

RGGI Allocation Workshop

Boston, Massachusetts

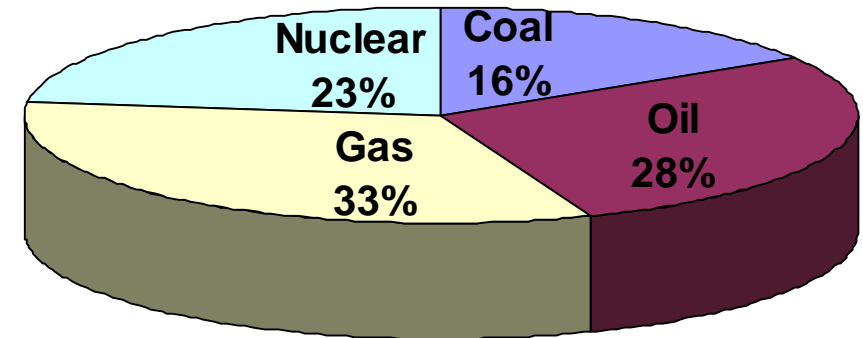
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PSEG Power Generation in the RGGI Region

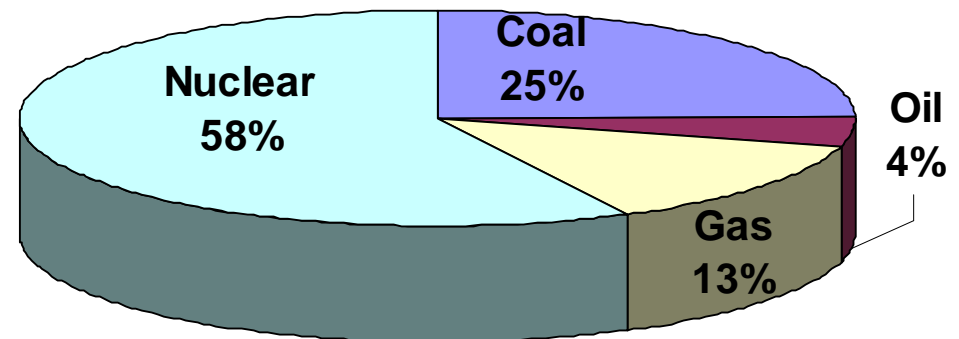
PSEG Power owns and operates a diverse portfolio of 10,118 MW of generating capacity in the RGGI region.

Generating Capacity (MW)

