



**ENVIRONMENTAL
ADVOCATES OF NEW YORK**

YOUR GOVERNMENT WATCHDOG

MEMO

Date: September 20, 2010

To: RGGI State Commissioners and Staff (electronic submission – info@rggi.org)

From: Ross Gould, Air & Energy Program Director

Re: Comments on Draft RGGI Reference Case Assumptions for the Program Review

Thank you for the opportunity to provide comments on the modeling for the RGGI reference case for the 2012 comprehensive review. Environmental Advocates of New York is a member of the RGGI Advisory Committee in New York and has been an actively involved stakeholder in the formation and implementation of RGGI. Environmental Advocates has commented on the process throughout and looks forward to participating in the comprehensive review and to applying lessons learned from design and implementation to strengthen the successful RGGI program. Environmental Advocates has also endorsed comments prepared by Environment Northeast dated September 20, 2010 and these comments serve to provide additional and New York specific information, as well as raise several points in need of further clarification.

Environmental Advocates would like to congratulate the states and RGGI, Inc. staff for successfully implementing RGGI and the auction process. RGGI as the first successfully operated U.S. mandatory greenhouse gas (GHG) cap and trade program is a model for a national program for reducing greenhouse gas emission. RGGI has successfully distributed allowances through auctioning, facilitated a viable carbon trading market, and supports energy efficiency and clean energy investments in the participating states. The auction proceeds will significantly lower energy demand. New York has raised over \$265 million from auction proceeds of which the New York state legislature dedicated \$112 million to a program to retrofit homes and businesses with energy efficiency improvements that will reduce energy demand and consumers energy bills. In addition, this will significantly reduce GHG emissions in New York. This program would not have been possible without the proceeds from the RGGI auctions.

The comprehensive review is an important opportunity for RGGI to capitalize on its many successes but also an opportunity to improve the program going forward. The development of a reference case is extremely important and we must strive to have accurate modeling and scenario development to best inform the 2012 comprehensive review. Development of a

reference case is the opportunity for RGGI to take a good look in the mirror to see what RGGI looks like in its current form. This is an extremely important part of any review process. The reference case should be exactly what RGGI is the way it stands now. It is important that the development of the reference case and assumptions and sensitivities be transparent and that stakeholders be provided the details of the assumptions and sensitivities.

These comments and questions will focus on the reference case, input assumption sources, and sensitivities. In addition, as suggested at the meeting we are also included several additional questions that have arisen as a result of reviewing the materials presented to date.

Comments on Category A

Cost and Performance of New Generation

For the cost and performance of new generation, we would also suggest reviewing Lazard's Levelized Cost of Energy Analysis, Version 3.0. For the cost of energy saved through energy efficiency we suggest RGGI refer to Friedrich Katherine et al. "Saving Energy Cost-Effectively: A National Review of the Cost of Energy Saved through Utility-Sector Energy Efficiency Programs" September 2009, Report Number U092 ACCEE

Coal Plant Construction in RGGI

In terms of modeling, the only new coal plants factored into the assumptions should be a plant with Carbon capture and sequestration (CCS), best available air emissions controls and closed cycle cooling. However, the RGGI states should not have any new coal plant construction because CCS is too expensive and is extremely inefficient in that much of the energy input must be used in the capture and sequestration process. In addition, even with CCS and air quality emissions coal ash is extremely toxic and there are no viable solutions to handling the waste, it is usually retained at the sites. There are also numerous other environmental concerns with CCS that do not make this a viable option for energy generation in the RGGI region.

Nuclear Plant Construction in RGGI

Nuclear power plants also too expensive and nuclear power plants place the public at risk of exposure to radiation from waste materials and are vulnerable to potentially devastating accidents. More importantly, there is currently no viable long-term solution to storage of nuclear waste. Indeed, no new nuclear power plant has been built in the U.S. since 1996. It seems extremely unlikely that any new facilities will be built within the timeframe for modeling.

