

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK
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April 26, 2023

VIA ELECTRONIC FILING to info@rggi.org.

Andrew J. McKeon
Executive Director, RGGI Inc.
Regional Greenhouse Gas Initiative, Inc.

Re: Response to RGGI Third Program Review Questions Raised at March 29, 2023 Public Meeting

Dear Mr. McKeon:

I am writing on behalf of members of the Environmental Energy Alliance of New York (the "Alliance") to provide comments on the Regional Greenhouse Gas Initiative (RGGI) Third Program Review presentation on March 29, 2023. The Alliance is an ad hoc, voluntary group of electric generating companies, transmission / distribution companies and other providers of energy services in New York State. The Alliance supports our members in understanding state and national environmental regulatory initiatives to formulate and achieve their business goals and proactively advocate for cost-effective regulations and policies. The operations of Alliance members contribute to the reliability of the State's electric grid and to the economic well-being of the State.

Alliance members have an interest in the Third Program Review because it affects the compliance obligations and operations of our generating facilities. These continued operations also affect many stakeholders who depend on a reliable supply of electricity to power homes and businesses across New York State.

Our comments address the four questions raised at the March 29 meeting.

How comfortable are you with the assumptions that have been included?

The Alliance agrees with the three primary modeling considerations: fluidity of state participation, energy policies on load, and the decarbonization timeline for the electricity sector. Our primary concern echoes the presentation's remarks about how these factors all add uncertainty to the modeling for this Program Review.

We agree on the approach for Pennsylvania and Virginia stated at the meeting.

We do have concerns about the load forecasts and availability of low-emitting generation assumptions. EPA cap and trade programs such as the Cross State Air Pollution Rule established caps based on technological evaluation of control options. The RGGI caps have been established based on other considerations. RGGI emission reductions have been primarily due to fuel switching to this point but in the future the reductions will have to depend on the deployment of low-emitting generation to displace affected source operations. The schedules for the load forecasts and low-emitting generation

appear to depend on State decarbonization timelines without a sensitivity analysis in the event of delays in deployment of renewable resources.

The modeling framework “procure only” case includes projects that are under contract. Unfortunately, all projects under contract do not necessarily get built. That uncertainty should be incorporated into the allowance supply scenarios because if the projects do not get built, then the energy produced by RGGI sources will still be needed. If allowances are unavailable, then those sources will not be able to operate.

Are there other assumptions that need to be included in these scenarios?

In addition to the uncertainties for the three primary modeling considerations, the Alliance is concerned that the RGGI allowance market is going to be in unprecedented territory in two ways. According to our attached review of the status of emissions and allowances we believe that compliance entities will have to depend on allowances from the non-compliance entities for the fifth compliance period ending this year. That analysis also shows that when the sixth compliance period starts in 2024 there will be an extremely small allowance bank. The Alliance believes that these added uncertainties suggest caution is warranted for the allowance allocations in this program review.

Is there anything that we can do to improve the understanding of the differences between the cases?

The Alliance is particularly concerned with the capacity change assumptions for New York State. In order to improve our understanding, the differences between the New York State Independent System Operator [2021-2040 System & Resource Outlook](#) and the New York Climate Action Scoping Plan scenarios must be publicly reconciled.

For which scenarios are stakeholders most interested in seeing results for further Program Review consideration?

The allowance supply framework of the three cases needs to be addressed. Of particular concern is the potential that the “Business as Usual” reduction trajectory could be incompatible with a feasibility analysis of the necessary deployment schedule for low-emitting generation necessary to provide the emission reductions proposed.

The Alliance looks forward to working with the RGGI states and New York during this program review. We would welcome the opportunity to discuss these issues and respond to any questions you may have.

Sincerely,



Sandra Meier, Ph.D.
Director, Generation Services
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Review of the Status of RGGI Emissions and Allowances

At the end of the fourth quarter of 2022 per [RGGI Market Monitoring Report Q4 2022](#)

- 231 million allowances in circulation
- Approximately 148 million of the allowances in circulation (64 percent) are believed to be held for compliance purposes
- Does not account for 2022 interim 50% allowance surrender

Current (End of March 2023) Allowance Status

- Additions to allowances in circulation
 - March 8, 2023 Allowance Auction
 - 21.5 million allowances auctioned
 - 17.6 million , 82% purchased for compliance purposes
- Subtraction for 2022 interim compliance
 - 2022 emissions
 - 151.8 million tons from RGGI sources in 2022
 - Includes Pennsylvania from 7/1/2022
 - 75.9 million ton compliance obligation
- 176.6 million allowances in circulation at end of March 2023
 - Approximately 89.8 million allowances held for compliance purposes

Projected Allowance Status at end of 2021-2023 compliance period before 2023 emissions surrendered

- Additions to allowances
 - 64.6 million allowances in remaining 2023 auctions
 - Pennsylvania allowances
 - 39 million allowances for Q3 and Q4 2022
 - 75.5 million allowances for 2023
 - These allowances haven't been included in auctions to date
- Subtractions to allowances due to emissions obligations
 - 55 million tons for 2021
 - 75.9 million tons for 2022
- 224.9 million estimated allowances in circulation before 2023 emission adjustments
- 105.8 million allowances held for compliance purposes

Projected 2023 Emissions

- 193.3 million 2022 RGGI emissions and 2022 PA CAMD emissions
- **87.5 million allowances must be obtained from non-compliance entities for compliance**

Estimated allowance bank at the end of the 2023 reconciliation

- **31.6 million allowance bank at start of sixth compliance period**