TENASKA INC.

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October 24, 2023

Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Via info@rggi.org

Re: RGGI Program Review Comments

Dear RGGI:

Tenaska, Inc. and its affiliates and partners ("Tenaska") develop, construct, own, and operate numerous power generating assets including natural gas-fired combined-cycle ("NGCC") facilities in Massachusetts, Pennsylvania, and Virginia, and will be directly impacted by the subject program updates ("Proposal") and appreciates the opportunity to provide the following comments.

Annual Compliance

RGGI is considering switching from a three-year control period to an annual control period which would require, among other things, annual surrender of allowances covering 100% of a unit's obligation for the prior year instead of 50% for the first two years and the balance for the entire three-year period due in the final year. RGGI states the primary reason for this re-design is to reduce the risk of generator non-compliance in the event of a bankruptcy and/or an untimely state withdrawal from RGGI.

This appears to be a classic example of a solution in search of a problem. Only one state has ever left RGGI (i.e., New Jersey), and the withdrawal appears to have been "timely", as we understand RGGI's use of "timely" meaning at the end of a control period. In that case, we ask that RGGI share the details of the number of allowances not purchased and surrendered. Virginia's current planned withdrawal would also be "timely" with allowance obligations continuing through the end of the Fifth Control Period (December 31, 2023).

If the risk of generator bankruptcy is high enough to necessitate a program re-design, we ask that RGGI share the history of such occurrences. Further, changing to an annual compliance period would not wholly alleviate the risk, as such a bankruptcy could still preclude a generator from having the ability to purchase and surrender allowances.

The current design was put in place to create flexibility for generators to procure allowances at a more measured pace, which also decreases price volatility. We do not believe the reasons RGGI presents are compelling enough to change to an annual compliance period and request RGGI leave the compliance period status quo.

On additional compliance-related topic to consider is the timing of the first auction each year and the allowance vintages on offer. Currently, there is no auction after the end of each year, to procure allowances for the previous year, prior to the March 1 compliance date. Therefore, generators must forecast allowance obligations for the period after the last annual auction (typically in early December) through the end of the year. This can be a volatile time of year, largely dependent upon weather, that can often result in allowance shortfalls and require allowance procurement through the bilateral markets. It would enhance the program if each auction were moved forward one month, moving the December auction to January, while keeping the allowance vintage for the prior compliance year (e.g., the December 2023 auction would move to January 2024 and would provide allowances to be used for 2023).

Electricity Sector Analysis – Budget Cap and Allowance Supply Scenarios

RGGI is evaluating four budget cap/allowance supply scenarios, including two that would reach zero by 2035 and 2040. We strongly caution adoption of either of these scenarios given the strong uncertainty regarding availability of zero-carbon resources and the need for fossil-based, dispatchable resources to provide the required generation and to support certain electrification goals.

We also point out the scope of the EPA's proposed CAA §111 rules for new and certain existing fossil fuel-fired electric generating units[1]. The new source rule would not require emission reductions for units with annual capacity factors less than 20% and would not require 100% reductions from any new source. The existing unit proposal would cover only large, frequently operated units. The zero by 2035/2040 RGGI proposals would prohibit any of these units, new or existing, from operating after those dates. Several ISOs/RTOs expressed concern with resource adequacy regarding the CAA §111 proposal and would no doubt have serious concerns with the RGGI proposals. We recommend RGGI take a cautious approach when attempting to predict the power generation needs and resource-mix more than a decade into the future. RGGI need not be more stringent than the EPA.

Please contact me at 402.938.1663 or bheisey@tenaska.com should you have any questions or require additional information.

Sincerely,

TENASKA, INC.

Bradley K Heisey

Bradley K. Heisey
Senior Vice President

[1] 88 FR 33240 (May 23, 2023) ("Proposed Rule").