

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK

7679 Bay Circle
Liverpool, NY 13090



May 24, 2016

Nicole Singh, Executive Director
RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007
Comments submitted by email to info@rggi.org.

Re: RGGI Allowances in Circulation

Dear Director Singh,

The Environmental Energy Alliance of New York (the Alliance) requests that the Regional Greenhouse Gas Initiative web page be revised to include a specific market status report that shows the current percentage share of compliance entity and non-compliance entity banked allowances. At this time, while the information necessary to calculate this number is available it is not easy to get at because the data needed are available at multiple locations and there are interpretation issues with the data. Therefore we are asking for new reports that summarize emissions and allowances then combines that data into an allowance bank summary.

In the attached document the Alliance explains that the going forward the number of allowances in circulation and the relative share of compliance vs. non-compliance holdings will be more important because we expect that the allowance market will become constrained. We then explain what is needed to estimate these values and provide an example of the report requested.

Thank you for your attention to this request. If you have any questions about our concern or the proposed reports do not hesitate to contact me at (315) 529-6711 or roger.caiazza@eeanyweb.org.

Sincerely,

A handwritten signature in black ink that reads "Roger Caiazza". The signature is cursive and somewhat stylized.

Roger Caiazza
Director

xc: climatechange@dec.ny.gov

*Central Hudson Gas & Electric Corporation
Consolidated Edison Company of New York, Inc.
Dynergy Power LLC.
Eastern Generation
National Grid
New York Power Authority
New York State Electric & Gas Corporation*

*NRG Energy, Inc.
Orange & Rockland Utilities, Inc.
PSEG Long Island.
Rochester Gas & Electric Corporation
Roseton Generating, LLC
Selkirk Cogen
TransCanada*

RGGI Allowances in Circulation

The Environmental Energy Alliance of New York (the Alliance) requests that the Regional Greenhouse Gas Initiative web page be revised to include a specific market status report that shows the current percentage share of compliance entity and non-compliance entity banked allowances. At this time, while the information necessary to calculate this number is available it is not easy to get at because the data needed are available at multiple locations and there are interpretation issues with the data. Therefore we are asking for new reports that summarize emissions and allowances then combines that data into an allowance bank summary.

To this point the viability of the allowance market has not been an issue so little time has been spent trying to track the status of the market in different ways. However, going forward the number of allowances in circulation and the relative share of compliance vs. non-compliance holdings will be more important because we expect that the allowance market will become constrained. Therefore, a report such as the one proposed here will be valuable.

There are three components needed to calculate the allowances in circulation: allowances auctioned, sold or otherwise awarded; RGGI emissions, and RGGI allowances retired. We recognize that these values will always only be available as a snapshot as emissions are recorded, auctions add to the allowance pool, and allowances are retired. However, this could be addressed by separating the three components by compliance periods with data from the current compliance period having larger uncertainty relative to the first two compliance periods. It would also be useful if the allowance holdings were further categorized into compliance vs. non-compliance entity shares. The data should also be listed as totals and by state in the ultimate summary report or in its supporting documentation.

The first component is the allowances auctioned, sold or otherwise awarded. These data are available at: <http://www.rggi.org/market/tracking/allowance-allocation>. These data are available by state and summed up for the total. However, trying to combine the data into one sheet is complicated because the categories in the individual spreadsheets are not the same. In the event that RGGI does implement a report for these data I suggest highlighting a date and time stamp with a note that some of the values will change. There also is value in having a state by state breakdown.

The emissions component is more straightforward. The only problem is that while the data may be available they are not summarized in a single location. On the RGGI site the data are at: (https://rggi-coats.org/eats/rggi/index.cfm?fuseaction=reportsv2.control_period_emissions_rpt&clearfuseattribs=true). Alternatively, the data can be accessed on the EPA's Clean Air Markets Division website. However, neither site provides the data in a single report. Instead it is left to the user to access the data and generate his own report. This report should have an option for a state by state breakdown.

The final data set needed to determine the compliance entity banked allowances is the percentage of allowances held by that sector of the market. In order to get that data the individual market monitor reports (available at: http://www.rggi.org/market/market_monitor) have to be consulted. Buried in those reports is the allowance holding percentage of compliance entities. In this case there is not much value in trying to breakdown the results by state.

Table 1 is an example of the allowance bank report requested. In this version we consider the RGGI total values for the first two compliance periods, the total of the first two compliance periods, the current period through March 29, 2016 and the total since March 29. This categorical breakdown is needed because the compliance entity share of the bank is for the cumulative total at the time of the market monitor report¹. The first row, Allowances auctioned, sold or otherwise awarded lists the allowances that went to the market. The RGGI emissions have been or will eventually have to be covered by allowances. RGGI provides some data for the RGGI allowances retired in historical periods but we have to account for allowance retirements for the current compliance period ourselves. When those values are obtained the margin between available allowances and emissions can be calculated. For three periods we can use the compliance entity share of the bank to calculate the compliance entity allowance bank. Adding the 50% interim allowance retirements then we can determine what the compliance entity bank and share of allowances will be.

Note that the allowance input and emissions data lend themselves to stand-alone tables. As noted above, while those data are available they are not available in a single stand-alone table with consistent definitions. Moreover, state-by-state categories are useful and could be included if separate tables are provided. Emissions by year and allowances by compliance period would also be helpful.

The Alliance believes that the declining share of the compliance entity bank may have ramifications on the market and future compliance. Therefore we believe that it is appropriate that RGGI provide the official values of these parameters in a single table. Additionally the RGGI stakeholders would appreciate the convenience of summary tables of emissions and allowances.

¹ The Alliance recognizes that this “snapshot” approach has potential issues but we had to work with the data available.