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10 States Complete Thirteenth Regional Auction for Carbon Dioxide Allowances

Current Control Period Allowances Sold at $1.89

(NEW YORK, NY) – The ten Northeastern and Mid-Atlantic states participating in the nation's first market-based regulatory program to reduce greenhouse gas emissions today announced the results of their 13th quarterly auction of carbon dioxide (CO_2) allowances. The auction, held Wednesday, September 7th, marks three years since the launch of the Regional Greenhouse Gas Initiative (RGGI) auctions in 2008.

7,487,000, or 17.75 percent, of the 42,189,685 current control period (2009-2011) CO_2 allowances offered for sale by the ten participating states were sold. The auction clearing price was $1.89 per allowance, the minimum reserve price for the auction. Thirty-one entities submitted winning bids, with bids ranging from $1.89 to $5.18. Electric generators and their corporate affiliates purchased 94 percent of the current control period allowances sold.

The participating states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont also offered a smaller number of CO_2 allowances for a future control period (2012-2014). None of the future control period allowances offered in the auction was sold.

"The result of Wednesday's auction is consistent with the reduced emissions across the RGGI region as we near the end of the first compliance period," said David Littell, a Commissioner of the Maine Public Utilities Commission and Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "State investments in energy efficiency, together with other factors, have helped to reduce emissions in RGGI states."

According to the independent market monitor retained to evaluate the RGGI market, the quarterly auctions have been consistent with a competitive market and have successfully delivered the vast majority of allowances to power plants that need them for compliance. The *Market Monitor Report for Auction 13* details that power plants and their corporate affiliates purchased 85 percent of allowances sold in Auctions 1-13 and hold 97 percent of the allowances in circulation.

"RGGI's flexible, market-based design allows electricity providers to acquire the allowances they need and to invest in more efficient fuels and generation technologies as they think best," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Vice Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "Over the last three years, the RGGI states have created an efficient market-based program to reduce carbon emissions in North America and to drive significant investment in energy efficiency and clean energy."

Proceeds from RGGI auctions now total more than $900 million, approximately 80 percent of which is being invested by states in consumer benefits: energy efficiency, renewable energy, direct assistance to consumers and other programs. State data show that energy efficiency programs, which account for the largest share of investments across the region, are generating $3 to $4 in savings for every $1 invested. For more information on each RGGI state's investment of auction proceeds, visit: http://rggi.org/rggi_benefits.

The participating states have announced that they are preparing for a comprehensive review of the RGGI program in 2012. That review will consider, among other things, the reduction in emissions that has occurred since the regional emission cap was put into place. A stakeholder session has been scheduled for September 19, 2011 to receive stakeholder input on various analyses that the participating states are undertaking. The stakeholder meeting will take place in New York City and will be open to all. For more information, visit: http://www.rggi.org/design/program_review.

The next RGGI auction is scheduled for December 7, 2011.

About the Regional Greenhouse Gas Initiative

The Northeast and Mid-Atlantic states participating in RGGI (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island and Vermont) have implemented the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. Power sector CO_2 emissions are capped at 188 million short tons per year through 2014. The cap will then be reduced by 2.5 percent in each of the four years 2015 through 2018, for a total reduction of 10 percent.

A CO_2 allowance represents a limited authorization to emit one short ton of CO_2, as issued by a respective participating state. A regulated power plant must hold CO_2 allowances equal to its emissions to demonstrate compliance at the end of each three-year control period. The first control period for fossil fuel-fired electric generators under each state's CO_2 Budget Trading Program took effect on January 1, 2009 and extends through December 31, 2011. Allowances for the first (2009-2011) control period may be used to meet current compliance obligations, or may be banked for use in future control periods. CO_2 allowances for the second (2012-2014) control period can only be used to meet compliance obligations beginning in 2012. CO_2 allowances issued by any participating state are usable across all state programs, so that the ten individual state CO_2 Budget Trading Programs, in aggregate, form one regional compliance market for CO_2 emissions.

About Regional Greenhouse Gas Initiative, Inc.

Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) was created in September 2007 to provide technical and administrative services to the states participating in the Regional Greenhouse Gas Initiative. RGGI, Inc. is a 501(c) (3) nonprofit organization. For more information please visit: www.rggi.org.

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MARKET MONITOR REPORT FOR AUCTION 13

Prepared for:

RGGI, Inc., on behalf of the RGGI Participating States

Prepared By:

September 9, 2011

This report was prepared by Potomac Economics (the contractor) in the course of performing work contracted for and sponsored by RGGI, Inc. on behalf of the RGGI Participating States (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont). The opinions expressed in this report do not necessarily reflect those of RGGI, Inc. or any of the Participating States, and reference to any specific product, service, process, or method does not constitute an implied or expressed recommendation or endorsement of it. Further, RGGI, Inc., the Participating States, and the contractor make no warranties or representations, expressed or implied, as to the fitness for particular purpose or merchantability of any product, apparatus, or service, or the usefulness, completeness, or accuracy of any processes, methods, or other information contained, described, disclosed, or referred to in this report. RGGI, Inc., the Participating States, and the contractor make no representation that the use of any product, apparatus, process, method, or other information will not infringe privately owned rights and will assume no liability for any loss, injury, or damage resulting from, or occurring in connection with, the use of information contained, described, disclosed, or referred to in this report.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by participating states to reduce emissions of carbon dioxide (CO_2), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO_2 Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

MARKET MONITOR REPORT FOR AUCTION 13

As the Market Monitor for the RGGI CO_2 allowance market, Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of market manipulation or collusion. We also review the administration of the auctions by World Energy Solutions. This report summarizes our findings regarding RGGI Auction 13, which was held on September 7, 2011.

We observed the auction as it occurred and have completed our review and analysis of its results. Based on our review of bids in the auction, we find no material evidence of collusion or manipulation by bidders.

A large number of bidders participated in the offering of CO_2 allowances for the current control period (with a 2010 and 2011 vintage year). Thirty-one entities submitted bids to purchase 18 percent of the available supply of allowances, resulting in a clearing price equal to the reserve price of $1.89 per ton. Compliance entities or their affiliates purchased 94 percent of the allowances in the offering. There was no indication of barriers to participation in the current control period offering.

A small number of allowances were auctioned for a future control period (with a 2014 vintage year), although no bids were submitted to purchase these allowances. There was no indication of barriers to participation in the future control period offering.

Based on our review of the administration of the market, we found that:

- The auction was administered in a fair and transparent manner in accordance with the noticed auction procedures and limitations.
- The auction results were consistent with the market rules and the bids received.
- Sensitive information was treated appropriately by the auction administrator.
- There were no indications of issues with the auction platform such as hardware or software problems, communications issues, or security breaches.

In summary, the results of our monitoring of RGGI Auction 13 raise no material concerns regarding the auction process, barriers to participation in the auction, or the competitiveness of the auction results. The appendix provides additional information about the market for RGGI CO_2 allowances and outcomes of the auction.

