

Preparing for the Possible Imposition of Duties on Canadian Electricity

NYISO

ICAPWG/MIWG

February 25, 2025

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Introduction

- On February 1, 2025 the President announced tariffs (“duties”) on goods and energy exports from Canada into the United States. Those duties were scheduled to go into effect on February 4, 2025
- On February 3, 2025 the United States President paused those duties for 30 days

Previous Discussions

Date	Working Group	Discussion Points and Links to Materials
02-04-25	ICAPWG/MIWG	Statement on Tariffs: https://www.nyiso.com/documents/20142/49572424/NYISO%20Tariff%20Statement%20020425.pdf/eeb70757-37f8-13cb-b4b4-bd3a11a07940
02-12-25	BIC	Statement on Tariffs https://www.nyiso.com/documents/20142/49669100/NYISO%20Statement%20on%20Tariffs.pdf/0563c1a1-89f3-4fdb-2ff9-88e6b1c3f644

Background

- NYISO continues to seek additional information and clarification on the applicability and details of the duties
- The NYISO's current position is: (i) that the duties do not appear to apply to electricity; and (ii) that even if they do, that it is not necessarily the NYISO's responsibility to implement them or to remit payments to the U.S. government
- But IF the relevant federal authorities determine that the duties apply and that the NYISO must play a role then the NYISO intends to be prepared (e.g., to clarify its tariff authority to take required actions)

Procedural Information

- **NYISO Board of Directors has authorized NYISO to file an FPA Section 206 proposal with FERC to obtain the authority necessary to administer duties on Canadian electricity**
 - The Board has also authorized the NYISO to file under 205-X as an alternative
- **NYISO currently expects to file with FERC by the end of the week, will request a shortened comment period, and an immediate refund effective date**
- **NYISO will not implement its proposed tariff revisions unless relevant federal authorities decide that the NYISO must collect and remit duties on Canadian electricity**

Filing Information

- **The NYISO's filing will contain a primary proposal and an alternate "backstop" proposal**
 - The primary proposal, as described in the following slides, is strongly favored by NYISO as a method of collecting the duties that minimizes market impacts (to the extent practicable) and one where prices and schedules reflect the marginal cost of electric energy
 - The alternate proposal, as described in later slides, would provide authority to administer the duties with market price and scheduling effects
- **Duty collection mechanisms in neighboring regions remain undefined. Differences in duty collection designs between the NYCA and other areas could create seams challenges. NYISO will monitor for and address potential seams challenges as they arise**

Filing Information – Primary Proposal

1. **A dutied energy flow (“Subject Transaction”, “ST”) is a Real-Time Scheduled Import originating from a “Duty Eligible Proxy” (“DEP”) bus. DEPs are NYISO proxy busses that represent interties between the NYCA and Canada (currently IESO, HQ-Chateauguay Import, HQ-Chateauguay Wheel, HQ-Cedars; new Canadian interties in the future would be added automatically)**
 1. The energy that crosses the Canadian border is the flow of electric energy. Real-Time Scheduled Import transactions quantify the flow of electric energy scheduled to cross the border in real time and are also the financially binding quantity of electricity for which transactions are paid
 2. Real-Time Scheduled Transactions (e.g., Real-Time Scheduled Imports, Import Bilateral Transactions, and Wheels) injecting energy at a Duty Eligible Proxy will be Subject Transactions
 3. Real-Time Scheduled Transactions injecting at other proxy busses (e.g., Sandy Pond for ISO-NE) will not be Subject Transactions, regardless of the specific transaction type
2. **Collecting duties and paying the United States government**
 1. A new Rate Schedule, OATT Schedule 21, will provide for duty recovery
 2. NYISO shall pay applicable duties. Applicable duties will be paid from RS21 to the relevant federal authority. NYISO expects this would likely be United States Customs and Border Protection
 3. NYISO shall collect the duty on each Subject Transaction from the financially responsible party for that Subject Transaction
 1. The Duty for an individual Subject Transaction shall be the product of the (a) Subject Transaction (MWh), (b) applicable Day-Ahead LBMP (\$/MWh), and (c) U.S. Government specified duty rate (%)
 4. Assigning the duty to the Subject Transaction incentivizes the Subject Transaction to reflect duty costs in their offers. The resulting prices and schedules will align the marginal cost of supplying electric energy with the willingness to pay for electric energy and therefore are likely to be more economically efficient than alternate design options
3. **The initial process for calculating, paying, and collecting duties will be manual until software is able to be deployed. NYISO expects the billing process will occur on a monthly basis**

