REGIONAL GREENHOUSE GAS INITIATIVE
THIRD PROGRAM REVIEW

COMMENTS OF
COMPETIVE POWER VENTURES, Inc.
AND ITS AFFILLIATES
(October 29, 2021)

Competitive Power Ventures, Inc. and its affiliated companies (CPV) are pleased to offer these comments for consideration as part of the third program review process following the October 5, 2021, listening session. CPV is an active participant in the RGGI program as a many of its facilities operate within the RGGI states and we offer these comments from the perspective of a compliance entity which is required to obtain and retire RGGI allowances based upon our operations. We believe that this perspective can provide valuable insights into improving the RGGI program and mechanics as the states engage in this comprehensive periodic review of the CO2 trading program.

BACKGROUND: Competitive Power Ventures, Inc.

Competitive Power Ventures is a strong advocate of using competitive market principles to support public policy initiatives. We believe the principles of competition will help the industry to achieve the greatest efficiencies in reducing greenhouse gas emissions while controlling costs and limiting risk to the ratepayers. To that end, CPV has and continues to support a national CO2 cap and trade program. Moreover, CPV fully supports the transition to a zero-carbon electricity industry and our project development pipeline fully reflects that objective with thousands of megawatts of zero carbon projects under active development across the country. CPV understands that decarbonization of the electric industry is the linchpin to a decarbonized economy and it is actively working toward making this transition a reality. We equally believe that the discipline of competition built into the RGGI program has been and will continue to be a cost-effective way to make that transition happen.

CPV and its affiliates develop, own, and operate electric generation facilities throughout the United States and have acted as asset manager for over 8GW of generation across seven power markets in the US. Its current operating portfolio consists of the most efficient operating natural gas-fired combined cycle facilities in the ISO-NE, NYISO and PJM control areas, wind generation in SPP, and third-party management of projects across the country. Its current development activities include utility scale solar, land-based wind projects, as well as new combined cycle with carbon capture technology. We are a fully integrated clean energy company having successfully developed and commercialized 4.8GW of renewable projects and 10GW of natural gas-fired generation. CPV currently has ownership interests in four natural gas-fired combined cycle projects totaling 2,955MW that operate in RGGI states, and when Pennsylvania joins the fold, its RGGI portfolio will increase to over 4,000MW[1].

COMMENTS

CPV's comments focus on a single aspect of the RGGI program which directly impacts Compliance Oriented Entities such as CPV and their ability to obtain necessary allowances to meet their RGGI obligations. Specifically, auction rules limit the ability of all types of auction participants to purchase not more than 25% of the total offered allowances in each quarterly auction. This limitation currently applies to participants seeking to purchase allowances for compliance purposes, investors who purchase both for compliance and for speculation, as well as non-compliance entities who participate strictly for speculative trading purposes seeking to resell those allowance for profit. Specific to these

[1] St Charles MD 745MW; Towantic CT 805MW; Woodbridge 725MW; Valley NY 680MW; Fairview PA 1,050MW

CPV comments, we are concerned with this limit solely as relates to "Compliance Oriented Entities" – "entities that appear to acquire and hold allowances primarily to satisfy their compliance obligations."[2]

For the upcoming 54th RGGI Auction[3] to be held on December 1, 2021, Section 6.2.3 explains the rules for limiting participation in the auction and how that cap is applied:

> "The maximum number of CO2 Allowances that any Applicant or group of associated Applicants may bid for in a single auction is 25% of the Initial Offering. This limitation shall not be increased by CCR Allowances.
>
> Applicants are associated if they have ties that could allow them to act in concert or that could prevent them from competing actively against each other in a CO2 Allowance Auction."
>
> The Auction Platform will automatically reject any Bid that would cause the quantity of a bidder's Bids to exceed the amount allowed by Corporate and Bidding Associations."

The rule was originally instituted to prevent hoarding of allowances to ensure the competitiveness of the RGGI program, its underlying objective to protect the market so that Compliance Oriented Entities have a fair opportunity to procure what is needed through the auctions at a competitively determined price. However, as the total RGGI cap continues to decline over time, the ability of Compliance Oriented Entities to procure needed allowances through the primary auction will become more and more restrictive. Such an outcome could open the door to speculators and non-compliance entities taking advantage of this artificial limitation through forcing transactions in the secondary market. The table below provides the history of Allowances offered in the auctions over the last several years:

[2] See Page 5 of the Market Monitor Report for Auction 53: SECTION 1 - (rggi.org)
[3] Microsoft Word - Auction_Notice_Oct_5_2021 (rggi.org)

Auction	Date	Quantity Offered
Auction 53	2021-09-08	22,911,423
Auction 52	2021-06-02	22,987,719
Auction 51	2021-03-03	23,467,261
Auction 50	2020-12-02	16,237,495
Auction 49	2020-09-02	16,192,785
Auction 48	2020-06-03	16,336,298
Auction 47	2020-03-11	16,208,347
Auction 46	2019-12-04	13,116,444
Auction 45	2019-09-04	13,116,447
Auction 44	2019-06-05	13,221,453
Auction 43	2019-03-13	12,883,436
Auction 42	2018-12-05	13,360,649
Auction 41	2018-09-05	13,590,107
Auction 40	2018-06-13	13,771,025
Auction 39	2018-03-14	13,553,767
Auction 38	2017-12-06	14,687,989
Auction 37	2017-09-06	14,371,585
Auction 36	2017-06-07	14,597,470

CPV takes no issue with the full and transparent disclosure to the auction administrator of the corporate relationships and/or bidding associations as is required under current rules.[4] We believe that this is a reasonable and important component in understanding the dynamics of the auctions and ensuring a competitive auction and a competitive outcome. However, it is concerned that as the total RGGI cap declines over time, and the pool of emitting generators is reduced and concentrated, those

[4] "Bidding Associations" which are defined as part of the Auction Notice issued prior to each auction.

7.2.3.3 Identifying Bidding Associations

An Applicant has a "Bidding Association" with another party if it:

a) Has agreed to provide assistance with financing to the other party; or

b) Is partnered with the other party for bidding purposes; or

c) Has entered into any explicit or implicit agreements, arrangements, or understandings of any kind relating to the CO2 allowances offered for sale at auction with the other party; or

d) Shares or expects to share Confidential Information with the other party.

remaining will face purchase restrictions that were not envisioned or anticipated when the market design was first implemented and the auction cap was significantly higher.

While this purchase limitation had become more and more constraining through 2019, with the addition of New Jersey rejoining RGGI in 2020 and Virginia joining in 2021, the total RGGI cap was increased and thus the concerns regarding quarterly auction purchase limits were lessened. When Pennsylvania joins RGGI expected in 2022 those concerns will be further reduced. Nonetheless, experience up to and into 2019 provides evidence that as the total multi-state cap is continuously reduced that concern will again resurface. This is a structural shortcoming of the design, which although not critical today, was becoming more and more apparent in 2019, will become so again in the future.

CPV believes that notwithstanding the increased headroom with the addition of new state participation, the auction purchase limitation will ultimately impose unneeded and unwarranted restrictions on Compliance Oriented Entities who seek to procure allowances for compliance purposes through the primary auction. To this end, CPV requests that consideration be given as part of this program review process to eliminating the purchase limit requirement in the auction for Compliance Oriented Entities seeking to procure allowances to meet their compliance obligations. Such a limited and target adjustment to the rules would continue to ensure competitive auction outcomes while allowing those subject to compliance obligations to meet those obligations through direct participation in the RGGI auctions.

WHEREFORE, CPV respectfully requests that the comments submitted herein be given serious consideration during this program review process.

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