STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

PROCEEDING ON MOTION OF THE COMMISSION
TO CONSIDER RESOURCE ADEQUACY MATTERS Case No.: 19-E-0530

REPLY COMMENTS OF UPSTATE ENERGY JOBS

IN SUPPORT OF

A CARBON PRICING PROPOSAL DEVELOPED BY

THE NEW YORK INDEPENDENT SYSTEM OPERATOR

Dated: January 31, 2020

Introduction

Upstate Energy Jobs (UEJ) submits these reply comments in the resource adequacy proceeding initiated by the Public Service Commission (PSC) on August 8, 2019.[1] UEJ joins the many commenters who have expressed their support in this docket for the carbon pricing proposal developed by the New York Independent System Operator (NYISO).[2] For the reasons explained below, UEJ urges the PSC to publicly announce its support for the carbon pricing proposal and to work with NYISO and stakeholders to fast-track the process for approval and implementation. Implementing the carbon pricing proposal now will leverage the existing NYISO markets to help New York accelerate achievement of its climate policy objectives, while simultaneously fostering economic development, helping to preserve existing jobs and creating new ones.

Background

UEJ is a broad-based coalition of municipal, business, labor, education and economic development leaders dedicated to ensuring the continued operation of Upstate New York's four nuclear power plants.[3] The coalition was formed in 2015, shortly after the then-owner of one of the upstate nuclear plants announced the plant's imminent closure citing, among other reasons, the failure of markets to compensate for clean energy attributes.[4] Since 2015, UEJ has worked to raise awareness of the many benefits that nuclear energy provides to New York, as well as of the devastating economic impacts that closure of the nuclear plants would have for the region and the State. With the enactment of the Clean Energy Standard (CES) in 2016, the PSC took decisive action to preserve existing upstate nuclear generation by establishing the zero emissions credit or

[1] Case 19-E-0530, *Proceeding on Motion of the Commission to Consider Resource Adequacy Matters*, Order Instituting Proceeding and Soliciting Comments (Aug. 8, 2019) (August 8 Order).

[2] The proposal is available on the NYISO website, in the Business Issues Committee's meeting materials for June 20, 2019. Available at https://www.nyiso.com/business-issues-committee-bic- .

[3] UEJ is supported by local businesses, families, employees and skilled labor that are deeply concerned about preserving Upstate New York's nuclear power plants. *See* www.upstateenergyjobs.com.

[4] In its Notice to the PSC of its intent to retire the facility, Entergy FitzPatrick stated that "[l]ow commodity prices, combined with the plant's distance from key load centers and market structure design flaws, including the failure of markets to compensate [Entergy] FitzPatrick for the generation of clean energy, have rendered the facility uneconomic now and for the foreseeable future." Case 15-E-0640: *Petition of Entergy Nuclear FitzPatrick, LLC to Retire the James A. FitzPatrick Nuclear Generating Facility*, Notice of Intent to Retire James A. Fitzpatrick Nuclear Generating Facility (Filed Nov. 2, 2015).

ZEC program, which provides revenues to eligible nuclear plants for their zero carbon and other environmental benefits.[5] Today, thanks in significant part to the CES, these nuclear plants continue to provide hundreds of good paying jobs for New Yorkers and contribute millions of dollars to the regional economy every year. These plants also continue to produce significantly more zero emissions energy than all other New York zero carbon resources combined.

In addition, to further strengthen the upstate economy, UEJ supports development of new transmission that will enable the movement of electricity from upstate to downstate New York. New transmission will open new markets for upstate renewable and nuclear generation, expanding regional economic activity and providing good job opportunities for skilled workers.

Comments

New York's leadership on climate change is well-established. In addition to creating the ZEC program, the CES mandated that "50% of all electricity used in New York by 2030 should be generated from renewable sources[,]"stimulating increased development of renewable energy resources.[6] In 2019, New York enacted the Climate Leadership and Community Protection Act (CLCPA), which increased the amount of electricity that must be produced by renewables to 70% by 2030 and also required all electricity consumed in New York to be free of carbon emissions by 2040.[7] The CLCPA also creates significant economic development opportunities by mandating 3,000 MW of energy storage resources by 2030, 6,000 MW of solar generation by 2025, and 9,000 MW of offshore wind by 2035.

UEJ believes that climate change can and should be addressed in a way that supports economic development and good jobs. In the words of the Bluegreen Alliance "[w]e are guided by the principle that we can no longer choose between good jobs and a clean environment—that the actions we take to create quality jobs and to protect working people and the environment must

[5] Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (Aug. 1, 2016) (the "CES Order").

[6] *Id*. at 5.

[7] New York State Senate bill S. 6599 and Assembly bill A. 8429, available at https://legislation.nysenate.gov/pdf/bills/2019/s6599.

go hand-in-hand, and that together, we will build [a] clean, thriving and fair economy."[8] The carbon pricing mechanism NYISO proposes would have the dual benefits of helping to address the resource adequacy concerns raised by the PSC in this proceeding, while also creating economic opportunities for existing and new upstate zero emissions resources.

The PSC established this proceeding to "examine how to reconcile resource adequacy programs and the State's renewable energy and environmental emission reduction goals."[9] In the initial comments, commenters from many different types of organizations agreed that changes to the NYISO's markets were needed to harmonize those markets with the State's ambitious carbon emission reduction goals under the CLCPA.[10] While the commenters did not agree on all changes that would be necessary, many did agree that the NYISO's carbon pricing proposal, which would incorporate the cost of carbon into the NYISO's energy market, was the right first step toward accomplishing CLCPA mandates.[11]

In its comments, NYISO explained that its proposal would help address the PSC's resource adequacy concerns by incorporating the cost of carbon emissions into the NYISO's wholesale energy market "using a social cost of carbon emissions price in dollars per ton of carbon emissions. Suppliers would embed carbon charges in their energy offers (referred to as the supplier's carbon emissions adder in $/MWh) and the NYISO's existing processes would incorporate the carbon price into the commitment, dispatch, and price formation."[12] NYISO further explained that

[8] Available at https://www.bluegreenalliance.org/about/.