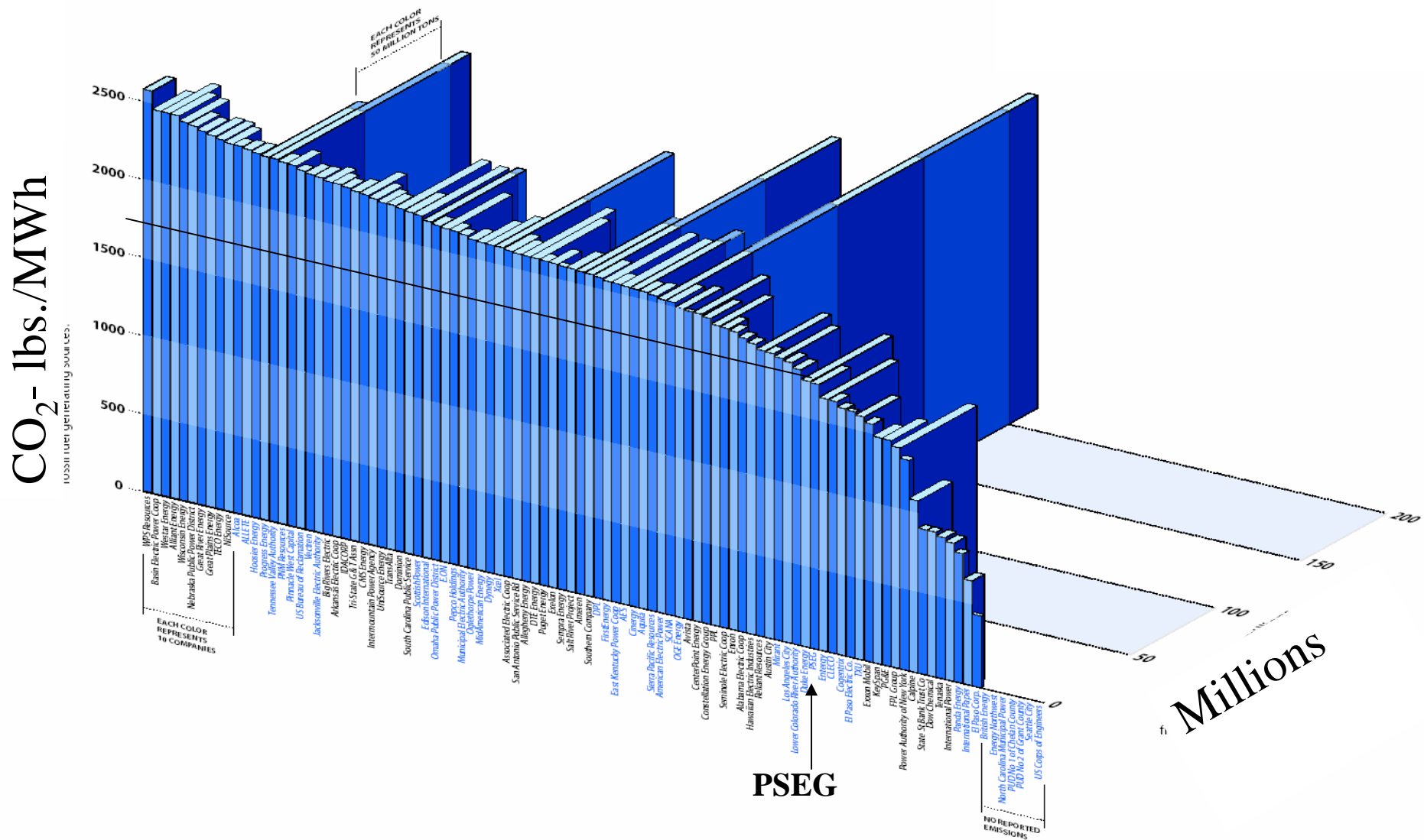


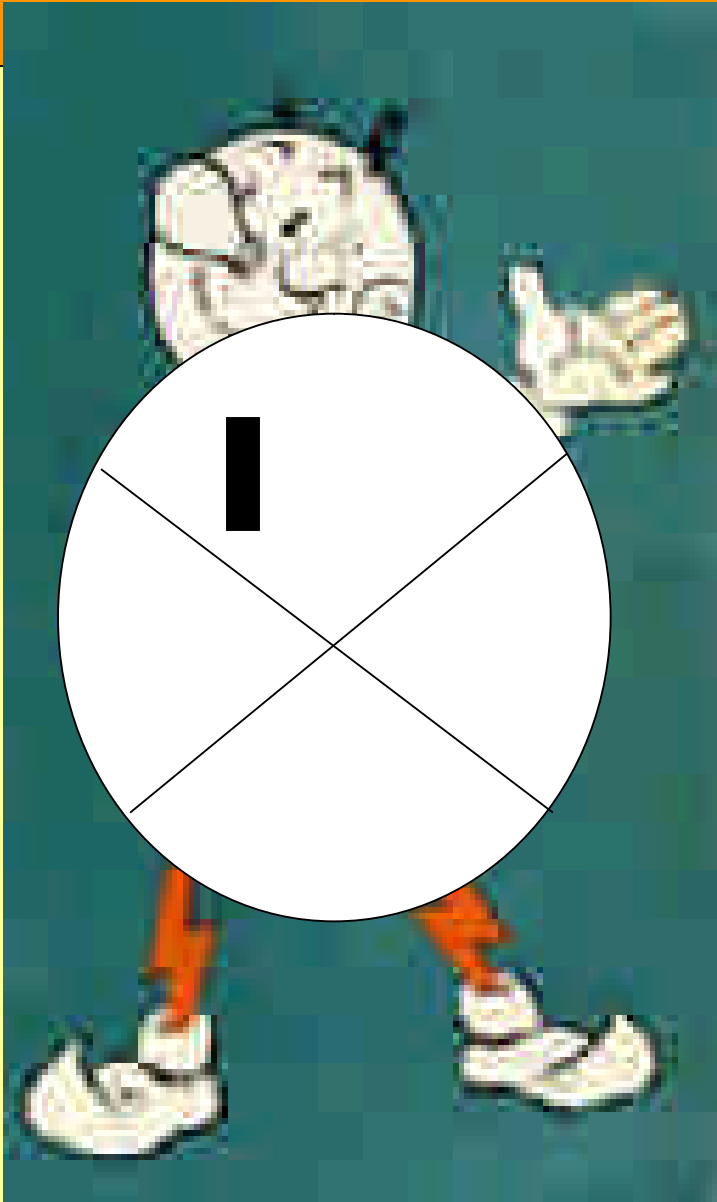
From these assets, PSEG Power generated over 31 million megawatt-hours of electricity in the RGGI Region in 2003

2003 Generation (MWh)



Fossil Fuel – CO₂ (Emission rates & total tons)





Let's get
S.M.A.R.T.



An output based allocation system with an element of updating is the most efficient application of a market based system to reduce CO2 and have a chance of being sustained in a national program.

S.M.A.R.T.

- ❖ Sustainable
 - ❖ Market focused
 - ❖ Adaptable
 - ❖ Relevant
 - ❖ Timely



Sustainable

- National Program
- Challenges pollution in product delivered
- Transferable to other sectors
- Apportionment of energy produced; not fuel burned

Market Focused

- Promotes new market entry by removing a potential barrier
- Stimulates the market to find and promote efficiency
- Allows the market to choose most cost effective compliance solutions



Adaptable

- We know the MWhrs produced
- We know the CO2 emitted
- Follow the roadmap of input based allocation methodologies
- Learn from output based programs

Relevant

- Ideal allocation methodology to address the unique challenge of reducing CO2
- CO2 is different from criteria pollutants
- To curb global warming, must focus on efficiency
- Promote non-CO2 emitting generation resources



Timely

- Build on successes of input based allocation systems
- Time to move to the next level...*trend*
- Embrace total energy portfolio including renewables and nuclear



Output based allocations...

IS NOT A...

- State budget fix
- Public benefit pocketbook
- Same ole system
- A reward for fuel used
- Command & control
- Market manipulator
- Fuel specific mandate

CAN BE...

- Transitional to a national program
- Synchronized with RPS
- Amenable to other sectors
- A public sector link to the future
- A powerful incentive for new technology

The surest way to keep the bull's-eye on Reddy-Kilowatt is to promote the same ole input based allocation system

The surest way to isolate RGGI is to design an auction, or
auction-like allocation system

OR

Use lessons learned and promote output based allocations that have a chance of embracing other sectors and transitioning to a national program...

Let's get SMART

