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Comments transmitted via e-mail to info@rggi.org

Re: RGGI 2016 Program Review Requests for Comments Regarding IPM Modeling Scenarios

To Whom it May Concern:

On behalf of MJB&A's Clean Power Plan Initiative member companies,¹ we appreciate the opportunity to comment on the 2016 RGGI Program Review IPM Reference Case and Policy Scenarios presented at the recent stakeholder meeting on February 2nd in Wilmington, Delaware. We view this program review as an opportunity for the RGGI states and stakeholders to evaluate a range of Clean Power Plan (CPP) compliance options and program components. Our comments seek clarification on several of the Reference Case assumptions and recommend two additional scenario runs to evaluate a RGGI trading-ready approach. Member companies also support the evaluation of a range of post-2020 cap scenarios in order to fully understand the potential implications on electric ratepayers, allowance prices, and reliability as well as the ability to deliver a long term CO₂ price signal that promotes continued clean energy investment.

The member companies support flexible, broad, market-based compliance programs to reduce emissions. With that general principle in mind, we support the RGGI states adopting mass-based trading-ready plans that include both existing and new sources as the means for compliance with the CPP. Mass-based trading-ready compliance plans that include both existing and new sources will reduce the administrative burden in comparison to a rate-based program, satisfy any obligation to address leakage under the CPP, and support the development of a larger national mass-based trading program. A broader trading market will achieve greater CO₂ emission reductions from the U.S. power sector at lower cost.

The RGGI states have been successful in adjusting the RGGI program over time, and we support the process that the RGGI states are now embarking on through the 2016 Program Review. We are committed to working constructively with RGGI and other stakeholders on policies that encourage the reduction of greenhouse gas emissions from the electric generating sector, build on RGGI's successes to date, and support the CPP's objective of achieving meaningful CO₂ emission reductions from existing power plants and encouraging investment in a clean energy future nationally.

Reference Case Modeling

The Reference Case assumptions and modeling results provided to stakeholders at the February 2nd meeting appear reasonable. However, there are several areas where additional information would aid in our understanding of the

¹ MJB&A's Clean Power Plan Initiative members are available here: <http://www.mjbradley.com/content/cpp-initiative>.

treatment of specific issues. First, we encourage the RGGI states to provide additional information on how the potential New York Clean Energy Standard (CES) will be accounted for in the Reference Case modeling. We agree that it is important for the RGGI states to evaluate the CES and provide the results to RGGI stakeholders. Second, while we understand the model assumes nuclear facilities retire at 60 years of age, consistent with EPA Base Case assumptions, it would be helpful to clarify how the analysis should account for expected nuclear power plant retirements that do not adhere to this assumption. Third, the Reference Case assumes carbon offset availability at \$25/ton. This is a significant change from the \$13/ton assumption communicated to stakeholders at the November 2015 stakeholder meeting and should be explained in more detail. All three of these areas should be considered as sensitivity analyses.

Member companies are encouraged that the RGGI states are trying to simplify the IPM modeling as much as possible to provide the policy insights necessary to address fundamental questions. For example, in the “New Reference Case”, RGGI assumes CPP implementation outside the RGGI region through a mass-based approach including existing and new sources. A fundamental challenge for the RGGI states is how to model CPP compliance in non-RGGI states as RGGI looks to develop policy scenarios. Given the current uncertainty on how other states may choose to comply with the CPP, we recommend that RGGI also evaluate other compliance options. For example, it will be helpful to understand the potential implications of states outside of the RGGI region electing to implement a mass-based approach for existing sources only and electing to address leakage through the presumptive allocation approach that EPA finalizes as sufficient to mitigate leakage. Additionally while we agree with the approach to trading in the New Reference Case—allowance trading within RGGI only and among states outside RGGI only—we also encourage RGGI to include policy scenario runs that evaluate trading between RGGI and states outside RGGI.

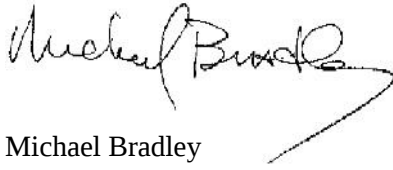
Policy Scenario Modeling

The proposed scenarios presented at the February 2nd stakeholder meeting appear to be a reasonable start. The RGGI states’ proposed policy scenarios assume nationwide implementation of the CPP through a mass-based approach including both existing and new sources. Allowance trading would be permitted within RGGI states and among states outside RGGI but not between the two groups. The variations on the climate policy runs include: 1) the use of the cost containment reserve (CCR) and carbon offsets up to the RGGI CPP targets, and 2) the elimination of the CCR and carbon offsets and an annual reduction in the RGGI CO₂ cap by 2.5% from 2020 levels (1.95 million tons per year). These modeling runs will provide important insights for stakeholders regarding the projected changes in CO₂ emissions, use of the CCR, allowance prices, generation mix, and other outputs relative to the New Reference Case.

Member companies recommend the RGGI states run additional policy scenarios, building off the two runs noted above, to evaluate a RGGI trading-ready approach. Member companies recommend the climate policy runs assume states outside RGGI comply with the CPP through 1) a mass-based approach including existing and new sources, and 2) a mass-based approach including existing sources only with states using the presumptive allocation approach EPA finalizes to mitigate leakage. Policy scenarios that include trading between RGGI and states outside RGGI will provide important insights for stakeholders regarding the projected changes in CO₂ emissions, allowance prices, generation mix, and other outputs relative to the New Reference Case. The addition of these climate policy runs will provide stakeholders with data and information to better understand the potential implications on reliability as well as electric ratepayers.

We appreciate the opportunity to share our input with the RGGI states on the 2016 Program Review. If you have any questions, please do not hesitate to contact me or Brian Jones at bjones@mjbradley.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Bradley". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Michael Bradley
President, MJB&A