

Carbon Pricing:

Treatment of Existing REC Contracts

Proposal Update

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Background

- At the July 16, 2018 IPPTF meeting 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.
- At the October 11, 2018 IPPTF meeting the NYISO described its proposal for charging resources with pre-existing REC contracts the LBMPc.
- During the August 20, 2018 and October 29, 2018 IPPTF meetings, stakeholders described concerns with the concept of charging resources with pre-existing REC contracts the LBMPc.

Update

- The NYISO has spent several months considering feedback from its stakeholders and investigating approaches for withholding the LBMPc from resources with pre-existing REC contracts.
- The NYISO is no longer recommending that the proposal include a mechanism for charging resources with pre-existing REC contracts the LBMPc.
 - The NYISO's rationale is on the next slide.

Rationale

- **REC payments are not solely linked to carbon abatement or avoidance.**
 - REC payments consider multiple state policy objectives.
 - REC payments are intended to support renewable resources under all future uncertainties including fuel cost and environmental regulations.
 - Withholding the LBMPc from resources with pre-existing RECs without establishing that RECs were designed solely for carbon abatement would unfairly target one set of resources within the NYCA, which is contrary to NYISO's mission to operate open, fair and non-discriminatory competitive markets.
- **Carbon Pricing's primary focus is on internalizing the cost of carbon emissions within the wholesale market.**
- **The proposal would create unintended consequences including:**
 - Increasing the uncertainty in the value (and potentially the cost) of RECs going forward; and
 - Making it difficult to structure bank financing due to creating a disconnect between the wholesale market price and the wholesale market payment to the resource.

Feedback?

- Email additional feedback to:
IPP_feedback@nyiso.com

Next Steps

- Distribute the IPPTF Carbon Pricing Proposal on December 7, 2018

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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