon Pricing:

Treatment of Existing REC Contracts

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Background

- **At the July 16, 2018 IPPTF the NYISO indicated that in response to concerns raised by stakeholders, the NYISO is considering options to reduce or eliminate the potential for double payments to resources eligible for REC payments.**
 - The intent is to eliminate the potential for double payment to suppliers whose carbon dioxide emissions reductions are already captured by NY REC contracts entered into before the approval of Carbon Pricing market rules by NYISO stakeholders.

Proposal

- **Apply a carbon charge to wholesale market suppliers with NYSERDA REC contracts that are:**
 1. fixed price contracts;
 2. based on a REC solicitation that began or was completed prior to the carbon pricing tariff rules becoming effective; and
 3. not expired.

Proposal (cont.)

- Wholesale market suppliers with such NYSERDA REC contracts are initially settled at the LBMP, including the carbon component
- The carbon charge will then be deducted from the supplier's settlement based on:
 1. the societal cost of carbon; and
 2. The real-time marginal emission rate for the zone that the supplier is located. (LBMPc)
- This carbon charge will be applied to the actual output of the resource based on the proportion of the REC contract to the nameplate capacity.

Proposal (cont.)

- Wholesale market suppliers, designated as carbon-free in the New York State Clean Energy Standard (CES), whose NYSERDA REC contract has expired will settle at the LBMP including the carbon component and NOT be subject to a carbon charge.
- ZECs and ORECs are not included since they have an option to adjust to changes in market conditions.

Proposal (cont.)

- **For example, supplier A:**
 1. has a nameplate capacity of 20 MW;
 2. has a REC contract for 4 MW; and
 3. produced 10 MW of energy.
- **Supplier A will have 2 MW of its energy output charged the carbon charge**
 - $(4 \text{ MW} \div 20 \text{ MW}) \times 10 \text{ MW} = 2 \text{ MW}$

Proposal (cont.)

- **The NYISO would consider capping the carbon charge to the lesser of:**
 1. the societal cost of carbon multiplied by the real-time zonal marginal emission rate (LBMPc); or
 2. the REC contract volumetric rate (\$/MWh).
- **The wholesale market supplier would need to provide the NYISO with proof of the contract value.**

Feedback?

- The NYISO is looking for stakeholder feedback on the proposal and also soliciting any alternate proposals to address this concern.
- Email additional feedback to:
IPP_feedback@nyiso.com

Next Steps

- Return on October 22nd with an updates to the proposal

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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