



November 30, 2010

To: RGGI State Commissioners and Staff (electronic submission - [info@rggi.org](mailto:info@rggi.org))

From: Jim O'Reilly, Director of Public Policy  
Josh Craft, Public Policy Analyst

**Re: Comments on the RGGI Reference Case Assumptions for the Program Review**

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Northeast Energy Efficiency Partnerships (NEEP) appreciates the opportunity to provide comment as the Regional Greenhouse Gas Initiative (RGGI) states develop the modeling reference case for the 2012 program review.

NEEP is a regional non-profit organization that advances the efficient use of energy in homes, buildings, and industry in New England, New York, and the Mid-Atlantic states. We accomplish this through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and help achieve a cleaner environment and a more reliable and affordable energy system.<sup>1</sup>

In the interests of being brief and direct, NEEP's comments are consistent with many of the technical issues and overall direction addressed by our colleagues at [Environment Northeast](#) and the [Conservation Law Foundation](#), and would call your attention to those comments as a means of indicating our agreement and support.

NEEP supports the efforts of the RGGI states to undertake the comprehensive program review provided for in the RGGI Memorandum of Understanding (MOU). RGGI is the only carbon cap and trade programs in the United States and initial results demonstrate that it has succeeded in creating a working carbon market, driving millions of dollars of investment into energy efficiency, and reducing CO2 emissions. A thorough review of RGGI offers the opportunity to consider policy changes that will further reduce harmful emissions and help the growing clean energy sector in the region.

We encourage you to consider the following changes to improve the program's performance:

**1) Fully Incorporate State Energy Efficiency Policies Into Load Growth Assumptions**

NEEP has provided a platform for the examination of energy efficiency in the forecasting done by regional transmission organizations as part of our [Evaluation, Measurement, and Verification \(EM&V\) Forum](#). Based on our experiences and understanding of such forecasting, it is our position that RGGI modeling, as it relies on ISO-New England, NY-ISO, and PJM forecasts, undervalues savings from state energy efficiency programs.<sup>2</sup>

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<sup>1</sup> These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

<sup>2</sup> ISO-New England, for example, only incorporates energy savings from federal appliance energy standards and the portion of energy efficiency programs bid into its Forward Capacity Market.



In addition to such savings being included we recommend that RGGI model planned savings from state energy efficiency programs, similar to the manner in which the reference case treated Massachusetts, to avoid underestimating their impact on load growth.<sup>3</sup> First, modeling should account for multi-year state savings targets in Connecticut, Maine, Massachusetts, Rhode Island, and Vermont which have extensive experience implementing programs. These targets, displayed in Table 1, carry with them significant financial incentives and/or penalties for the investor-owned utilities and other program administrators responsible for meeting them. The reference case should also incorporate 2009 energy savings from New Hampshire and New Jersey, which have experience with efficiency programs, but no utility energy efficiency requirement, as shown in Table 2.

We recommend that RGGI also model a more aggressive scenario that includes Delaware, Maryland, New York, and Pennsylvania<sup>4</sup> meeting the targets of their energy efficiency portfolio standards, which are shown in Table 3. While many of these programs are new and their goals are ambitious, it is important to include full compliance of those goals to understand their potential impact on regional energy consumption.

Efforts should be made to consult with state utility commissioners, state energy offices, and program administrators where there is uncertainty about the level of projected energy savings. More information on state energy efficiency policies is also available on [NEEP's website](#).<sup>5</sup>

## 2) Adjust the RGGI Cap Level

The draft white paper has documented that annual CO<sub>2</sub> emissions fell from 184.4 million tons in 2005 to 123.7 million tons in 2009, or 33 percent. The reference case shows that emissions levels are projected to remain below the cap from 2010 to 2030.<sup>6</sup> Moreover, most of the RGGI states have increased utility sector energy efficiency and renewable energy requirements since 2005, which will “lock in” any emissions reductions that were achieved due to weather and the economy. During the review period, RGGI states should adjust the cap to reflect actual 2009 emissions levels and new scientific and policy realities. This change provides the opportunity to reduce emissions to levels in line with those necessary to avert the dangers of climate change and promote investment in low carbon technologies and practices.

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<sup>3</sup> RGGI Reference Case Results and Assumptions, November 5, 2010, Slide 45 ([http://rggi.org/docs/RGGI\\_Reference\\_Case\\_110510.pdf](http://rggi.org/docs/RGGI_Reference_Case_110510.pdf)).

<sup>4</sup> While Pennsylvania is not currently participating in RGGI, it is a large portion of the PJM market, and hence its energy efficiency targets should be evaluated as well.

<sup>5</sup> See NEEP's Energy Efficiency Policy Snapshot at <http://neep.org/uploads/policy/Energy%20Efficiency%20Policy%20Snapshot-11.17.10.pdf>.

