



January 24, 2025

Hon. Michelle L. Phillips  
Secretary to the Commission  
New York State Public Service Commission  
Agency Building 3  
Albany, NY 12223-1350

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

Dear Secretary Phillips:

Pursuant to the Public Service Commission's (Commission) Order Adopting a Clean Energy Standard (CES Order), which was issued in the above-referenced case on August 1, 2016, Department of Public Service Staff (Staff) has determined that the Tranche 5 (i.e., April 1, 2025 – March 31, 2027) Zero Emissions Credit (ZEC) price should be administratively set at \$14.70/MWh. This price is subject to adjustment by the New York State Energy Research and Development Authority for its administrative costs, as provided for in Part 17 of Appendix E of the CES Order.

The CES Order provides a general formula that sets the ZEC price. The formula includes the following: The Social Cost of Carbon, less the Baseline Regional Greenhouse Gas Initiative (RGGI) Effect, less the combined amount that the Zone A forecast energy price and Rest-of-State (ROS) forecast capacity price exceeds the reference price, if applicable. For Tranche 5, the adjusted Social Cost of Carbon is \$26.45/MWh, which is based on a Net CO<sub>2</sub> Externality cost of \$49.13, as included in Table 3 of Appendix E of the CES Order, multiplied by the conversion factor of 0.53846.<sup>1</sup> Further, Staff has calculated that, for Tranche 5, the combined Zone A energy price forecast and ROS capacity price forecast equals \$49.53/MWh.<sup>2</sup> This amount exceeds the applicable reference price of

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<sup>1</sup> The conversion factor is used to convert the net CO<sub>2</sub> externality costs to dollars per MWh. Part 13(c) of Appendix E of the CES Order states that, for Tranche 5, the conversion factor of 0.53846 will be adjusted downward if the total energy from renewable resources consumed in New York State during calendar year 2024 is over 50 million MWh. This milestone has not been reached, and therefore, the conversion factor remains the same as in prior ZEC tranches.

<sup>2</sup> As discussed in the CES Order, the energy price forecast adjustment captures changes due to RGGI. Due to the discontinuation and unavailability of ROS forecasted capacity prices published by the New York Mercantile Exchange (NYMEX), the calculations referenced here utilized ROS forecasted capacity prices published by the Intercontinental Exchange (ICE). DPS Staff verified that ICE provides comparable capacity forecasts to those previously published by NYMEX.

\$37.78/MWh by \$11.75/MWh.<sup>3</sup> Accordingly, consistent with the formula set out in Appendix E of the CES Order, the Tranche 5 ZEC price should be administratively set at \$14.70/MWh (i.e., \$26.45/MWh less \$11.75/MWh).

This Tranche 5 ZEC price is lower than the previous ZEC price established in Tranche 4, which was \$18.27/MWh.

Please feel free to contact me at (518) 473-8178 or David.Drexler@dps.ny.gov should you have any questions.

Sincerely,

s/ David G. Drexler

David G. Drexler

Deputy General Counsel

NYS Department of Public Service

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<sup>3</sup> Applying the methodology determined in the CES Order, Staff previously determined that the reference price for use in Tranches 4 through 6 should be adjusted to \$37.78/MWh. See Staff letter regarding Tranche 4, filed in Case 15-E-0302 on January 31, 2023.