

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK

677 Broadway, Suite 1205
Albany, NY 12207-2996

October 26, 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 comments on the RGGI Program Review-Program Design Concepts.

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 the State.

During the stakeholder webinar held on October 18, 2012, RGGI proposed a modification to the CO2 budget trading rules that would change the compliance period, requiring a new *interim* true-up and surrender of 75% to 85% of annual emissions over each of the first two years of the three-year control period. The effect of the proposed change would be that all CO2 budget sources would have to comply by balancing out their allowance accounts at a much earlier time and greater interval than previously set-out. RGGI noted that these specific changes are proposed to reduce the impact of *potential* non-compliance and to align the RGGI program with federal emissions abatement programs.

The Alliance strongly believes that the changes to the compliance period are not warranted. As noted previously, so far there has been one case of non-compliance and it seems fair to assess that this occurrence was created by extenuating circumstances, i.e. bankruptcy. Considering that the vast majority of CO2 budget sources have complied successfully with all requirements, the issue of potential future non-compliance does not seem to provide sufficient reason to make additional changes to the existing compliance scheme. Requiring a true-up at an earlier time and at a high percentage rate of the annual emissions would put additional administrative burdens on the currently compliant sources. The RGGI three-year control period was specifically designed as a flexibility mechanism to allow sources time to assess how to best comply with the CO2 budget trading rules and, so far, the program has functioned, by all accounts, well. Moreover, because non-compliance has not proved to be an issue previously, the Alliance believes the more efficient route to handle non-compliant sources would be on a case by case basis by the participating states.

Central Hudson Gas & Electric Corporation
*Consolidated Edison Company of New York, Inc.**
*Dynegy NE Generation, Inc.**
Long Island Power Authority
*GenOnInc**
*National Grid**
*Selkirk Cogen**

New York State Electric & Gas Corporation
*New York Power Authority**
*NRG Energy, Inc.**
Orange & Rockland Utilities, Inc.
Rochester Gas & Electric Corporation
*TransCanada**
*US Power Generating Co.**

Additionally, the goal of alignment with the various federal emissions abatement programs with different compliance obligations—like the annual and ozone season programs—is not a compelling one. So far the regulated community has been able to successfully comply with both federal and state programs, and there is little evidence to suggest that a drastic change to one program would create any benefits. Alliance members have extensive experience tracking and truing up emissions and allowances and based on that experience we believe the interim true up will complicate what is already in place. In the interest of continuity and flexibility, we strongly urge that RGGI reconsider any planned changes that would require additional true-ups.

On October 24 the Alliance and member companies participated in a New York RGGI stakeholder meeting where the treatment of unsold allowances proposal came up and we concluded that it was necessary to provide this comment. In the first compliance period, the emissions were so much lower than the allowance cap that the fact that all the states have decided not to offer unsold allowances from that period in future auctions is not an issue. However, there are indications that the allowance cap will be lowered to be much closer to expected emissions in which case the fate of unsold allowances becomes relevant. For example, the Alliance is concerned with a scenario in which the number of sold allowances is less than the emissions. In that case, withholding unsold allowances could create a market deficit with a resultant price increase and would in fact be a lowering of the cap outside of the regulations. Therefore, EEANY recommends that all unsold allowances from an auction be made available for sale in all subsequent auctions within the compliance period. Eliminating unsold allowances from the auction process undermines the flexibility that is the basic foundation of the three-year compliance program. Any decision to retire unsold allowances should not be made until the end of the compliance period.

Finally, the Alliance would like to point out that the RGGI program review process is currently not allowing adequate time to review and comment on the proposed changes. As per the RGGI schedule, the revised policy scenarios will be revealed on November 20, 2012, the Tuesday before the Thanksgiving holiday. Further, as per the schedule outlined by the States, the final proposal of the Model Rule, with the preferred cap scenario, will be released in December 2012, with state-level proceedings to adopt it planned in January 2013. The currently proposed time line will severely limit the ability of the stakeholders to provide meaningful input and support to this important process. We urge RGGI to ensure that there is sufficient stakeholder time to review the final scenario modeling results and proposed model rule changes to provide feedback prior to the implementation of the individual state proceedings.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roger Caiazza", is positioned above the printed name and title.

Roger Caiazza
Director