<sup>6</sup> RGGI Sensitivity Case Assumptions and Results, November 5, 2010, Slide 19 ([http://rggi.org/docs/RGGI\\_Sensitivity\\_Cases\\_110510.pdf](http://rggi.org/docs/RGGI_Sensitivity_Cases_110510.pdf)).



### 3) Evaluate How Different States Invested RGGI Allowances

The RGGI MOU requires only that states allocate 25 percent of their allowances “for a consumer benefit or strategic energy purpose.”<sup>7</sup> RGGI states have taken different approaches in using their auction allowances, with some investing most or all of these funds to complement ratepayer-funded energy efficiency programs, while others have used allowances to fund renewable energy programs or offset any RGGI-related bill impacts. Some states have also diverted RGGI funds towards their state budgets.<sup>8</sup>

NEEP recommends that RGGI undertake a study of how each state has invested its funds and how effective each has been at reducing CO2 emissions and energy costs. Undertaking such a study would be both good policy and good politics. By comparing these investments, it would allow states to see which approaches across the region were the most effective in driving down emissions. And it would document some of RGGI’s important program successes at a time when some are questioning whether to continue the RGGI program.

Thank you for the opportunity to comment on the modeling assumptions and policy issues ahead of the 2012 RGGI program review. NEEP looks forward to working with RGGI state commissioners and staff to implement and improve upon this important regional program.

Table 1<sup>i</sup>: Connecticut, Maine, Massachusetts, Rhode Island, and Vermont

State	2010		2011		2012		2013		2014	
	Savings Target	Annual Energy Savings (MWh)	Savings Target	Annual Energy Savings (MWh)	Savings Target	Annual Energy Savings (MWh)	Savings Target	Annual Energy Savings (MWh)	Savings Target	Annual Energy Savings (MWh)
CT <sup>ii</sup>	1.11%	349,345	1.0%	325,268	-	-	-	-	-	-
ME <sup>iii</sup>	-	-	1.13%	129,000	1.45%	165,000	1.56%	178,000	-	-
MA <sup>iv</sup>	1.40%	624,427	2.00%	897,232	2.40%	1,103,423	-	-	-	-
RI <sup>v</sup>	1.33%	88,546	1.36%	102,566	1.70%	128,570	2.10%	158,820	2.50%	189,068
VT <sup>vi</sup>	1.87%	119,900	1.84%	119,900	-	-	-	-	-	-

<sup>7</sup> RGGI Memorandum of Understanding, December 20, 2005, p. 6 ([http://rggi.org/docs/mou\\_final\\_12\\_20\\_05.pdf](http://rggi.org/docs/mou_final_12_20_05.pdf)).

<sup>8</sup> To date, New Hampshire, New Jersey, and New York have all used RGGI funds to reduce state budget deficits. See American Council for an Energy Efficient Economy (ACEEE), 2010 State Energy Efficiency Scorecard, October 2010, p. viii (<http://www.aceee.org/sites/default/files/publications/researchreports/e107.pdf>).

Table 2<sup>vii</sup>: New Hampshire and New Jersey

State	2009 Annual Energy Savings (MWh)
NH	78,000
NJ	462,162

Table 3: Delaware, Maryland, New York and Pennsylvania

State	Policy & Energy Savings Target	Interim Target	Total Energy Savings (MWh)
DE <sup>viii</sup>	Energy Efficiency Resource Standard-15 percent reduction in electricity use by 2015	2 percent reduction in electricity use by 2011	1,733,194
MD <sup>ix</sup>	EmPower Maryland Act-15 percent reduction in per capita electricity use by 2015	5 percent reduction in electricity use by 2011	11,207,000
NY <sup>x</sup>	Energy Efficiency Portfolio Standard-15 percent reduction in electricity use by 2015	7.5 percent reduction in electricity use by 2011	26,885,638
PA <sup>xi</sup>	Act 129-3 percent reduction in annual electricity sales by 2013	1 percent reduction in electricity use by 2011	4,920,289

<sup>i</sup> Savings targets are shown as a percentage of annual electricity sales.

<sup>ii</sup> Connecticut's savings goals are taken from the 2010 and 2011 Conservation and Load Management Plans (<http://www.ctsavesenergy.org/ecmb/documents.php?section=16>). Savings percentages calculated based on ISO-NE forecast data ([http://www.iso-ne.com/trans/celt/fsct\\_detail/2010/isonone\\_fcst\\_data\\_2010.xls](http://www.iso-ne.com/trans/celt/fsct_detail/2010/isonone_fcst_data_2010.xls)).