Firmly planned Generation and Retirement

Environmental Advocates believes that "firmly planned" has not been thoroughly explained and there may be contradictory assumptions being used in determining "firmly planned." According to the information received, the modeling assumes that Indian Point Energy Center will continue to operate during the modeling timeframe; however, the additional slides provided at the stakeholder meeting indicated that the Green Island hydro turbines will be retired. Indian Point is in the middle of a highly contested licensing proceeding and was denied its Water quality permit and it cannot be relicensed without the permit. On the other hand, on September 9, 2010 FERC published a notice that relicensing of Green Island presents a finding of no significant environmental impact, which greatly increases the

likelihood of its relicensing. How is the determination being made that Indian Point is “firmly planned” for relicensing while Green Island is not? This issue should be further explained and clarified to assist stakeholders in providing meaningful input.

Comments on Category B

Fuel Prices

Fuel prices, assumptions relating to fuel prices and sensitivities will be extremely important for determining the reference case and will play an important role in determining the ultimate outcomes for the scenario runs that will occur during the review process.

Environmental Advocates suggests that for additional resources relating to fuel prices RGGI look to information submitted by utilities and intervenors in public utility proceedings, such as rate cases and in New York Public Service Commission Cases 07-M-0548 (energy efficiency portfolio standard) and 03-E-0188 (Renewable Portfolio Standard)

Regional Energy and Peak Demand

Energy demand is major driver of emissions and the modeling must consider reductions in demand that are the result of energy efficiency investments and improvements to avoid overestimating actual demand. The states in the RGGI region have used auction proceeds to improve efficiency and have also developed state programs, such as New York’s Energy Efficiency Portfolio and Renewable Portfolio Standards that reduce the amount of electricity demanded from 25 MW stationary facilities subject to RGGI.

Environmental Advocates believes that efficiency can best be incorporated by using ISO projections that are focused on economic trends along with adding in energy efficiency requirements and investments on top of the forecasts, as shown on the supplemental slides at the September 13, 2010 stakeholder meeting. However, Environmental Advocates questions the annual average growth rate shown for New York in slide 2 of the additional slides.

Environmental Advocates believes that based upon current energy policies in New York the actual average demand for New York is lower than found in the slides and maybe more similar to the Massachusetts demand.

Our belief is based upon New York State Energy Plan and reports on energy efficiency improvements that are both currently available and cost effective. First, the New York State 2009 Energy Plan provides projections that show a negative demand from 2010 until 2018. In addition, it is projected that “[i]mproving energy efficiency in buildings, appliances and industrial sector could offset approximately 85 percent of the forecasted increased demand for electricity by 2030.”¹ Significantly, this does not account for other additional efficiency improvements in other areas such as transmission improvements and efficiency improvements in generation.

Comments on Category C

Federal Environmental Policies

Environmental Advocates refers to the comments submitted by Environment Northeast.

¹ See McKinsey & Company, 2007, *Reducing U.S. Greenhouse Gas Emissions: How Much at What Cost?: U.S. Greenhouse Gas Abatement Mapping Initiative Executive Report 2007*.

Comments on Category D

Renewable Portfolio Standards

For additional information relating to New York renewable generation forecasts Environmental Advocates suggests reviewing Renewable Energy Assessment prepared for the New York State Energy Plan 2009, which provides that with current technologies New York has the technical potential to have an RPS of 38 percent by 2018. In addition, with respect to renewables and cost of installation and cost effectiveness of renewables see Lazard cited above and Wise et al. *Tracking the Sun II: The Installed Cost of Photovoltaics in the U.S. from 1998-2008*, Oct. 2009, Lawrence Berkley National Laboratory.

State Environmental Policies

Environmental Advocates refers to the comments submitted by Environment Northeast.

Cost and Performance of Pollution Controls and Firmly Planned Control Installations

Environmental Advocates refers to the comments submitted by Environment Northeast.

Comments on Category E

Transmission Capability

Environmental Advocates refers to the comments submitted by Environment Northeast.

Reserve Margins and Local Reserve Requirements

Environmental Advocates refers to the comments submitted by Environment Northeast.

Offsets

Environmental Advocates refers to the comments submitted by Environment Northeast.

Comments on Modeling Results

Environmental Advocates refers to the comments submitted by Environment Northeast.

Comments on Sensitivity Analysis

Environmental Advocates refers to the comments submitted by Environment Northeast.

Respectfully submitted,

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