

**New York State Public Service Commission
Case 19-E-0530
Proceeding on Motion of the Commission to
Consider Resource Adequacy Matters**

**INITIAL COMMENTS OF THE
NATURAL GAS SUPPLY ASSOCIATION**

The Natural Gas Supply Association (“NGSA”) respectfully submits comments in response to the New York State Public Service Commission’s (“NYSPSC”) Order Instituting Proceeding and Soliciting Comments in which it seeks to reconcile resource adequacy programs with the State’s energy and environmental emission reduction goals.¹ NGSA urges the NYSPSC and the State of New York to recognize the importance of maintaining a competitive market structure to ensure the State’s environmental goals can be effectively achieved in a manner that also ensures that sufficient resources are available to empower the integration of renewable energy resources and to support grid reliability in a cost-effective manner. The most effective way for New York to achieve each of these goals is to endorse and implement an effective carbon pricing framework.²

Founded in 1965, NGSA represents integrated and independent energy companies that produce and market domestic natural gas and is the only national trade association that solely focuses on producer-marketer issues related to the downstream natural gas industry. NGSA encourages the use of natural gas within a balanced national energy policy and supports the benefits of competitive markets. NGSA members trade, transact, and invest in the U.S. natural

¹ Case 19-E-0530, “*Proceeding on Motion of the Commission to Consider Resource Adequacy Matters*,” Order Instituting Proceeding and Soliciting comments, August 9, 2019.

² NGSA is supportive of the New York ISO’s efforts to develop carbon pricing structure in its market. However, NGSA is still reviewing the ISO’s specific proposal and our endorsement of a carbon pricing framework herein should not be construed to suggest that NGSA is fully supportive of the specific design parameters that may be proposed by the NYISO.

gas market in a range of different manners. NGSA is dedicated to achieving a cleaner future through strong partnerships with renewables and supporting innovative technologies and market solutions that reduce emissions. As an integral partner, natural gas empowers renewable energy resources by increasing the level of renewables that can be integrated into the system. NGSA advocates for competitive wholesale power markets that provide the appropriate price signals that encourage natural gas-fired power generators to make investments that are needed to meet their performance obligations.

I. Introducing a price on carbon in the regional competitive wholesale market is the best means to achieve New York’s clean energy goals.

New York has set ambitious targets for carbon emissions reductions and will be closely watched by other states that are also contemplating measures to decrease carbon emissions through increased reliance on lower carbon resources. For this reason, it is imperative to find the best means to ensure the long-term success of New York’s climate action plan. Long-term success can only be achieved by supporting mechanisms that take into account all essential elements such as maintaining the reliability of the grid; ensuring continued energy investment that is underpinned by regulatory certainty; ensuring all New York consumers have access to affordable energy; and fostering innovative low-carbon technologies and solutions.

All of these elements cannot be achieved through direct subsidies or mandates directed at specific energy sources. Competitive markets have proven that they provide significant savings for consumers and should continue to be used as a tool to advance the state’s carbon reduction goals. Private investment will be needed to achieve these goals and regulatory uncertainty will undermine future investment opportunities. However, incorporating a price on carbon in the wholesale competitive market will allow New York to take advantage of all resources and technologies that can aid in the reduction of carbon emissions and will do so in the most efficient

and cost-effective way possible; while not exposing consumers to risk that should be borne by the market. Additionally, carbon pricing provides an incentive to develop new technologies that are essential to reaching carbon emissions targets such as carbon capture, utilization, and storage (CCUS).³ In fact, a carbon adder in the wholesale market can reduce the need for existing subsidies for resources that were previously considered uneconomic; thereby improving today's price signals.

