



Carbon Pricing Update: ISO-NE and NYISO Look to Gain Ground in 2017

Feb 13, 2017

Reading Time : **2 min**

By: Shawn Whites (Paralegal)

At NEPOOL's January 25, 2017, IMAPP meeting, ISO-NE presented a memorandum on three conceptual IMAPP proposals—carbon pricing in the energy markets, forward clean energy markets and two-tiered pricing in the forward capacity market—but did not take a position supporting (or not supporting) any of the proposals. Rather, ISO-NE highlighted key aspects and concerns with each proposal to date. In comparison to a forward clean energy market and two-tiered pricing, ISO-NE noted that carbon pricing “fares well on key market design criteria” (i.e., simplicity, transparency and cost-effectiveness) when evaluating the proposals that “aim to directly reduce carbon emissions.” However, ISO-NE noted that any carbon pricing proposal would pose three major challenges: (i) proper setting and adjustment of the initial carbon price, (ii) determination of how to allocate revenue generated from the carbon price and (iii) federal-state jurisdictional issues.

Given ISO-NE's short-term goal—to have any potential market reforms in place for the 13th Forward Capacity Auction, which would require a filing at the Federal Energy Regulatory Commission (FERC) by the end of 2017—a carbon pricing proposal might be out of the equation as a near-term solution. As ISO-NE stresses several times throughout its memorandum and accompanying presentation, ISO-administered carbon pricing, though relatively straight forward, “may . . . not be implementable quickly inasmuch as the novelty of the jurisdictional issues it poses may create delays while legal issues are resolved.” The ISO's point is especially relevant today, since federal-state jurisdictional battles have made it all the way to the Supreme Court in recent years. Further complicating any potential market reforms in ISO-NE—and other wholesale markets—is FERC's potentially lengthy non quorum period, the implications of which we discussed here.

While ISO-NE seeks a near-term solution, NYISO is looking long-term. In its January 31, 2017, IPPP update, NYISO established a three-phase schedule to “investigate potential market designs that can fully incorporate the cost of carbon” into its wholesale markets. For the first phase, NYISO has hired the Brattle Group to produce a white paper considering “various approaches that would internalize the cost of carbon emissions,” including any effect on the efficiency of NYISO’s capacity markets, with a completion date expected in April or May. During phase two, NYISO will conduct its own assessment, which will study the market impact of adding renewable capacity sufficient to meet New York’s 50 percent Clean Energy Standard by its 2030 goal. The results of the first two phases will inform NYISO’s third phase, in which it will assess whether or not market rule changes are necessary to meet the region’s reliability needs. NYISO anticipates that any such changes will be identified in Q2-Q3 of 2017.

¹ NEPOOL is the participant voting organization on all wholesale electricity market matters across the New England states.

Categories

Lobbying & Public Policy

Transmission

© 2025 Akin Gump Strauss Hauer & Feld LLP. All rights reserved. Attorney advertising. This document is distributed for informational use only; it does not constitute legal advice and should not be used as such. Prior results do not guarantee a similar outcome. Akin is the practicing name of Akin Gump LLP, a New York limited liability partnership authorized and regulated by the Solicitors Regulation Authority under number 267321. A list of the partners is available for inspection at Eighth Floor, Ten Bishops Square, London E1 6EG. For more information about Akin Gump LLP, Akin Gump Strauss Hauer & Feld LLP and other associated entities under which the Akin Gump network operates worldwide, please see our Legal Notices page.