

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK

7679 Bay Circle
Liverpool, NY 13090



June 24, 2016

Submitted via E-Mail to info@rggi.org

Re: Regional Greenhouse Gas Initiative 2016 Program Review – June 17 Stakeholder Meeting

Dear Ms. Singh,

I am pleased to write on behalf of the Environmental Energy Alliance of New York, LLC (“the Alliance”; see list of company members highlighted below on this page) to provide our comments on the 2016 program review especially as it pertains to stakeholder webinar on June 17. 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 New York State.

The Alliance was unable to turn around comments to meet the requested submittal date of June 22 and was only able to provide general comments for this submittal. We believe that more time has to be made available to stakeholders so that we can provide meaningful review of the materials provided. The numbers behind the tables presented at the webinar on June 17 were only made available after the close of business last Friday and that is insufficient time for review, analysis, preparation of our response and the necessary member approvals. Accordingly, our comments do not incorporate review of the spreadsheets. Instead, we are commenting only on the process and IPM modeling.

The Alliance believes this accelerated schedule is inappropriate. Critical details for implementing the Clean Power Plan (CPP) are unknown at this time and when the rule is ultimately finalized additional changes may be necessary. The Alliance maintains that RGGI should plan on another program review process before the first CPP deadline to address any CPP program changes. In addition, as the white paper we submitted to RGGI on May 27, 2016, explains, the major drivers for emission reductions (CO2 reductions from coal and residual oil use accounted for most of the historical reductions but there isn’t much in these categories to reduce in the future) and allowance costs (see below) will likely change in the future suggesting that significant changes to the RGGI program are premature. It is prudent to see what happens as these drivers change and wait until the next program review before making any major changes given the uncertainties outlined in our white paper.

Stated another way, it is important to note that the RGGI allowance market has never operated in a condition of allowance scarcity. The last program review established interim emission caps with the express intent of drawing banked allowances into the marketplace so as to drawdown the demonstrated

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

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PSEG Long Island.
Rochester Gas & Electric Corporation
Roseton Generating, LLC
Selkirk Cogen
TransCanada*

surplus allowances available to compliance entities. Presuming that the analysis in the last program review was correct, the number of surplus allowances available should approach zero by 2020. How the auctions and the secondary market will respond to the first-ever scarcity situation is an unknown, so the RGGI States would be wise not to significantly alter the parameters of the RGGI market until this condition is fully explored in real-time.

Should the RGGI states proceed with significant changes to the RGGI program, we strongly encourage RGGI representatives to fully evaluate and model the resulting emissions targets and costs before any final program changes are endorsed. Specifically for the New York State Clean Energy Standard (CES), we support a model run without the output of the upstate nuclear facilities in the event the owners' current decision to close those facilities becomes fact. The RGGI states should also consider a sensitivity analysis that includes delayed implementation of the CES, because a less aggressive ramp rate for renewables than proposed will have emissions and generation impacts for RGGI particularly in the earlier years.

The most controversial proposed change is to lower the cap by at least 2.5% after 2020. The Alliance has not developed a position on this particular point but we do believe that this proposal has to be fully evaluated and had hoped that the IPM modeling results would offer information on the feasibility of those reductions. The information presented during the June 17 webinar as well as the follow up discussion has raised a serious concern for Alliance members.

In particular, IPM presents the best case scenarios to determine the viability of further reductions because it has perfect vision. Because it "knows" that the emissions have to be at a certain level by 2030 the model predicts that more renewables will be built sooner so that an allowance bank is built up for the later years when the cap is smaller due to the 2.5% and 5% reductions. There are serious problems with the presumption that the allowances would be purchased by the companies that think they may have value many years down the road. In general, compliance entities have always purchased what they need for much shorter time horizons and trying to change that approach would mean that capital is tied up that could be used for other purposes. Moreover, given the financial difficulties of many generating companies that timing could be difficult to justify. Non-compliance entities might not want to invest for potential returns over that time frame either.

Furthermore, the model also assumes the required renewable build out will occur without consideration of siting, permitting, financing and construction time constraints. We therefore, strongly encourage the RGGI decision makers to recognize that the IPM modeling presents an outer bound of "best case" future outcomes, and that most likely; the real world outcomes will be less than the model predicts. Any programmatic changes at this time should consider the limitations of the IPM modeling results.

As a result the IPM modeling results should be carefully scrutinized to see if the results are practical in a real world sense. Two results from the previous modeling results spreadsheets, released after the Boston meeting highlight this issue, particularly by New York State participants.

1. The RGGI Reference Case Generation tab indicates that by 2031 "wind" and "new wind" make up over 14% of the total generation in the State. Adding such a sizeable non-dispatchable component to the overall power supply could have serious reliability impacts to the system, and the installed

locations of such resources will have a significant impact on their availability. New York participants should carefully scrutinize the actual electrical feasibility of this level of wind build-out.

2. The RGGI Reference Case Generation tab shows the development of 642 MW of hydro generation by 2031. Compared to New York State's current hydro footprint, this is a significant amount of new hydro. As a point of comparison, the existing St. Lawrence Power Project operated by the New York Power Authority on the St. Lawrence River near Massena, New York has a rating of approximately 900 MW. The new hydro projected by the model would impact a significant number of waterways and would need to go through an extensive licensing and construction process. This hydro assumption should be carefully challenged to see if it is even remotely possible at currently expected long-term power prices.

Finally, the Alliance May 27th white paper demonstrates that CO₂ reductions from coal and residual oil, that provided most of the emission reductions to date, will not be available in the future. Consequently reductions beyond 2020 will have to rely on displacing natural gas generation with renewables. The existing schedule for programs like New York's Clean Energy Standard is already aggressive. To assume that additional facilities will be available in the time frames necessary to provide the bank that IPM calculates is most likely unrealistic. The Alliance again requests that a number of less-optimistic modeling sensitivities be conducted prior to any decisions about the future of the RGGI program.

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@eanyweb.org.

Sincerely,



Roger Caiazza
Director

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