



November 10, 2017

Hon. Kathleen H. Burgess, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

VIA ELECTRONIC SUBMISSION

Re: Matter No. 17-01821 In the Matter of Carbon Pricing in New York Wholesale Markets NYISO/DPS Integrating Public Policy Task Force

The Institute for Policy Integrity at New York University School of Law¹ (“Policy Integrity”) respectfully submits the following recommendations regarding topics that should be addressed in the work plan for the Integrating Public Policy Task Force (“IPPTF”). Policy Integrity is a non-partisan think tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, economics, and public policy. Policy Integrity has extensive experience advising stakeholders and government decisionmakers on the rational, balanced use of economic analysis, both in federal practice and at the state level.

Policy Integrity applauds the joint efforts by NYISO and the New York State Department of Public Service (“DPS”) to harmonize the state’s energy policies with the operation of wholesale markets. Establishing the IPPTF to discuss how to incorporate carbon pricing into the wholesale market is an important step towards achieving New York’s clean energy objectives in the most economically efficient manner. Of course, the program’s actual design will be crucial to actually accomplishing this goal.

As such, Policy Integrity recommends that the following list of topics be included in the work plan, to the extent that they have not already been included:

- 1. Price:** The level at which the carbon price is set, how often it will be updated, as well as the process and the criteria for future updates to the price.
- 2. Revenue allocation:** How revenue is redistributed plays a crucial role in the success of a carbon pricing policy and the efficiency of the outcomes from a social

¹ No part of this document purports to present New York University School of Law’s views, if any.

welfare maximization point of view. The work plan should include a comparative analysis of the proposed revenue redistribution mechanisms with the goal of assessing the ability of each alternative to meet state clean energy goals in an efficient and equitable matter.

3. **Leakage:** An examination of the potential pathways and magnitudes of leakages out of state, leakages within RGGI, and leakages across sectors such as transportation, as well as an analysis of if/how these leakages could be prevented by measures such as border adjustments and/or retiring of RGGI allowances.
4. **Legal implications:** A discussion of the legal authority to adopt the carbon price under the Federal Power Act and U.S. Constitution.
5. **Settlement:** How exactly to incorporate the price into the settlement process.
6. **Bilateral trades:** How bilateral trades will be treated, and an analysis of if/how a carbon price would change the incentives for dirtier power plants to engage in bilateral trading.
7. **Effects on other pollutants:** An analysis of the effects on the emissions of other pollutants, both in terms of the total amount emitted as well as the local variation.
8. **Harmonization of carbon pricing with other state policies:** A discussion of if/how existing state policies that pay for emission-free attributes will be adjusted to take into account the carbon price in the wholesale markets.
9. **Adjustments to other NYISO markets:** An analysis of if/how other NYISO market products will be affected, and a discussion of whether any adjustments to market design will be necessary such as improving the valuation of flexibility.
10. **Additional analysis:** Additional customer bill impact analysis with different design criteria, as well as analyses that includes dispatch modeling to fully understand the potential effects of various carbon pricing policy designs.

Respectfully submitted,

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