Via Electronic Portal

October 2, 2019

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, New York 12223-1350
Phone: (518) 474-6530
Email: secretary@dps.ny.gov

Subject: Case 15-E-0302 – Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard

Dear Secretary Burgess:

In response to the New York State Public Service Commission's Notice Soliciting Comments issued in the above captioned proceeding on August 8, 2019, the New York Independent System Operator, Inc. hereby submits the attached comments.

Respectfully submitted,

/s/ James H. Sweeney
James H. Sweeney, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-7659
Email: jsweeney@nyiso.com

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard — **Case No. 15-E-0302**

COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. ON THE AWEA/ACE-NY PETITION TO IMPLEMENT AN INDEXED RENEWABLE ENERGY CREDIT PROCUREMENT MECHANISM

The New York State Public Service Commission ("Commission") is considering a petition[1] requesting that the Commission direct the New York State Energy Research and Development Authority ("NYSERDA") to implement an Indexed Renewable Energy Credit ("REC") procurement mechanism.[2] The New York Independent System Operator, Inc. ("NYISO") welcomes the opportunity to continue working with the New York State Department of Public Service ("DPS") staff and the Commission to pursue achievement of the State's clean energy goals in a manner that maintains the efficiency of competitive wholesale electricity markets, including through an Indexed REC procurement mechanism. By leveraging competitive markets, the State can pursue its goals in an efficient manner, while maintaining the

[1] *Petition of American Wind Energy Association ("AWEA") and the Alliance for Clean Energy New York ("ACE NY") for an Order Modifying the Clean Energy Standard Tier 1 Procurement Process*, Case No. 15-E-0302, March 13, 2019 ("Petition").

[2] Case No. 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Notice Soliciting Comments (August 8, 2019).

high degree of reliability New Yorkers have come to expect. The NYISO hereby submits these comments in response to the Notice Soliciting Comments ("Notice") issued on August 8, 2019.[3]

Through competitive markets and New York State ("New York" or "State") energy policy, New York has established itself as a national leader with respect to clean energy production and reduced carbon dioxide emissions (referred to herein as "carbon emissions"). Since 1999, New York's power sector has reduced carbon emissions rates by 51% and, in 2018, approximately 56% of electricity production in New York State was derived from non-carbon emitting energy resources.[4] The State's generation fleet is one of the cleanest, in terms of carbon emissions, in the country and New York is committed to even further carbon reductions. The NYISO encourages the Commission to continue leveraging competitive markets to pursue New York's clean energy goals at the lowest cost to consumers, while maintaining system reliability. Competitive markets provide price signals to incent efficient siting, construction and operation of necessary transmission infrastructure and resources.

I. COMMENTS

A. Key Components of Indexed RECs

The NYISO has previously encouraged the Commission to continue to administer Fixed RECs to incentivize renewable resource development while leveraging the competitive markets to the fullest extent possible.[5] Indexed RECs could also provide a workable approach to financing renewable resources as long as they expose developers and their generation resources to wholesale energy market signals. An appropriate Indexed REC incentive mechanism should

[3] *Id.*

[4] *See 2018 Load & Capacity Data*, a report prepared by The New York Independent System Operator, Inc., available at https://home.nyiso.com/wp-content/uploads/2018/04/2018-Load-Capacity-Data-Report-Gold-Book.pdf.

[5] *See Comments of the New York Independent System Operator, Inc.*, In the Matter of Offshore Wind Energy, Case No. 18-E-0071, June 4, 2018.

preserve locational energy market signals that encourage renewable resource developers to select locations with the highest market value and to operate in response to real-time energy prices. To preserve the financial viability of renewable resources and align their performance with system needs, renewable resource owners should manage resources to maximize resource availability when the facility is most likely to earn the highest revenues from the wholesale energy market. In addition, Indexed RECs should minimize the financial risk that is shifted from developers to consumers similar to Fixed RECs. NYISO would also support including environmental attributes in the indexing calculation. RECs continue to be an appropriate incentive structure for renewable resources in areas with competitive energy markets, such as New York.

B. Use of a Composite Index Based REC Could Mute Price Signals

If the Commission proceeds with the Indexed REC discussed in the Notice, the NYISO recommends that the indexing calculation encourages resources to continue to follow wholesale market incentives, specifically energy market price signals and real-time dispatch instructions. A composite index-based adjustment that blends reference energy prices and equivalent reference capacity prices could insulate renewable resources from energy market price signals and may adversely impact electric system reliability. Temporal and location-based wholesale energy market prices, including negative LBMPs, encourage resources to follow the dispatch instructions that balance energy supply and demand. Exposing renewable resources to these energy market prices drives the generator behavior necessary to maintain overall electric system reliability.

II. CONCLUSION

New York has established itself as a leader in addressing climate change and growing a clean energy economy. The NYISO is proud of the role that competitive wholesale markets have played in New York's progress. Moving forward, new renewable resource procurement mechanisms must be designed to maintain reliability, minimize economic risk to consumers, and drive carbon emissions reduction. The NYISO looks forward to continuing to work closely with DPS Staff and the Commission to fashion the most economically efficient solution to a clean energy future that fully leverages the benefits of wholesale competitive electricity markets while maintaining system reliability on behalf of all New York electricity customers.

Dated: October 2, 2019

Respectfully submitted,

/s/ *Rana Mukerji*

Rana Mukerji, Senior Vice President, Market Structures
James H. Sweeney, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
RMukerji@nyiso.com
JSweeney@nyiso.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rensselaer, NY this 2nd day of October 2019.

/s/ John C. Cutting

John C. Cutting
New York Independent System Operator, Inc.
10 Krey Blvd.
Rensselaer, NY 12144
(518) 356-7521