

**New York Independent System Operator, Inc. Comments on Issues Raised at  
the November 17, 2015 RGGI Stakeholder Meeting**

December 4, 2015

**I. Introduction**

The New York Independent System Operator, Inc. (“NYISO”) is the not-for-profit company charged with reliable operation of New York’s bulk electricity grid, administration of wholesale electric markets, and planning for the future of New York’s power system. The NYISO has participated since the inception of the Regional Greenhouse Gas Initiative (“RGGI”) stakeholder process and appreciates the opportunity to participate in the 2016 Program Review. The NYISO respectfully offers the following comments in response to the issues raised at the stakeholder meeting held by the RGGI states on November 17, 2015.

**II. General Comments**

The NYISO suggests that the 2016 Program Review should focus on two priorities in sequence. First, the program review should evaluate the adequacy of the existing electric generating resources and the ability of the electric grid to reliably operate within the existing emission cap between now and 2020/2021. Second, the program review should examine the benefits and challenges presented by each of the six possible pathways for the member states individually and collectively to prepare State Plans in compliance with the U.S. Environmental Protection Agency’s (“EPA”) Clean Power Plan (“CPP”).

The RGGI states have indicated that they “currently anticipate using the mass goals for both existing and new sources as a pathway of compliance with the CPP.”<sup>1</sup> While the RGGI program has been integrated into the electricity markets in the region and sends a price signal for Carbon Dioxide (CO<sub>2</sub>) emissions, the mass based system for both new and existing sources is but one of at least six possible paths to comply with a very complicated new CPP rule. The RGGI states seek comments on the potential advantages of the different state plan pathways. The NYISO urges the RGGI states to fully explore all six paths as it undertakes the portion of the program review dedicated to evaluating CPP compliance options. The CPP will lead to annual CO<sub>2</sub> markets transacting volumes in the tens of billions of dollars with many hundreds of new participants. This magnitude of change merits review of all options before the states select compliance pathways.

**III. Responses to Issues Raised at the November 17, 2015 Stakeholder Meeting**

**A. Resources to Include in Base Case**

The RGGI states seek comments on which resources should be included in the base case for the 2016 Program Review. As quantified in the tables below, a number of generators have retired in New York and numerous others have announced future retirement or mothball decisions since the 2012 Program Review.

Retirements		
Region	Capacity (MW)	Energy (MWH)
NYISO	687	244,270

Announced Retirements			
Region	Capacity (MW)	Energy (MWH)	Emissions (tons CO <sub>2</sub> )
NYISO	2,270	13,342,358	2,527,084

<sup>1</sup> [http://www.rggi.org/docs/ProgramReview/2016/11-17-15/Key\\_Discussion\\_Items\\_11\\_17\\_15.pdf](http://www.rggi.org/docs/ProgramReview/2016/11-17-15/Key_Discussion_Items_11_17_15.pdf).

The NYISO's Reliability Needs Assessment planning conventions assume that generation units in service today continue in service in the base case, as long as they have not noticed an intention to retire or mothball. The NYISO recommends that the RGGI states utilize this convention for the Business As Usual or Base Case. The NYISO also recommends that all generators that have noticed their intent to retire or mothball be reflected as such in the base case analysis in order to plan for the deactivation of those units.

The NYISO recommends that all production simulations conducted by the RGGI states begin their analysis with sufficient resources to maintain bulk power system reliability. In order to follow industry standards, some cases will require new resources to be modeled as in service prior to the actual retirement date of announced retirements. For instance, in New York, and in many parts of the country, nuclear generating units are facing challenges that threaten their continued operation and retirements have occurred. Replacement resources should be modeled in the base case and scenario analyses as appropriate to maintain resource adequacy and transmission security while evaluating impacts on CO<sub>2</sub> and other emissions.

#### **B. Analysis of Potential State Plan Pathways**

The RGGI states also seek comments on the potential advantages of the different state plan pathways to comply with the CPP. The NYISO urges the RGGI states to analyze all six pathways prior to selecting or recommending a specific pathway for the state plans. More analysis is necessary to identify the potential advantages of each pathway.