<sup>iii</sup> Maine's electric efficiency savings goals are taken from the Efficiency Maine Trust Triennial Plan, 2011-2013, p. 88 ([http://www.efficiencymaine.com/docs/other/EMT\\_Final\\_Tri\\_Plan.pdf](http://www.efficiencymaine.com/docs/other/EMT_Final_Tri_Plan.pdf)).

<sup>iv</sup> Massachusetts' first three-year electric efficiency plan's savings goals were approved as part of DPU Orders 09-116-120, January 28, 2010, p. 32 (<http://www.ma-eeac.org/docs/DPU-filing/1-28-10%20DPU%20Order%20Electric%20PAs.pdf>).

<sup>v</sup> Rhode Island's savings goals for 2010 and 2011 are taken from National Grid's approved 2009-2011 Least Cost Procurement Plan, Docket 3931, September 2, 2008, p. 4 ([http://www.ripuc.org/eventsactions/docket/3931-NGrid-ComplianceProcurePlan\(9-3-08\).pdf](http://www.ripuc.org/eventsactions/docket/3931-NGrid-ComplianceProcurePlan(9-3-08).pdf)). Savings goals for 2012-2014 are taken from the Rhode Island Energy Efficiency and Resource Management Council (EERMC)'s proposed 2012-2014 Least Cost Procurement Plan, Docket 4202, filed September 1, 2010, p. 9 ([http://www.ripuc.org/eventsactions/docket/4202-EERMC-EST-Filing\(9-1-10\).pdf](http://www.ripuc.org/eventsactions/docket/4202-EERMC-EST-Filing(9-1-10).pdf)).

<sup>vi</sup> Vermont's savings goals for 2010 and 2011 are taken from Efficiency Vermont's 2010-2011 Annual Plan, p. 3 ([http://www.efficiencyvermont.com/stella/filelib/EVT\\_Annual\\_Plan\\_2010.pdf](http://www.efficiencyvermont.com/stella/filelib/EVT_Annual_Plan_2010.pdf)) and the approved 2009-2011 three-year energy efficiency budget, August 29, 2008 (<http://psb.vermont.gov/sites/psb/files/projects/EEU/2009-2011BudgetOrder.pdf>). Savings percentages calculated based on ISO-NE forecast data ([http://www.iso-ne.com/trans/celt/fsct\\_detail/2010/isonone\\_fcst\\_data\\_2010.xls](http://www.iso-ne.com/trans/celt/fsct_detail/2010/isonone_fcst_data_2010.xls)).

<sup>vii</sup> Figures are taken from the draft white paper, "Relative Effects of Various Factors on RGGI Electricity Sector CO2 Emissions: 2009 compared to 2005," prepared by the New York State Energy Research and Development Authority (NYSERDA), p. 10 ([http://rggi.org/docs/Retrospective\\_Analysis\\_Draft\\_White\\_Paper.pdf](http://rggi.org/docs/Retrospective_Analysis_Draft_White_Paper.pdf)).

<sup>viii</sup> Delaware's Energy Efficiency Resource Standards (EERS) legislation, SB 106, is available at [http://legis.delaware.gov/LIS/lis145.nsf/vwLegislation/SB+106/\\$file/legis.html?open](http://legis.delaware.gov/LIS/lis145.nsf/vwLegislation/SB+106/$file/legis.html?open). Energy savings figures are estimated from EIA data on 2008 electricity retail sales ([http://www.eia.doe.gov/electricity/st\\_profiles/e\\_profiles\\_sum.html](http://www.eia.doe.gov/electricity/st_profiles/e_profiles_sum.html)).

<sup>ix</sup> Maryland's EmPower Maryland Act is available at <http://mlis.state.md.us/2008rs/bills/sb/sb0205t.pdf>. Energy savings figures are available at <http://www.statestat.maryland.gov/GDU/9EnergyEfficiencyDeliveryPlan.pdf>, p. 9.

<sup>x</sup> New York's Energy Efficiency Portfolio Standard (EEPS) Order and estimated savings figures are available at <http://documents.dps.state.ny.us/public/Common/ViewDoc.aspx?DocRefId={D9F7E0DF-A518-4199-84CC-C2E03950A28D}>.

<sup>xi</sup> Pennsylvania's Act 129 is available at [http://www.puc.state.pa.us/electric/pdf/Act129/HB2200-Act129\\_Bill.pdf](http://www.puc.state.pa.us/electric/pdf/Act129/HB2200-Act129_Bill.pdf). Energy savings figures from [http://www.puc.state.pa.us/electric/pdf/Act129/SWE\\_Presentation-Audit\\_Plan120109.pdf](http://www.puc.state.pa.us/electric/pdf/Act129/SWE_Presentation-Audit_Plan120109.pdf), p. 3.