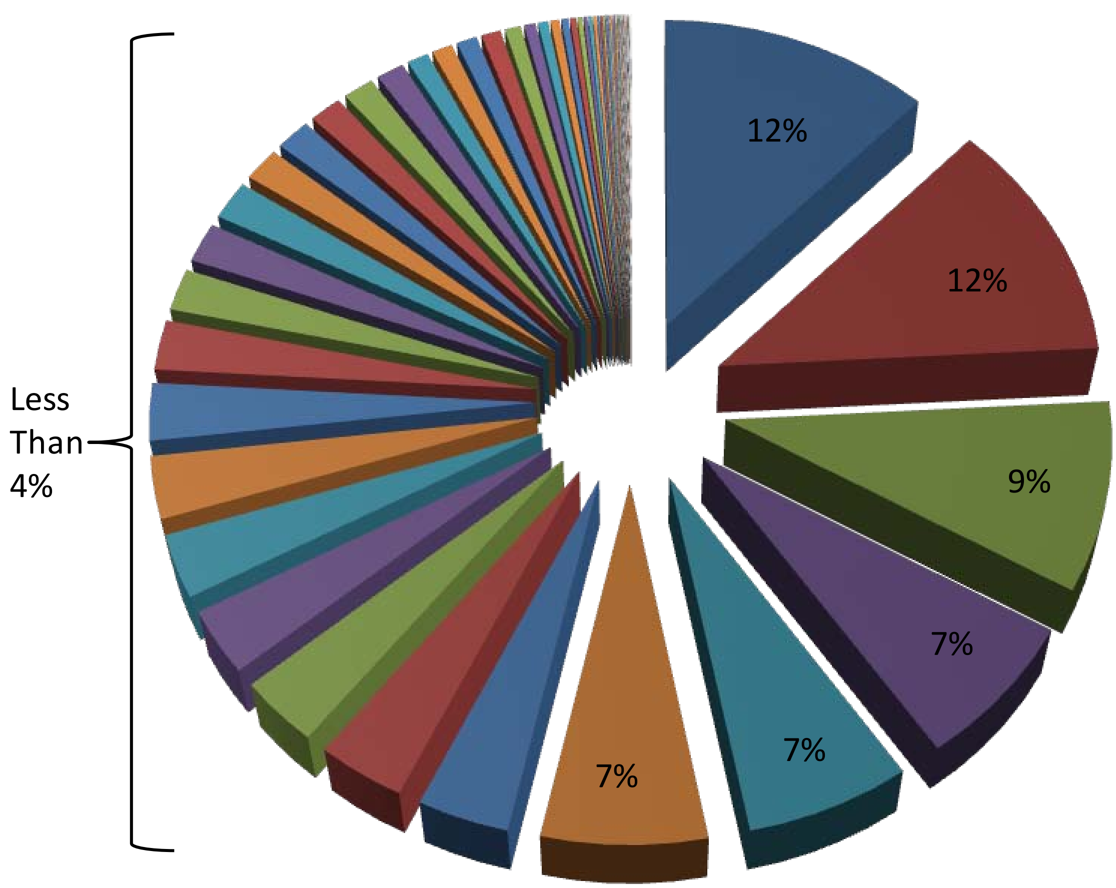
APPENDIX

A. DISPERSION OF PROJECTED DEMAND

The wide dispersion of projected demand for RGGI allowances across compliance entities facilitates the competitive performance of the auction.

The following figure shows the relative shares of projected demand for RGGI allowances by compliance entity in the current control period. The largest compliance entity represents only 12 percent of the total projected demand for allowances. Almost half of the projected demand is composed of entities that each account for less than 4 percent of the total demand. Participation by a large number of entities facilitates the competitive performance of the auction.

