

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

State Policies and Wholesale Markets
Operated by ISO New England Inc., New York
Independent System Operator, Inc., and
PJM Interconnection, L.L.C.

Docket No. AD17-11-000

**POST-TECHNICAL CONFERENCE COMMENTS
OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

In accordance with the Commission’s May 23, 2017 *Notice Inviting Post-Technical Conference Comments* (“Notice”) in this proceeding, the New York Independent System Operator, Inc. (“NYISO”) respectfully submits its post-technical conference comments. The NYISO appreciates the opportunity to work with the Commission and FERC Staff through the technical conference and the submission of written comments.

New York State is a national leader on environmental quality initiatives. The Regional Greenhouse Gas Initiative (“RGGI”), and New York’s Clean Energy Standard (“CES”) and Reforming Energy Vision are shaping the future emissions profiles of New York State’s electric generation and the mix of resources used to produce power. Competitive wholesale electricity markets administered by the NYISO and overseen by the Commission have complemented environmental regulations, public policy initiatives and efforts to expand renewable power resources that serve consumers since the inception of wholesale markets in New York in 1999. For example, the NYISO has contributed to New York’s leadership in renewable generation development through market design advancements and the deployment of sophisticated forecasting systems. In 2009, the NYISO became the first grid operator to fully integrate wind

generation resources into its economic dispatch system. The NYISO is currently working to develop a solar forecasting system that is expected to go live later this year.

I. New York State Public Service Commission's Clean Energy Standard

The New York State Public Service Commission's ("PSC's") CES supports New York State's goal of having 50% of all energy consumed in the State supplied by renewable resources by the year 2030 (referred to as "50x30").

NYISO previously commented to the PSC and continues to recommend, among other things, that CES initiatives be structured to be compatible with competitive markets to provide the most economically efficient solutions and avoid adverse unintended outcomes. The NYISO intends to work with its stakeholders, the New York State Department of Public Service ("DPS") and the PSC to explore market mechanisms that support the State's 50x30 goal. The NYISO also supported the need for a program to retain existing zero-emission nuclear generation as a bridge until a market-based mechanism to address State policy objectives can be explored.

II. NYISO's Consideration of Pricing Carbon in the Markets

The wholesale energy markets were designed, among other things, to drive the efficiency of the generating fleet through the introduction of competitive forces, and they have been a very successful means to accomplish that goal. The NYISO markets have successfully captured approximately \$7 billion of fuel efficiency since their introduction in 1999.

While current wholesale market designs function well to send economically efficient market signals to maintain reliability, the markets do not value externalities such as environmental attributes. These attributes are at the heart of certain state policies. ISO/RTO markets are not currently designed to value environmental attributes, but potentially could be modified to capture and monetize the value of those attributes. Ultimately, the NYISO is

looking for a model which will meet the goals of reliability, cost efficiency, and low carbon output while striking the appropriate balance between state and federal jurisdictions.

The NYISO is working in collaboration with the Brattle Group, NYISO stakeholders, and DPS to examine the feasibility of modifying NYISO's market design to complement New York State's ambitious environmental policies. The DPS and NYISO have engaged in a productive dialogue since the May technical conference. NYISO anticipates releasing the Brattle Group's preliminary findings in the near future for further discussion with the DPS and our market participants to consider approaches for potentially integrating the price of carbon into the wholesale markets.

The ultimate goal of this ongoing effort is to harmonize the CES objectives with the NYISO wholesale markets.

III. Regional Flexibility

When considering potential actions that the Commission may take to address various questions and concerns raised in the technical conference, the NYISO encourages the Commission to continue to provide individual ISOs and RTOs flexibility to develop market designs and pricing rules that appropriately reflect their individual situations and pertinent state-specific public policies. Each ISO/RTO employs different market designs, relies on a different mix of resources and implements its markets in different states. The characteristics and interaction of each ISO's/RTO's markets and state policies should inform the decision of if, how, or when to address the interplay between state policy goals and the wholesale markets. The Commission and the ISOs/RTOs should also recognize that, while solutions need not be uniform, ISO/RTO solutions must be compatible with neighboring regions and markets.

IV. Conclusion

The NYISO respectfully submits these post-technical conference comments for the Commission's consideration.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, NY this 22nd day of June 2017.

By: /s/ John C. Cutting

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