

Morgan Stanley Capital Group Inc. (MSCG) appreciates the opportunity to comment on the New York Independent System Operator's (NYISO) current implementation schedule for carbon pricing modifications to the New York energy markets.

Reflecting a desire to provide "market certainty for forward markets on the implementation timeline" NYISO announced a "not-before" date for carbon pricing deployment of April 2021 (later extended to July 2021) and a rolling 18-month timeframe for carbon pricing implementation once the proposal is approved by stakeholders.

While MSCG appreciates NYISO's efforts to reduce the market uncertainty and forward price volatility associated with carbon pricing, MSCG believes those efforts are not enough.

Specifically, NYISO's carbon deployment timeline is unrealistic as it does not account for the additional time required for certain key constituencies to assess the impact of carbon pricing on markets. For example, the NY State Climate Council set a July 2020 deadline to determine the social cost of carbon, with a draft scoping plan due in July 2021. In addition, the New York State Public Service Commission currently is conducting a large Resource Adequacy review. As these steps will precede any meaningful stakeholder vote, MSCG believes that the NYISO's carbon deployment timeline is unachievable. A more accurate "not-before" date would foster greater certainty in the forward markets and allow generation and load to reduce price risk while at the same time helping renewable generation accurately price REC bids to ensure project completion.

Moreover, the 18-month window falls short of its goal of reducing market uncertainty as most forward energy and capacity market participants transact in either calendar years (e.g., January to December) or planning years (e.g., June to following May). Accordingly, MSCG suggests instead of a rolling 18-month window that firm delays conclude at the commencement of either a calendar year or planning year.