

To: RGGI Staff Working Group (SWG)
From: Donald Gardner, Hastings-on-Hudson, NY 10706
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These comments pertain to the formation and deployment of the entity referred to, variously, as the “Regional Organization”, or “RO”, or “Regulatory Agency” or “controlling authority”. I am new to this stakeholder process (my first meeting was the 3/28 Model review and I am attending the NYS meeting on 4/7) so I may have missed some earlier discussions. Nonetheless, I am commenting on what I see and do not see in the Model Rule Draft (03/26/06).

I have helped build collaboratives similar to the intended RO entity and I am familiar with the benefits of and potential risks related to deploying and operating such functions.

Firstly, I am aware that the SWG has recommended a Regional Organization to “assist” the states with implementing RGGI and that tracking of emissions and allowances for the trading program will be done through this RO. And, although section XX-8 in the Model Rule Draft (Monitoring and Reporting) discusses the activities around this function, the Model does not make clear whether and to what extent the RO will be responsible or how the RO will accomplish this function. Further, there does not appear to be clear indication as to how the RO will be integrated with the Participating States and other key stakeholders of the initiative.

Reference has been made during the stakeholder meetings to the fact that emissions will be tracked using the emissions tracking system from EPS and that maintenance of this system will be a major function of the RO. This is critical to the initiative’s operation, but, with respect for the work already accomplished, this is not just about software and databases. Clear definition of how the RO will function is essential.

It has been my experience that, unless operating rules and evaluation criteria are established **for the RO**, well before the 2007-8 implementation date, there is a real risk of failure for the entire initiative. For instance, specifics for the RO operating rules (may already, but) should include, but not be limited to –

- a definition of the RO with composition, roles and responsibilities for its governing board and staff and between the RO and the participating stakeholders
- how the Participating States will support and engage the RO
- management of the allowance tracking system – open/maintain accounts, manage transactions, report findings, analyze data
- monitoring and recordkeeping using the EPS tracking system – review emissions plans of the participating sources; manage the compliance function and reporting requirements
- selection and management of system vendors necessary to ensure viability of the tracking and reporting systems
- maintaining confidentiality of business information of the sources
- management of and involvement with offset projects and allowances

- setting communication policy; communication with stakeholders, including Participating State legislatures and regulatory agencies
- being a center for accumulating policy and communicating overall policy and changes to said policy
- maintaining inventory of sources
- web site management and maintenance
- administering 3rd party engagement for monitoring and independent verifiers
- public vs. private involvement
- dispute process management among the Participating States

Additionally, the evaluation criteria (may already, but) should include, but not be limited to these success factor categories:

- (1) pre-implementation (policy and objectives, technical feasibility, financial viability, political viability, administrative operability, end user readiness)
- (2) operationally (system interoperability, adequate and available trained staff, flow of funds for operations and sustainability, rigorous integration into the stakeholder community, sustained political support and compatibility with RGGI activities)
- (3) post-implementation (quality, thoroughness, timeliness and reliability of information produced; determination as to how and to what extent said information will be shared)
- (4) in terms of impact (benefits derived from the initiative to ensure it justifies the investment from each state and the ability to contribute to the overall enhancement of the environment)

I understand the SWG has discussed the form and function needed to create this entity. I believe the results of their efforts should appear in the Model Rule and be made available for comment by the stakeholders. And while the Model Rule does spell out specifics around establishing allowance accounts, recording allocations, compliance, banking and closing accounts and, particularly how the CO₂ allowance rule is to be defined, applied, and maintained, there is no statement about how this RO entity will operate and support these functions for compliance, banking, representation and allowance management. I believe a more thorough discussion of the role and operation of the RO is appropriate.

Respectfully submitted,
Donald Gardner