

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK

677 Broadway, Suite 1205
Albany, NY 12207-2996

December 6, 2012

Submitted Via E-Mail to info@rggi.org

Re: RGGI Program Review - Program Design Concepts

I am pleased to write on behalf of the Environmental Energy Alliance of New York, LLC (the Alliance; see list of generating company members highlighted below on this page) to provide this comment on the policy implications of the new RGGI cap. Alliance members own and operate electric generating and transmission and distribution facilities located throughout New York State and, in some instances, across the nation and the globe. The operations of Alliance members contribute to the reliability of the State's electric grid and to the economic well-being of New York State.

The Alliance strongly recommends that more time be provided to review the results and determine the best cap going forward, not only for this process but also in the future. The RGGI States have asked for comments by December 6 but the supporting documentation needed to adequately review all the emission cap scenarios was not available until the afternoon of December 3. Moreover, even today there are corrected results that have not been provided. Those analyses are complicated and much more time is necessary to evaluate the results.

The Alliance also recommends that RGGI continue its stakeholder process vis-à-vis disposition of excess unsold allowances. Within a compliance period the Alliance recommends that unsold allowances be offered in future auctions. At the end of the compliance period, it may be appropriate, as was the case for the first compliance period, to review whether unsold allowances are excess to the expected needs of the program. If they are clearly excess allowances, then the allowances can be retired. Otherwise they should remain available.

RGGI can be considered pioneering and successful for several reasons. Most importantly, the RGGI investments enumerated in the 11/2012 report "Regional Investment of RGGI CO2 Allowance Proceeds, 2011" have provided real value to citizens in the RGGI region. Development of the RGGI infrastructure has also been successful as the program has been working and will be of value in future policy discussions. Meanwhile, CO2 emissions in the RGGI have dropped dramatically. In fact, reducing emissions from the original cap 2.5% starting in

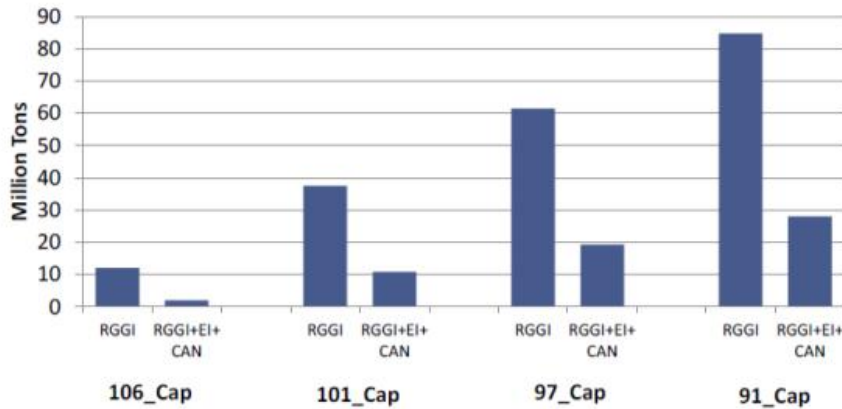
2015 would not have been expected to reach 110 million metric tons until 2030. The New York electric sector has already exceeded the 40% reduction from 1990 levels Climate Action Plan goal. While the observed significant drop in CO₂ emissions certainly was not primarily caused by RGGI there was an influence by it on future planning decisions that played a role. On the other hand, it would be imprudent to base the cap decision on the 2012 emissions because it was affected by the mild winter and spring.

There also were some significant lessons learned. The cap did not overly restrict affected source emissions, but that had positive impacts. We learned that as a result of the non-binding cap, there was no leakage, there was less general economic disadvantage to the RGGI region, there was little transfer of generation outside the region so there was no loss of generation potential income for in-region generating companies, there was no pressure to use untried flexibility mechanisms that may have caused direct problems and unintended consequences, and there were no issues with potential market manipulation. Going forward the real potential for those factors to negatively impact the region must be considered when the cap level is determined.

Any reduced cap that would limit RGGI CO₂ emissions needs to address leakage. RGGI's IPM modeling indicates that at least two thirds of projected CO₂ emission reductions are simply transferred out of the region so that the effective environmental impact is much lower. RGGI presented the results from four different emission cap scenarios: 106, 101, 97 and 91 million metric tons in Figure 1. The data used to prepare the slide are shown in Table 1. For the 106 million metric ton cap, IPM projected RGGI CO₂ reductions would total 8.6 million metric tons between 2012 and 2020, but that 7.1 million metric tons would be displaced or leaked outside of RGGI making the effective reduction to the environment only 1.5 million metric tons. The percentage of leaked reductions is 82.5%. The percentage reduction decreases as the cap decreases and, as a result, actual emission reductions to the environment so the associated environmental benefits are considerably reduced.

Cumulative Emission Reductions from RGGI Sources, 2012 to 2020

Emission reductions for RGGI and the Eastern Interconnect (including RGGI) and eastern Canada (EI+CAN)



- From 2012-2020, Eastern Interconnect emissions are projected to be over 15.2 billion tons
- From 2012-2020, RGGI region emissions are projected to be 879 million tons

23

Figure 1: Cumulative Emission Reductions from RGGI Sources - 12_11_28_IPM_Presentation.pdf

Table 1: Cumulative Emission Reductions from RGGI Sources

Cap	106	101	97	91
Cumulative Emission Reductions for RGGI Sources	-8,603,569	-37,170,848	-60,818,273	-83,712,171
RGGI+Eastern Interconnect without RGGI+Canada	-1,502,518	-10,856,127	-19,293,179	-28,040,577
Cumulative Emission Reduction Leaked	-7,101,051	-26,314,721	-41,525,094	-55,671,594
% of Total Reduction Leaked	82.5%	70.8%	68.3%	66.5%

To date, RGGI has provided both environmental benefits and appropriate investments. When deciding on any programmatic changes to RGGI New York State decision makers should balance both environmental and economic concerns. If the programmatic changes are not balanced it could undermine the achievements of the program and create negative impacts within the RGGI region.

Sincerely,

Roger Caiazza
Director