Most recently, the Analysis Group released its report on NYISO's carbon pricing mechanism finding that the proposed carbon pricing mechanism will allow New York to reduce carbon emissions in the quickest and most economically way possible and urged the state to make the most of this "home-grown" tool.⁴ While not pre-judging the merits of NYISO's specific carbon pricing proposal, we agree that implementing an effective carbon pricing mechanism is the most beneficial means for New York to meet its climate objectives. Based on the numerous benefits outlined above and in the Analysis Group report, NGSAs urges the NYSPSC and the State to recognize the benefits of carbon pricing and to work with NYISO and its stakeholders to ensure an effective framework is implemented.

³ Energy Futures Initiative, "*Pathways for Deep Decarbonization in California*," May 2019, https://static1.squarespace.com/static/58ec123cb3db2bd94e057628/t/5ced7013ee6eb03a466f546d/1559064604282/EFI_CA_Decarbonization_SFPM.pdf, pg. xvii. "To meet the 2030 target, however, it is expected that there will be incremental improvements and cost reductions in key technologies, including, for example, carbon capture, utilization, and storage (CCUS) at industrial facilities and natural gas power plants. Notably, the Industry, Transportation, and Agriculture sectors have not seen measurable emissions improvements in recent years."

⁴ The Analysis Group, "*The Role and Economic Impacts of a Carbon Price in NYISO's Wholesale Electricity Markets*," October 3, 2019, <https://www.nyiso.com/documents/20142/2244202/Analysis-Group-NYISO-Carbon-Pricing-Report.pdf/81ba0cb4-fb8e-ec86-9590-cd8894815231?t=1570098686835>, pg. 59.

II. Partnering with renewables, natural gas generation will help empower increased reliance on lower carbon energy resources.

Natural gas generation has an essential role in helping New York meet its climate goals. As renewable forms of energy become an increasingly larger percentage of New York's energy portfolio, flexible resources with fast-ramping capabilities, such as gas peaking units, will be critical to address periods of intermittency and smooth this transition. As noted in Energy Futures Initiative's study, Pathways for Deep Decarbonization in California:

Natural gas generation will continue to play a key role in providing California's electric grid with operational flexibility and system reliability, while enabling the growth and integration of intermittent renewables. Natural gas-fired generation provides key load-following services. It has short- and long-duration applications, including the management of seasonal shifts in demand. As renewable generation has increased, natural gas units, in their balancing role, are being operated for shorter intervals and higher heat rates; this suboptimal operation is increasing their emissions intensity. Battery storage systems can be leveraged with natural gas combined cycle (NGCC) units to smooth their ramping operation, measurably reducing their emissions profile.⁵

This partnership between natural gas and renewables is in addition to the essential role that natural gas plays in meeting nearly 60% of New York's energy needs today, while being a primary driving force for nearly 70% in carbon reductions in New York since 2000. Given the unique partnership between natural gas and renewables, as well as New York consumers' essential reliance on natural gas to meet their energy needs, the State and the NYSPSC must be cautious about taking any actions that may create an undue market disadvantage for natural gas generation.

For existing natural gas-fired units to remain economic and in operation and for new investments to be made in natural gas generation where needed, market participants require

⁵ Ibid., xix.

regulatory certainty that can only be provided through a competitive wholesale market that is free from interference. The capacity, energy and ancillary markets operated by the NYISO can provide that needed regulatory certainty while successfully achieving New York's climate objectives by instituting a price of carbon in the regional power market instead of allowing subsidized entry, which will artificially suppress prices and lead to long-term generation inadequacy. NYSPSC staff can work hand-in-hand with the NYISO and its stakeholders to effectively accomplish these objectives coherently through market-based approaches.

III. Conclusion.

For the reasons cited above, NGSA believes that management of state resources is best accomplished through market-based mechanisms that allow the competitive market to thrive. Specifically, placing a price on carbon in the regional wholesale power market is the most effective and efficient means to attract investment and drive innovation in low-carbon resources, which, in turn, will allow the state to meet its climate objectives in the most reliable and lowest-cost manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Patricia Jagtiani', with a long horizontal flourish extending to the right.

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