

Comments on Electricity Markets and Imports

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The undersigned organizations welcome the opportunity to submit initial comments on electricity markets and electricity imports into the Regional Greenhouse Gas Initiative (RGGI), and we look forward to continuing engagement as states consider mechanisms to address potential increases in out-of-region generation and emissions to serve RGGI load.

We commend states for establishing an effective market based program to reduce emissions of carbon dioxide (CO₂) from power plants in the region. RGGI has an impressive track record of successful allowance auctions and has to date raised over \$900 million for clean energy and other programs at the state level. Emissions have also declined significantly since RGGI was formulated, and are currently trending approximately 30% below the emissions limit.¹ Low emissions have decreased the demand for emissions allowances to the point that a significant volume of allowances offered at recent auctions went unsold, and allowances that did sell cleared at the reserve price of \$1.89/ton. At low prices RGGI allowances have little impact on electricity markets, as found in the NYSERDA white paper *Relative Effects of Various Factors on RGGI Electricity Sector CO₂ Emissions: 2009 Compared to 2005* developed for the RGGI states.² This finding was confirmed by recent econometric modeling by NYISO, which found that RGGI allowance prices did not have a statistically significant relationship with the CO₂ emissions levels at power plants in Pennsylvania or with the flow of power from Pennsylvania to New York.³

The ongoing program review provides an opportunity for the states to make refinements in line with evolving market conditions and the critical need to continue to reduce greenhouse gas emissions from the electricity sector. We support efforts to investigate the potential for increased imports under a revised program and to consider potential mechanisms to address imports and associated emissions. Specifically, we recommend that RGGI states:

- 1) Pursue further analysis of the First Jurisdictional Deliverer (FJD) approach developed in California to account for greenhouse gas (GHG) emissions associated with electricity imported into California, including analysis of developing a similar mechanism in the RGGI region.

California has developed an innovative policy approach to account for and regulate imported electricity, and this approach merits consideration in the RGGI region. While differences between the California and RGGI region electricity markets would require tailoring the California FJD model, RGGI states could develop a similar program suited to the region. The Generator Information System (GIS) in ISO New England and Generator Attribute Tracking System (GATS) in PJM provide emissions data for electricity generated in the respective RTOs. This data allows tracking and attribution of emissions to power produced in areas adjacent to

¹ Emissions from power plants in the RGGI program fell 34% below the relatively high initial emissions limit in 2009 and 27% below the limit in 2010. Emissions declined predominantly due to structural changes in the regional electric sector such as fuel switching to cheaper natural gas, increasing non-emitting generation, and successful efficiency programs; in addition there were modest reductions caused by short-term factors like mild weather and the economic downturn. See: http://www.rggi.org/docs/Retrospective_Analysis_Draft_White_Paper.pdf

² Available at: http://rggi.org/docs/Retrospective_Analysis_Draft_White_Paper.pdf

³ See: http://rggi.org/docs/ProgramReview/LearningSession1/Presentation_James_Gallagher_NYISO.pdf

RGGI and imported into the region. By relying on these tracking systems and their ability to characterize attributes associated with imported MWhs, the RGGI states have a reasonable means to quantify environmental attributes associated with imported electric energy, as evidenced by the NYSERDA analysis cited above.

- 2) Analyze emissions attribute tracking systems in the RGGI region's three regional transmission organizations (RTOs), including analysis of measures to harmonize tracking and reporting.

In order to accurately track emissions associated with power imported to serve RGGI region demand, RTOs should develop common approaches to tracking emissions attributes. As stated above, the GIS and GATS systems provide sufficient data on emissions associated with imports, and could serve as foundations for a regional approach to emissions tracking. We suggest that it is necessary and appropriate to develop and implement a similar tracking system in the NYISO-administered market,^{4,5} and recommend that reporting schedules and data inputs among the markets operating in the RGGI region be harmonized to the greatest degree possible. In addition to the value this increased coordination would have to addressing emissions associated with imported power, it would also facilitate more seamless inter-RTO transactions and be consistent with ongoing efforts amongst the three RTOs to better integrate regional energy markets – while providing consumers and policymakers greater transparency into the nature of their electricity supply.

- 3) Continue to monitor leakage and pursue the development of mechanisms to address imports at the state or RTO level in order to focus policy on areas of greatest need.

Emissions associated with imported power should be tracked by the RGGI states using the available tools in the wholesale market including the existing GIS and GATS systems. The RGGI states should maintain their commitment to address emissions associated with imported power as they proceed with the 2012 program review and work with the respective RTOs to tailor policy solutions for specific affected jurisdictions.

⁴ In New York the establishment of a generator attribute tracking system has been under consideration for years, both in the form of legislation and formal discussions amongst the NYS Department of Public Service Commission, NYSERDA, and NYISO Staff and Market Participants. As extensive groundwork has been laid to establish such a system in the state, one could be finalized and adopted over a relatively short timeframe with limited investment, would fulfilling a number of important market needs beyond the issue of addressing leakage in RGGI.

⁵ “NY is working with market participants to determine the suitability of adapting the New England Generator Information System (GIS) to New York markets. The NYISO has been actively participating in the NY Dept. of Public Service hearings on a Renewable Portfolio Standard, where attributes trading is identified as a necessary and desirable condition. On September 24, 2004, the New York State Public Service Commission (PSC) issued its Order on the Renewable Portfolio Standard that outlines a centralized procurement process for renewables. A workshop on the need for a GATS system, sponsored by the PSC and New York State Energy Research and Development Authority (NYSERDA), was held on July 14, 2005. On September 21, 2005, the PSC issued a State Administrative Procedure Act (SAPA) notice stating that it is considering authorizing PSC Staff and NYSERDA, in consultation with the NYISO, to begin the design of a certificate-based tracking and trading system. In the RPS Program January 26, 2006 Order in Case 03-E-0188, the New York Public Service Commission expressed its inclination to modify the current Environmental Disclosure Program to include an attributes accounting system similar to systems used in other states. The NYISO, NYPSC, and NYSERDA met on December 19, 2006 to discuss the PSC's implementation schedule and to review the potential involvement of the NYISO in such a system.” *Northeast ISOs Seams Resolution Report*, July 8, 2011. Available at: http://www.nyiso.com/public/webdocs/documents/regulatory/seams_issues/Seams_Current.pdf

In addition to these forward-looking considerations, we encourage RGGI states to publicize import data with enhanced regularity. The NYSEERDA comparative analysis of 2005 and 2009 emissions provided useful information to inform stakeholders on market conditions, and we look forward to the expeditious release of similar updated studies in subsequent years.

Additionally, given the complexity of tracking imports into the RGGI region and fashioning a reasonable policy to address them, we encourage states to hold additional stakeholder meetings or consultations to further explore relevant proposals.

Thank you for your attention to these comments, and we look forward to continuing engagement on this issue in the future.