

May 31, 2012

RGGI, Inc.  
90 Church Street  
4th Floor  
New York, NY 10007

Re: Regional Greenhouse Gas Initiative-May 2012 Request for Stakeholder Comments

Dear Sir/Madam:

National Grid appreciates the opportunity to provide input to the 2012 program review. National Grid has been a supporter of the RGGI program since its initial inception as a template for a federal program and as a driver for emission reductions from the electric generating sector. Emissions in the RGGI region have decreased greatly since the program's beginning and anticipated changes in the electric generating sector have occurred, including increased use of natural gas and the increased utilization of more efficient combined cycle technology. Though these changes have occurred due to factors other than the RGGI program, it should be recognized that the outcome hoped for has been realized. This should be factored into the 2012 program review.

National Grid has also supported the auctioning of RGGI allowances but is concerned that in some cases, the revenue generated has not been utilized in ways that were originally planned. National Grid believes that the revenues should be dispersed in a manner that directly benefits the electric ratepayers who are ultimately funding the program. We strongly recommend that any change to the program include assurances that will prevent the monies to be used for anything other than programs where the electric customer receives the advantages.

The following are comments in response to the May 21 request for stakeholder input. Please note that due to the very tight timeframe, the comments are somewhat limited in scope. In the future, we request that sufficient time be allowed so that thoughtful, well developed comments can be prepared to assist in this program review.

## Offsets

National Grid recommends that an offset category be created for methane recovery systems from wastewater treatment facilities, a newly developing technology. These systems are designed for the recovery and treatment of the digester gas, with subsequent injection into the local gas distribution system (rather than onsite conversion to electricity). Currently the majority of this gas is flared at the facility or in some cases combusted on site for steam or electric production. The portion of the gas recovered from the waste stream and injected into the gas distribution system should be eligible for RGGI offset credits. We believe that this process

meets the intent of the offset program and would provide real CO2 reductions through displacement of fossil natural gas. As this is a developing technology, it is unlikely that standardized protocol exists but it would be relatively straightforward to develop.

Since National Grid has not yet participated in the offset program, we are not able to make specific comments on improvements to the offset program. However, we do hope that the process will be sufficiently efficient so that we will be able to obtain approval for our suggested offset category.

## Cost Containment Reserve

National Grid supports the concept of the Cost Containment Reserve to provide program flexibility and believes that it should not be open to all qualified auction participants but should only be accessible to the regulated entities to ensure that the additional allowances are available to the sources that need them for compliance. Since we believe that these allowances should only be available to the regulated entities, distribution should occur through a limited, separate, follow-up sale and not through the routine quarterly auction.

The size of the CCR should be determined after the determination of the RGGI budget; however a CCR of ~10% of the budget may be reasonable to account for system contingencies not anticipated in the modeling.


National Grid recommends that CCR allowances not used at the end of the year should be carried over to the following year.

## Control Period

National Grid favors the retention of the existing three year compliance period. The existing control period provides enough flexibility to allow compliance entities the time necessary to acquire their allowance needs in an economic way that minimizes cost and allows for an efficient auction process. A shorter compliance time frame may force generators to be more aggressive in attempts to acquire allowances, potentially increasing the allowance price and the cost to the ratepayers. Annual compliance periods could result in allowance shortages during extreme weather years which could result in electric reliability issues if generators must shut down or curtail operations due to allowance scarcity. We see no environmental or economic benefit to either an annual compliance period or modified annual process.

If you have any questions, please feel free to contact me at 516 545-2577 or Cathy Waxman at 516 545 2579.

Yours Truly,

  
Robert D. Teetz