Filing Information – Primary Proposal

- **NYISO proposes to use Day-Ahead LBMPs to calculate duties**
 - The DA LBMP represents a financially binding price for electricity sales at the relevant time and location. It is also a price that represents the supply and demand for electric energy considering the offers of many buyers and sellers, e.g., is expected to be liquid, and is the price at which most market transactions settle.
 - It is not feasible to utilize different DA and RT prices to determine duties. Duties that the ISO can apply are uni-directional. The uni-directional nature of duties does not accommodate balancing settlements (i.e., equivalent payments/costs in both direction) and therefore requires the selection of a single applicable quantity and price
 - The choice of Day-Ahead vs. Real-Time price can affect market incentives and whether Subject Transactions can reflect duty costs in their offers
 - Use of Day-Ahead prices to calculate duties allows both Day-Ahead and Real-Time Transactions to reflect costs in their offers. Use of Real-Time Prices to calculate duties would create a duty-cost risk that Day-Ahead Transactions cannot reflect in their offers
 - On average, the dollar value of Day-Ahead and Real-Time prices are similar

Filing Information – Alternate Proposal

- NYISO will also file an alternate design to maximize the likelihood the legal authority exists to administer Canadian electric energy export duties, as required
- A dutied energy flow (“Subject Transaction”, “ST”) is a Real-Time Scheduled Import originating from a “Duty Eligible Proxy” (DEP) bus. DEPs are NYISO proxy busses that represent interties between the NYCA and Canada (currently IESO, HQ-Chateaugay, HQ-Cedars; new Canadian interties in the future would be added automatically)
 1. Real-Time Scheduled Transactions (e.g., Real-Time Scheduled Imports, Import Bilateral Transactions, and Wheels) injecting energy at a Duty Eligible Proxy will be Subject Transactions
 2. Real-Time Scheduled Transactions injecting at other proxy busses (e.g., Sandy Pond for ISO-NE) will not be Subject Transactions, regardless of the specific transaction type
- 1. **Charging duties and paying the United States government**
 1. A new Rate Schedule, OATT Schedule 21, will provide for duty recovery
 2. Applicable duties will be paid from RS21 to the relevant tariff authority. NYISO expects this will be United States Customs and Border Protection
 3. Applicable duties will be charged to total withdrawals (e.g., NYCA Load plus Exports plus Wheels) on a withdrawal ratio share basis
- “Day 2” work would be needed to manage pricing and scheduling implications

Filing Information – Credit Requirements

- Under both the primary and alternate proposal the NYISO will propose a revision to the Section 26.4.2.1 of the Services Tariff to clarify that the NYISO may make any necessary adjustments to credit requirements associated with the imposition of duties
- The NYISO will consider possible future refinements to its credit provisions

Next Steps

- **NYISO to file proposal to grant NYISO authority to administer Canadian electric energy export duties, likely by the end of the week**
- **NYISO to seek additional information and to urge the relevant federal authorities to clarify that Canadian duties , if “unpaused,” will not apply to electricity and, if they do apply, that the NYISO would not be responsible for paying duties**

Questions?

Our Mission & Vision



Mission

Ensure power system reliability
and competitive markets for New
York in a clean energy future



Vision

Working together with stakeholders
to build the cleanest, most reliable
electric system in the nation