Figure 1: Projected Demand for RGGI Allowances
Shares by Compliance Entity



B. Dispersion of Bids in Auction 13

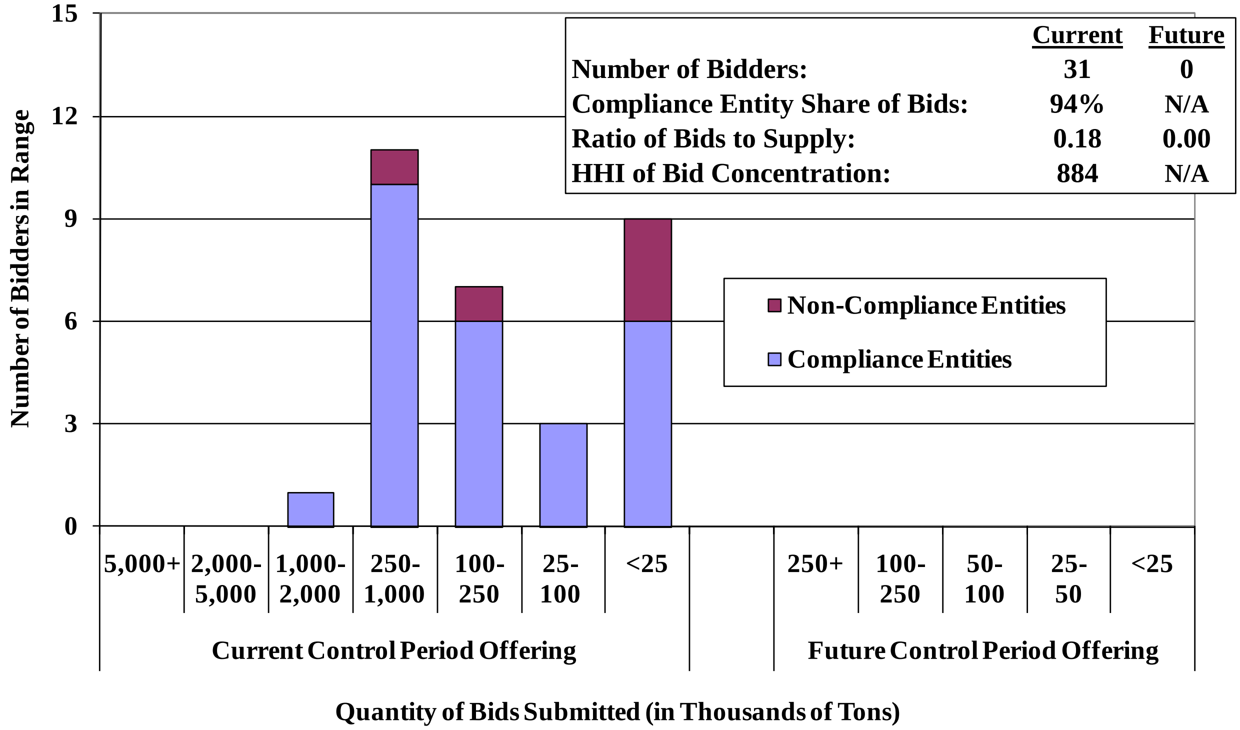
In the offering of current control period allowances, bids were submitted by a large number of compliance entities and several non-compliance entities. A small number of allowances were also auctioned in advance for a future control period, although no bids were submitted in this offering. In our review of the bids and the qualification process, we found no material evidence of anti-competitive conduct or significant barriers to participation.

The following figure summarizes the quantities of allowances for which bids were submitted in the two offerings. In the offering of current control period allowances, just one compliance entity submitted bids for a large quantity of allowances (e.g., at least 1 million tons or 2.5 percent of the available supply). Overall, compliance entities accounted for 94 percent of the quantity of allowances for which bids were submitted in the offering of current control period allowances. The quantity of allowances for which bids were submitted decreased to 0.18 times the available supply in Auction 13 from 0.30 times the available supply in Auction 12 and 1.1 times the available supply in Auction 11.

In the offering of future control period allowances, no bids were submitted. This decreased from 0.57 times the available supply in Auction 12 and 1.4 times the available supply in Auction 11.

The bid quantities were widely distributed among the 31 bidders in the offering of current control period allowances. The concentration of bids, using the Herfindahl-Hirschman Index ("HHI"), was relatively low at 884. The HHI is a standard measure of concentration calculated by squaring each entity's share and then summing the squares across all entities (hence, the index ranges from 0 to 10,000).

Figure 2: Quantity of Bids Submitted by Entity
By Type of Entity and Quantity Bid



C. Summary of Purchases of Allowances in Auction 13

In the offering of current control period allowances, awards were widely distributed across 31 bidders with one bidder purchasing one million tons or more and twelve bidders purchasing 250,000 tons or more. Compliance entities or their affiliates purchased 94 percent of the allowances in the offering of current control period allowances.

The share of allowances purchased and several other quantities are reported for each of three types of entities:

- *Compliance Entities*: This includes all compliance entities and their affiliates. In this report, affiliated firms are firms that: (i) have a parent-subsidiary relationship with a compliance entity, (ii) are subsidiaries of a parent company that has a large interest in a compliance entity, (iii) have substantial control over the operation of a budget source and/or responsibility for acquiring RGGI allowances to satisfy its compliance obligations.
- *Environmental/Individuals*: This includes non-compliance entities describing themselves as “Environmental Groups” or “Individual Person” in their qualification application.
- *Other Non-Compliance Entities*: This includes all other non-compliance entities.

