# IPPTF Carbon Pricing Proposal

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# Introduction

- The Integrating Public Policy Task Force (IPPTF) was created as a forum for the NYISO, New York State Department of Public Service, New York State Research and Development Authority, electricity market participants, members of the public, and interested stakeholders to explore concepts and proposals for incorporating the social cost of carbon emissions in wholesale energy markets to better harmonize the state's energy policies and the operation of those wholesale markets.

- The IPPTF Carbon Pricing Proposal provides the basis of a carbon pricing market design for stakeholder consideration and discussion within the NYISO's shared governance process, starting with the Market Issues Working Group (MIWG).

- These slides are intended to help facilitate the discussion of the Proposal and are based on the Proposal Summary Table (page 15).  For the full proposal please go to https://www.nyiso.com/documents/20142/3911819/Carbon-Pricing-Proposal%20December%202018.pdf/72fe5180-ef24-f700-87e5-fb6f300fb82c

| Design Topic | Carbon Pricing Proposal Summary |
|---|---|
| Setting the Gross Social Cost of Carbon | The New York Public Service Commission would set the Gross Social Cost of Carbon pursuant to the appropriate regulatory process. |
| Application of Carbon Price to Internal Suppliers | **Approach:** Internal suppliers would be subject to carbon charges equal to the product of their point-of-production carbon emissions and the applicable per-unit carbon price<br><br>**Emissions:** Internal suppliers, including self-scheduled resources, would report emissions of their supply fleet<br><br>▪ Tier 1 eligible resources under the Clean Energy Standard are assumed to have zero emissions<br><br>▪ Cogeneration resources would be charged based on the portion of their emissions associated with electrical generation<br><br>▪ Behind-the-meter generation resources would be charged for emissions associated with net injections to the grid<br><br>▪ Emissions associated with participation in the SCR, EDRP, DADRP, and DSASP programs would not be subject to the carbon charge<br><br>**Carbon Price:** The NYISO would determine the carbon charge (in $/ton) depending on whether internal physical suppliers are covered by RGGI<br><br>▪ Suppliers covered by RGGI would be charged a carbon price equal to the Gross SCC minus the most recently posted quarterly carbon price<br><br>▪ Suppliers not covered by RGGI would be charged a carbon price equal to the Gross SCC |

Note: footnotes and bold sections have not been retained. Please see https://www.nyiso.com/documents/20142/3911819/Carbon-Pricing-Proposal%20December%202018.pdf/72fe5180-ef24-f700-87e5-fb6f300fb82c for the full table.

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|---|---|

**Application of Carbon Price to Internal Suppliers (continued)**

## Market Operations:

- Suppliers would be expected to embed the carbon charge into their energy offers

- Suppliers would continue to receive the full LBMP and will be debited their carbon charges during settlement

- The NYISO would apply carbon charges to each supplier invoice, automatically populating initial emissions estimates for the supplier, unless the supplier provides those data.

- Differences between estimated/ self-reported emissions and actual emissions would be corrected via the true-up settlements process

## $LBMP_C$:

The NYISO would calculate and publish the LBMPc for RTC and RTD, including look-ahead intervals. Publishing the LBMPc would be used to provide market transparency, adjust payments for import and export transactions, and effectuate the recommended allocation of Carbon Residuals.

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|---|---|
| **Application of Carbon Price to External Transactions** | **Approach:**<br>- Imports and exports would compete with internal resources on a status quo basis, as if there were no incremental carbon charge applied within the NYISO<br>- No unit-specific or portfolio-specific exceptions<br><br>**Market Operations:**<br>- Transactions would see the full LBMP but imports would be debited and exports would be credited a carbon charge that reflects the expected carbon effect on the LBMP<br>- Only transactions flowing in real-time will be debited/credited the real-time LBMPc. |
| **Allocation of Carbon Charge Residuals to Loads** | - Wholesale load would continue to pay the full LBMP, but will be allocated a portion of the carbon charge residuals, using the proportional allocation methodology<br>- Allocation by Load Serving Entities to customers would be under PSC jurisdiction pursuant to the appropriate regulatory process<br>- The NYISO proposes to provide transparency by posting the $/MWh carbon charge allocation rate per load zone on its website. |

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|---|---|
| Interaction of the Carbon Charge with Renewable Energy Credits | ▪ The NYISO is not proposing to include a mechanism for charging resources with pre-existing REC contracts |
| Changes to Other NYISO Markets and Planning Processes | **Capacity Market:**<br>▪ The NYISO would direct the Demand Curve Reset Consultant to consider the effects of carbon pricing on the net cost of new entry of the proxy unit<br><br>**Transmission Planning:**<br>▪ The NYISO's existing Planning processes will capture price changes as necessary. No extensive changes to Planning processes would be necessary. |

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# Next Steps

- Carbon Pricing will continue to be discussed in 2019.

# Feedback?

- Email additional feedback to: IPP_feedback@nyiso.com

**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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