### **C. Emission Cap Post 2020**

The RGGI states request comment on what the RGGI CO<sub>2</sub> cap (“cap”)<sup>2</sup> should be after 2020. The NYISO recommends that any change to the cap be examined in combination with a number of factors. The scope of work for the analysis should be sufficiently broad to fully examine the interplay of several variables, including: (1) possible changes to composition of the generating fleet (*e.g.*, the fuel mix relied on by the generation fleet); (2) the expected balance of banked allowances in 2020; and (3) potential changes to the Cost Containment Reserve (“CCR”).

### **D. Bank of RGGI Allowances Post 2020**

The RGGI states seek comments on how to adjust banked CO<sub>2</sub> allowances after 2020. The NYISO recommends that the RGGI states take the necessary actions to preserve the value of these allowances in a RGGI system and integrate these allowances into state plans. These allowances have been sold by the RGGI states as negotiable instruments. Any actions to abandon the value of these allowances by the states would be disruptive to the current markets and could lead to a “use them or lose them” behavior resulting a spike in CO<sub>2</sub> emissions.

### **E. Cost Containment Reserve**

The RGGI states request comments on the continued functionality of the Cost Containment Reserve. The CCR should be considered as a transitional mechanism until trading programs are developed, or evolve, under the CPP. The NYISO suggests examining the CCR trigger criteria as part of the 2016 Program Review. The CCR trigger criteria, including the trigger price, need to be consistent with the long-term environmental goals of the RGGI states. Simply avoiding CO<sub>2</sub> allowance price spikes should not be the main focus of the CCR. Price spikes that incentivize investment or behavior in line with the CO<sub>2</sub> reduction goals of the RGGI

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<sup>2</sup> The RGGI CO<sub>2</sub> cap represents a regional budget for CO<sub>2</sub> emissions from the power sector.

states are beneficial to the objectives of this initiative. This review should be coordinated with the evaluation of any potential changes to the RGGI CO<sub>2</sub> allowance cap, as the RGGI states will have to evaluate where to obtain the CCR allowances. Accordingly, this is an opportune time to reassess CO<sub>2</sub> allowance market expectations and the CCR function.

#### **F. Compliance Reporting Process**

The RGGI states request comments on the compliance reporting process. The CPP will lead the CO<sub>2</sub> allowance trading market to grow dramatically in terms of dollars and in focus from the electric industry and others. The NYISO recommends that RGGI Inc. and/or the RGGI states retain a third-party firm to review the periodic reports detailing allowances consumed before the data is released to, and relied on by, the participants in the markets. The third-party firm should be retained now in order to gain experience with the RGGI trading program before a larger CPP trading program may be implemented.

In the event that errors in allowance consumption reporting are discovered after the data is released to the participants in the markets, corrections should be made in a transparent, public manner that identifies the changes in allowances consumed, the state where the error occurred, and the relevant time period. The RGGI states should also evaluate the penalty structure for non-compliance to incentivize more accurate emissions reporting.

#### **G. Increasing the Number of RGGI Partners**

The RGGI states seek comments on increasing the number of RGGI partners. The NYISO recommends completing the analysis of the six possible CPP compliance paths prior to making any decisions about the appropriate set of RGGI trading partners. The analysis, and identified advantages/disadvantages of the various compliance pathways will inform the selection of appropriate trading partners that intend to implement programs compatible with the

pathway selected by New York. The NYISO cautions against taking any actions at this time that could limit the set of potential trading partners under the CPP.

#### **IV. Additional Comments - CPP Treatment of Simple Cycle Gas Turbines**

Most of the pathways to comply with the CPP do not apply to simple cycle gas turbines; however, RGGI applies to all fossil fired units greater than or equal to 25 MW. In New York, simple cycle gas turbines represent approximately 1,000,000 tons of CO<sub>2</sub> emissions. The NYISO recommends that the RGGI program continue to apply to these types of units until the CPP becomes effective. At that time, these generators could be required to purchase and retire CO<sub>2</sub> allowances subject to RGGI state rules, but independent of the CPP. This approach could continue to send the appropriate price signals without overly complicating the trading provisions of State Plans of the RGGI states. The NYISO suggests this approach based on the understanding that it would not restrict the set of potential trading partners under CPP trading programs. As mentioned above, the NYISO does not advise taking any actions at this time that could limit the set of potential trading partners.

#### **V. Conclusion**

The NYISO respectfully requests that the RGGI states consider these comments in the 2016 RGGI Program Review.

Respectfully submitted,

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