The following statistics summarize the purchases and holdings of allowances by compliance entities and their affiliates under the RGGI program:

- In Auction 13, compliance entities and their affiliates purchased 94 percent of the current control period allowances sold.
- In the first thirteen RGGI auctions, compliance entities and their affiliates purchased:
  - ✓ 85 percent of the current control period allowances sold,
  - ✓ 92 percent of the future control period allowances sold, and
  - ✓ 85 percent of all allowances sold.
- Compliance entities and their affiliates will hold 97 percent of the allowances in circulation following the settlement of allowances sold in Auction 13.

The following table shows the quantity of allowances purchased by each bidder. The identity of each bidder is masked, and the bidders are ranked according to the amount of allowances awarded, from largest to smallest.

Table 1: Quantity of Allowances Awarded by Bidder

Bidder	Number of Current Control Period Allowances Awarded
Bidder 1	1,550,000
Bidder 2	900,000
Bidder 3	670,000
Bidder 4	500,000
Bidder 5	500,000
Bidder 6	348,000
Bidder 7	337,000
Bidder 8	300,000
Bidder 9	261,000
Bidder 10	252,000
Bidder 11	250,000
Bidder 12	250,000
Bidder 13	232,000
Bidder 14	200,000
Bidder 15	200,000
Bidder 16	170,000
Bidder 17	150,000
Bidder 18	109,000
Bidder 19	100,000
Bidder 20	51,000
Bidder 21	38,000
Bidder 22	32,000
Bidder 23	20,000
Bidder 24	18,000
Bidder 25	12,000
Bidder 26	10,000
Bidder 27	10,000
Bidder 28	8,000
Bidder 29	7,000
Bidder 30	1,000
Bidder 31	1,000

D. Summary of Bid Prices in Auction 13

The distribution of bid prices submitted in the auction indicates that the demand for allowances was relatively elastic, which is a signal that the results were competitive.

The following table reports several statistics regarding the bid prices for bids submitted in Auction 13. The median and mean bid prices are weighted by the quantity of each bid.

	Current	Future
Bid Prices:		
Minimum	**$1.89**	**N/A**
Maximum	**$5.18**	**N/A**
Average (Median)	**$1.94**	**N/A**
Average (Mean)	**$2.05**	**N/A**
Clearing Prices:	**$1.89**	**N/A**

E. Names of Potential Bidders in Auction 13

In accordance with Section 2.8 of the Auction Notice for CO_2 Allowance Auction 13 on September 7, 2011, the Participating States are releasing the names of Potential Bidders in Auction 13. The states defined potential bidders as: "Each Applicant that has been qualified and submitted a complete *Intent to Bid*." The list of 41 Potential Bidders is as follows:

- Adirondack Council Inc.
- AES Eastern Energy, LP
- Aircraft Services Corporation
- Astoria Generating Company, LP
- Barclays Bank PLC
- Berkshire Power Company, LLC
- Brooklyn Navy Yard Cogen Partners, LP
- Caithness Long Island, LLC
- Carbon Lighthouse Association
- Castleton Power, LLC
- Chambers Cogeneration, LP
- ConocoPhillips Company
- Consolidated Edison Comp. of NY, Inc.
- Constellation Energy Commodities Group
- Dominion Energy Marketing, Inc.
- Empire Generating Co., LLC
- EquiPower Resources
- GenOn Energy Management, LLC
- Green Mountain Power Corporation
- Indeck-Corinth Limited Partnership
- Indeck-Oswego Limited Partnership
- Indeck-Yerkes Limited Partnership
- J-Power USA Development Co., Ltd.
- Kleen Energy Systems, LLC
- Logan Generating Company, LP
- Millennium Power Partners, LP
- Morgan Stanley Capital Group, Inc.
- National Grid Gen. dba National Grid
- New Athens Generating Company, LLC
- North American Energy Alliance, LLC
- NRG Power Marketing, LLC
- Power Authority of the State of New York
- PSEG Energy Resources & Trade, LLC
- Public Service Company of New Hampshire
- RBC
- Rochester Gas and Electric Corporation
- Selkirk Cogen Partners, LP
- Sterling Planet, Inc.
- Sunoco Power Generation, LLC
- Verso Paper Corp.
- Wallingford Energy, LLC