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Dear Ms. Singh,

Enclosed are comments by TransCanada responding to the November 17, 2015 Request for Stakeholder Comments on Program Review.

Background

TransCanada owns and/or operates over 40,000 miles of pipelines and about 11,500 MW of power generation across North America. In the Regional Greenhouse Gas Initiative region (“RGGI”), TransCanada owns and operates two natural gas electricity generating facilities: (a) the 2480 MW Ravenswood facility located in Queens, New York; and b) the 560 MW Ocean State Facility located in Burrillville, Rhode Island. In addition, TransCanada owns and operates 13 hydroelectric stations and associated storage reservoirs and dams on the Connecticut and Deerfield Rivers located in New Hampshire, Vermont and Massachusetts with a total capacity of 583 MW. TransCanada also owns and operates the 132 MW Kibby Wind Farm in Franklin County, Maine.

TransCanada commends RGGI States for openly and continuously seeking stakeholder input in the RGGI Program review process. We are pleased to provide further comments in the following areas.

1. Broadening the RGGI Market /Increasing RGGI Trading Partners

RGGI States are seeking comments on whether to admit more members into to the program and how trading could be broadened given the options provided by the Clean Power Plan (CPP). TransCanada supports the broadening of the RGGI program, which will increase opportunities for emissions reduction and reduce leakage. To maintain program integrity, RGGI could ensure that each state joining the program has an allowance budget that is lower than that state’s emissions. Under an expanded program, the total short position would increase, as would the opportunities to reduce GHG emissions.

There seems to be a misconception that joining a state with a less stringent cap on emissions could erode the effectiveness of a state program with a more stringent cap on emissions. Some jurisdictions have, for example, erroneously used this criterion to evaluate whether they should link their programs with others. A look at what happens when there is no linking illustrates the problem with this line of thinking. Without linkage, the emissions budgets of the separate states remain the same no matter their stringency. Linking states expands emissions reduction opportunities and eliminates leakage among the linked states.

2. RGGI Flexibility Mechanisms – Before and After CPP is in Place

RGGI States are seeking comments on RGGI Flexibility Mechanisms. RGGI Flexibility Mechanisms include the Cost Containment Reserve, Offsets and Control Period. For all these mechanisms, it is important the states distinguish the period before and after the CPP becomes effective i.e. 2022+. Before 2022, states should maintain the current flexibility mechanisms.

Cost Containment Reserve

In 2014 and 2015 we saw the states release allowances from the Cost Containment Reserve, demonstrating the importance of this flexibility mechanism. Without the Cost Containment Reserve, allowance prices would have spiked, disadvantaging RGGI businesses.

Offsets

Offsets differ from the Cost Containment Reserve because they represent real physical GHG reductions. No offsets have been issued in RGGI to date. However, the fact that market participants have not exercised the option to develop and use offsets does not mean that the option has no value but rather that market conditions have not been favorable for offsets development. States should, thus, maintain this flexibility mechanism.

Control Period

States should maintain the current Control Periods until the CPP is in effect in 2022.

Flexibility Mechanisms after CPP is in Effect

States have expressed both the desire and intent to use the RGGI program to comply with the CPP under the EPA's state measures pathway of compliance. TransCanada supports this approach and encourages states to prepare for the period after the CPP becomes effective in 2022. At that point, states may need to modify RGGI flexibility mechanisms to make them compatible with the CPP. TransCanada recommends that states maintain as many elements of RGGI flexibility mechanisms as reasonably possible under the CPP.

While states may be able to maintain their existing Control Periods under the CPP, aligning the Control Periods with those of the CPP will make it easier for states to demonstrate compliance to the EPA. Under current RGGI Control Periods, facilities have an annual interim compliance obligation of 50%. States may consider dropping the interim compliance obligation when they align the RGGI Control Periods with CPP Control Periods.

3. CO2 Emissions Reductions – RGGI Cap

The current RGGI emissions budget declines at a rate 2.5%/year to 78 million tons in 2020. RGGI States are seeking comments on whether the cap should be adjusted post 2020.

TransCanada recommends that RGGI states maintain the cap at its 2020 level and when necessary adjust other elements of the program such as the CCR, offsets and control period to ensure alignment with the CPP. RGGI came into being out of a desire to demonstrate climate leadership in the absence of federal action on GHGs. RGGI states, unconstrained by the Clean Air Act requirements were able to move quickly to address CO2 emissions from power plants. On the other hand, the EPA under the constraints of the Clean Air Act has taken longer to develop a federal program. The CPP was crafted with input from stakeholders including RGGI states. With the EPA finally taking action, the RGGI program should not substantially deviate from the CPP.

To illustrate, RGGI states allowance budget under the CPP is 79 million tons of CO2 in 2030. With the current RGGI CO2 emissions budget at 78 million in 2020, RGGI states are already on track to exceed the CPP goal. Having demonstrated leadership, with plans to broaden the program by adding new members, and

with the uncertainty of how the CPP Clean Energy Incentive Program will work in practice, there are just too many moving parts. Under such circumstances, the prudent thing for RGGI to do is to maintain the 2020 cap and adjust other program elements as needed to ensure consistency with the CPP.

4. Current IPM Modelling

TransCanada supports the fact that current modeling is considering the futures prices of natural gas in the short term with a transition to EIA AEO price forecasts for natural gas prices from 2016 to 2031. However, the current model for fuel prices does not take into account spikes in gas prices during winter months. In order to maintain accuracy in modeling, increases in prices due to pipeline constraints should be accounted for. Moreover, in the EIA AEO Henry Hub Natural Gas Price graph, no “high gas price” case is included. If the average between low (AEO High Resource) and the AEO base case will be used for the modeling, the natural gas price estimates may be lower than expected.

We thank you for the opportunity to provide feedback on RGGI review. We welcome further discussion on any of the above topics. Please do not hesitate to call me with any questions or comments.

Sincerely,

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