[9] August 8 Order at 4.

[10] *See, e.g.*, Case 19-E-0530, *supra*, Comments of Natural Resources Defense Council, Sustainable FERC Project, Sierra Club, New Yorkers for Clean Power, Environmental Advocates of New York, and Vote Solar at 4 (Nov. 8, 2019) ("Fundamentally, we believe that NYISO's current approach to resource adequacy lacks the flexibility needed to support CLCPA's mandate for 70% renewable electricity by 2030 and 100% emissions-free electricity by 2040 in a cost-effective manner."); Case 19-E-0530, *supra*, Comments of Independent Power Producers of New York, Inc. at 3 (Nov. 8, 2019) ("IPPNY agrees that changes must be explored to address resource adequacy on the system following enactment of the Climate Act and that existing wholesale market mechanisms to date have been expressly designed to deliver reliable electric service at lowest cost, and, therefore, have not been designed to account for the value provided by certain resources to achieve the additional outcomes now envisioned by the State.").

[11] *See, e.g.*, Case 19-E-0530, *supra*, Institute for Policy Integrity Comments on Resource Adequacy at 6 (Nov. 8, 2019) ("sector-specific carbon pricing policy, like the one developed by NYISO, could also improve market efficiency in a way that provides technology-neutral support for progress toward the State's emissions-reduction goals.").

[12] Case 19-E-0530, *supra*, Initial Comments of New York Independent System Operator, Inc. on Resource Adequacy Matters, at 62 & fn. 111 ("NYISO Comments").

"[c]arbon pricing … would allow the NYISO-administered markets as a whole to internalize the cost of emissions and reward resources with desired environmental attributes. By doing so, carbon pricing would ameliorate concerns that the NYISO's existing ICAP product does not compensate resources for environmental and local reliability benefits."[13]

In addition, a carbon price would provide economic development benefits. During the stakeholder process to develop the carbon pricing proposal, NYISO engaged the Analysis Group to study the potential impacts of establishing a carbon pricing mechanism in the NYISO markets.[14] In October 3, 2019 report, the Analysis Group identified a number of significant economic benefits that would be result from implementing carbon pricing as proposed by NYISO. Among other things, Analysis Group described how enacting a carbon price in the NYISO's markets would benefit existing zero or low-carbon emissions generating units:

> A carbon price will help retain existing generating units with zero or low carbon emissions in operation as long as safely possible. It will provide owners of many such plants—including units that will come to the end of their contracts for renewable energy credits (RECs) or zero-emissions credits (ZEC) over the next decade—with visibility into future wholesale-market revenues at levels that (for some generating resources) will support the ongoing investments needed to maintain those units in operation. This has material financial value to consumers, as New York transitions its electric system: For every 1,000 MW of nuclear capacity retained in any year, for example, New Yorkers will avoid the cost of replacing that zero-carbon energy with significantly larger and more costly amounts of capacity and investment in new zero-carbon-emitting power-supply projects. Meeting the Act's requirements over the next few decades will likely require market and policy mechanisms that result in both retaining nuclear capacity and adding renewable resources.[15]

The Analysis Group listed many other benefits of a carbon pricing mechanism such as proposed by NYISO, including:

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[13] NYISO Comments at 62 – 63 (internal footnotes omitted).

[14] *See* Case 19-E-0530, *supra*, Comments of Exelon Corporation, Attachment A at p. 6 (also available at https://www.nyiso.com/documents/20142/2244202/Analysis-Group-NYISO-Carbon-Pricing-Final-Summary-for-Policymakers.pdf/75a766a8-623f-c105-ddcf-43dd78cb4bca?t=1570098881971).

[15] *See Id*. at 6.

- Lower-cost achievement of New York's aggressive climate targets, through market efficiencies in power-sector transactions and investments as a result of a price on carbon.

- Efficient market incentives for the addition of transmission investments to give downstate New Yorkers better access to valuable low-carbon and renewable resources in upstate regions.

- Near-term price signals to investors in renewables, storage, combined heat and power, energy efficiency, and demand-side measures.[16]

UEJ supports NYISO's carbon pricing proposal for many of the reasons set forth in the Analysis Group Report and NYISO's comments. First, because it is a market-based solution, implementation of the carbon pricing proposal will leverage existing market structures, thereby enabling the proposal to be implemented quickly relative to other potential solutions. Additionally, the proposal will provide incentives to help maintain existing zero carbon resources, such as the 3536.8 MW[17] generated by upstate nuclear plants[18], while also incentivizing construction of new renewable energy projects, which will create good-paying new jobs for skilled workers. Lastly, the proposal helps to further advance the stated goals and policies of the State of New York as more fully forth in the CES and the CLCPA.

[16] *Id*. at 2.

[17] *See* 2019 Load Capacity Data; The NYISO Gold Book at pages 60, 68-69. (Also available at https://www.nyiso.com/documents/20142/2226333/2019-Gold-Book-Final-Public.pdf/a3e8d99f-7164-2b24-e81d-b2c245f67904?t=1556215322968)

[18] Ginna, FitzPatrick, Nine Mile Point 1, and Nine Mile Point 2

Conclusion

UEJ appreciates the opportunity to submit these comments. For the reasons set forth above, UEJ urges the PSC to support the NYISO's carbon pricing proposal and to work with NYISO and stakeholders to ensure its swift implementation.

Respectfully submitted,

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Dated: January 31, 2020