<u>TransCanada</u>

COMMENTS

Background

TransCanada owns and/or operates over 40,000 miles of pipelines and about 11,000 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.

1. Reserve Price

RGGI is seeking comments on a) whether RGGI States should eliminate the use of Current Market Reserve Price (CMRP) as one of the choices in setting the Auction Reserve Price (ARP) which is currently set as the higher of the Minimum Reserve Price ,currently $1.93 and CMRP, defined as 80% of the current market price. A RGGI consultant has recommended that the current market price be a blend of transaction prices recorded in COATS and the Chicago Climate Futures Exchange (CCFE).

TransCanada believes that once a program CO2 emissions cap has been set, the use of a reserve price will not enhance the attainment of the RGGI GHG reduction goals. If RGGI is to maintain a reserve price, TransCanada supports that RGGI keeps the current Minimum Reserve Price and eliminate CMRP as a potential reserve price.

2. Control period

RGGI is seeking comments on: a) whether it should maintain the current Control Period which is 3 years (and extension to a four year period if a stage two trigger event occurs); b) whether is should change the current Control Period from 3 to 1 year; and c) whether it should maintain the current Control Period but require entities to submit one third of the estimated compliance requirement in each of year 1 and year 2 of the control period.

TransCanada recommends that RGGI maintain the Control Period as is. A robust control period like the one currently in place reduces the risk of adverse price spikes, increasing market participants' confidence in the market which ultimately leads to the success of the program. TransCanada also recommends that RGGI should not institute interim annual submissions of compliance instruments. Compliance entities accrue their compliance obligations throughout the control period, removing the risk of undue burden at the end of the control period.
Interim compliance increases submission burden without contributing to the program success.

3. Cost Containment Reserve (CCR)

RGGI is seeking comments on: a) the potential advantages or disadvantages of auctioning allowances from a CCR versus offering them through a fixed priced sale; b) whether all qualified participants should be eligible to purchase CCR allowances; and c) potential mechanisms for distributing CCR allowances if the auction clearing price exceeds the CCR trigger price.

Because the CCR is designed to mitigate the ultimate cost of energy to consumers, TransCanada recommends that RGGI should sell CCR allowances to compliance entities only, at a fixed price. If the during an auction the auction clearing price exceeds the CCR trigger price, TransCanada recommends that RGGI offer the CCR allowances to compliance entities only, at the fixed CCR price.

4. Offsets

a) Potential Changes to Existing RGGI Offset Project Categories

RGGI is seeking comments on whether to align the standards and language of its existing protocols (Agricultural Methane, Afforestation and Landfill) with those of other programs such as California's Air Resources Board, Climate Action Reserve, American Carbon Registry.

TransCanada recommends that RGGI align protocol standards and language with those of Climate Action Reserve and American Carbon Registry. These protocols have been tested and proven to work well. With regard to Sulfur Hexafluoride (SF6) and End-Use Energy Efficiency categories where no existing standardized protocols have been identified, RGGI should review the reason and consider modifying the standards to encourage the use of these protocols.

b) Other Existing Protocols for Further Consideration

RGGI is seeking comments on whether it should adopt additional protocols including those on Forestry Management, U.S. Ozone Depleting Substances (ODS), and Wetlands Restoration and Conservation.

TransCanada encourages RGGI to consider these and other protocols for adoption.

c) Permissible Percentage of Compliance Obligation & Offsets Triggers

RGGI is seeking comments on whether to modify it requirement that offsets not exceed 3.3% of the tons of CO2 emissions for a control period, unless: there has been a stage one trigger event (5% used for compliance); or there has been a stage two trigger event (10% used for compliance).

TransCanada believes that offsets play an important role in reducing the cost of compliance while achieving the desired GHG emissions reductions. TransCanada recommends that RGGI consider increasing the 3.3% requirement to no lower than 8%, as in California and Quebec. In addition TransCanada encourages RGGI to keep the option of increasing the use of offsets to even higher percentages whenever a trigger event occurs.

d) Geographic Expansion

RGGI is seeking comments on whether to broaden the geographic eligibility of offsets accepted into the program. Currently, eligible domestic offset projects must be located in either a RGGI participating state or in a US state or jurisdiction in which a cooperating regulatory agency has entered into a memorandum of understanding (MOU) with the appropriate regulatory agencies of all participating states. If a stage two trigger event has occurred, then currently the RGGI participating states may also award CO2 offsets allowances for certain international CO2 emissions credit retirements.

Because GHG impacts are global, TransCanada encourages RGGI to allow offsets from all programs that can proof that they match or exceed RGGI offsets standards. RGGI should remove the requirement for a memorandum of understanding with regulatory agencies for offsets developed under recognized programs in North America, such as the Climate Action Reserve, American Carbon Registry.

e) Eligibility of Projects that received Renewable Energy Certificates

RGGI is seeking comments on whether it should change the requirement that requires a renewable energy project sponsor to transfer legal rights to any and all attribute credits generated from the operation of the offset project that may be used for compliance with a Renewable Portfolio Standard or other regulatory requirement, to the regulatory agency or its agent.

TransCanada believes the current requirement is important in ensuring that renewable energy projects, meet the additionality criterion of offset projects. In addition, a renewable energy project should be required to earn offsets with respect to the GHG emitting fuel(s) it is deemed to replace. TransCanada recommends that RGGI maintain the current requirement.