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Three Empire State Plaza, Albany, NY 12223-1350
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January 31, 2023

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

RE: 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, the Commission determined that there were two potential modifications to certain historically fixed provisions used to determine the final Tranche 4 (i.e., April 1, 2023 – March 31, 2025) Zero Emissions Credit (ZEC) price. The first potential modification relates to the conversion factor used to convert the net CO₂ externality costs to dollars per MWh. Part 13(c) of Appendix E of the CES Order states that, for Tranche 4, 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 2022 is over 50 million MWh. This milestone has not been reached, and therefore, the conversion factor remains the same as in prior ZEC tranches.

The second potential modification relates to the \$39/MWh reference price approved by the Commission in the CES Order. Part 13(d) of Appendix E of the CES Order requires the reference price to be adjusted going forward if the historic \$/MWh difference between the six-year (i.e., 2017-2022) average Zone A day-ahead energy price and the individual six-year average generator bus day-ahead energy prices for each of the four nuclear units (weighted to determine a single average historic \$/MWh basis differential) is either below \$5/MWh or above \$7/MWh. If the average historic basis differential is below \$5/MWh, the difference between \$5/MWh and the average historic basis differential will be subtracted from the reference price of \$39/MWh. Based on Department of Public Service Staff's (Staff) review, the average historic basis differential was \$3.78/MWh, resulting in a reduction of \$1.22/MWh to the \$39/MWh reference price. Accordingly, the updated reference price for use in Tranches 4 through 6 is \$37.78/MWh.

Per the CES Order, the general formula that sets the ZEC price is as follows: 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 forecast capacity price exceeds the reference price. For Tranche 4, the adjusted Social Cost of Carbon is \$23.83/MWh, which is based on a Net CO₂ Externality cost of \$44.26, as included in Appendix E of the CES Order, multiplied by the conversion factor of 0.53846 that was noted above. Staff has calculated that the combined Zone A forecast energy and ROS forecast capacity price for Tranche 4 is \$43.34/MWh, which exceeds the updated reference price of \$37.78/MWh by \$5.56/MWh.¹ Therefore, in accordance with the formula prescribed by the Commission in Appendix E of the CES Order, the Tranche 4 ZEC price should be administratively set at \$18.27/MWh (i.e., \$23.83/MWh less \$5.56/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.

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

Sincerely,

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¹ As noted in Appendix E of the CES Order, the energy price forecast adjustment captures changes due to RGGI.