

Suggested Areas of Inquiry for The Analysis Group

April 4, 2019

During the March 28, 2019 stakeholder meeting, a number of parties expressed concerns that the scope of the study for which The Analysis Group was commissioned by the NYISO was not well-defined, potentially was one-sided, and seemed to focus solely or predominantly on identifying “missing” benefits of carbon pricing, while completely or largely disregarding missing costs or damages. The signatory parties hereto encourage the NYISO and The Analysis Group to incorporate the following areas of inquiry into any future analyses on carbon pricing to ensure that all sides of the issues are examined. While the signature parties are not opposed to further analyses on the potential benefits of carbon pricing, the potential harms associated therewith should be accorded comparable and unbiased scrutiny. This study was commissioned by the NYISO without consultation with stakeholders, and it is important that the study scope, and the methodologies to be employed, be well-understood and perceived as neutral and not conforming to any preconceived agenda.

Analysis Based on Incremental Outcomes Beyond Existing and Announced State Policies

- How much in carbon emissions would be mitigated by the implementation of carbon pricing, above and beyond the development and the maintenance of renewable generation by existing and announced State policies? What would be the cost of such carbon abatement, and how does that cost compare to other forms of carbon abatement?
- The analysis should not attribute to carbon pricing either emission reductions or health benefits expected as a result of other state policies (*e.g.*, incentivizing renewable generation, the recently-released NO_x peaker rule in New York City and Long Island, the expected CO₂ regulation that likely will lead to the retirement of two upstate coal facilities). Rather, the analysis should focus on the impacts of carbon pricing – both positive and negative – that are incremental to other state policies and actions.
- The analysis should address the extent to which incremental renewable generation may displace existing renewable generation, particularly given existing transmission constraints and the fact that generation in Upstate New York largely is carbon-free.

Impacts of Higher Wholesale Energy Costs

- What are the likely impacts of higher energy prices caused by carbon pricing on consumers? Such analysis should include impacts on residential and non-residential consumers, both upstate and downstate, and also address the likely ramifications if New York were to implement carbon pricing but no other state does likewise, particularly with respect to New York’s competitive position vis-à-vis other states and regions in terms of attracting and retaining jobs and capital investments. For instance, will the study examine and/or quantify the impact that higher energy prices would have on manufacturers – particularly ones in energy-intensive businesses – making decisions

concerning the future location of production, capital investments and employment levels? Such analyses, if undertaken, should reflect the multiplier effect accorded typically to manufacturing jobs. As part of the upstate-downstate analysis, the study should examine the potential for businesses to relocate within the State to avoid higher energy costs in downstate areas due to carbon pricing. Similarly, how would higher energy prices caused by carbon pricing affect the energy burden experienced by low- and moderate-income residential consumers? Finally, specify whether the impacts identified are based on an assumption that 100% of the carbon residuals would be returned to consumers on an energy basis or some other assumption.

- To the extent electric load would leave New York due to higher energy prices, what impacts would that have on global or regional emissions? For instance, to the extent manufacturing production and jobs are more likely to leave New York for other states and regions due to the implementation of carbon pricing, identify the environmental leakage associated with such activities being relocated to regions that likely have less-stringent environmental regulations as compared to New York.
- In estimating cost impacts, Brattle assumed that carbon pricing would result in a one-for-one reduction in REC prices. That assumption arguably is overly optimistic because, absent a change in the existing structure of the Clean Energy Standard and how RECs are procured, there would be a discounting of projected wholesale energy prices in the formulation of REC bids to account for market price uncertainty and volatility. Analysis Group should analyze and provide information on the most likely impacts of carbon pricing on future REC prices assuming continuation of the existing procurement structure.
- What are the likely impacts of higher energy prices caused by carbon pricing on State efforts to increase electrification? Would higher energy prices serve as a detriment to electrification? If yes, the study should quantify the magnitude of the detriment, if possible; if no, explain why not. This issue appears particularly relevant given that the State appears supportive of electrification as a means to help decarbonize, among other things, the transportation and residential heating sectors, which in New York emit far more carbon than the electric generation sector.
- Last year, the State adopted new energy efficiency goals that are more ambitious than previous goals. Will carbon pricing induce greater participation in energy efficiency programs and, if so, can the effect be quantified? How will carbon pricing affect achievement of the State's goals?

Consideration of Intrastate and Interregional Issues

- The analysis should attempt to capture, at a high level if necessary, the level and the cost of transmission that would be necessary, and the likely timing of that transmission build-out, to truly realize the expected benefits of the transfer of low carbon generation from upstate to constrained, higher-emitting downstate regions, and from off-shore wind facilities to higher-emitting regions.

- The analysis should evaluate the existence and the magnitude of any additional upwind pollution and negative health affects created by transferring generation from a low carbon intensity market (*e.g.*, the NYISO) and displacing it from a higher carbon intensity market (*e.g.*, PJM).
- To the extent carbon reductions are identified, it should be specified whether they represent global reductions or shifts of emissions from New York to another region.

Respectfully submitted,

Consumer Power Advocates
Multiple Intervenors
Municipal Electric Utilities Association of New York State/New York Municipal Power Agency
New York City
New York State Utility Intervention Unit
Nucor Steel Auburn