



# NEW YORK ENERGY CONSUMERS COUNCIL, INC.

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*David F. Bomke*

To: RGGI Environmental & Energy Commissioners and Staff Working Group

RE: RGGI – CONSUMER ALLOCATION & STRATEGIC ENERGY PURPOSES

The New York Energy Consumers Council is one of the largest energy consumer advocacy groups in New York State. By some estimates, our membership represents approximately one-third of the energy consumption of commercial customers in New York City. Our corporate mission is focused on access to affordable and reliable energy resources for our members and the employee, tenant, student, patient, tourist and other constituencies served by our members. Given the degree of our members' purchases of electricity, the potential financial impact of implementing the Regional Greenhouse Gas Initiative for our membership could be extremely burdensome. Accordingly, we strongly advocate the allocation of all allowances to the benefit of those consumers who will ultimately bear the costs of implementing this initiative.

Experience from various nitrous oxide and sulfur dioxide cap and trade programs, as well as the early experience of carbon cap and trade programs in Europe, suggests that consumers will bear the economic burden of significant windfall profits for generators unless the predominant share of allowances is reserved for consumers. If the Model Rule does not unreservedly allocate all allowances to consumers, it should at least allocate half (or more) of them to consumers at the outset, with that share increasing to 100% through time. Granting allowances to generators is an unwarranted subsidy that is inconsistent with competitive wholesale markets. Generators should pay for the pollution associated with their products and recover it through market prices.

We also have serious questions about the scope of the strategic energy purposes provision in the allocations section. There must be much better definition of this term. At a minimum, we recommend that the model rule clarify that all of the "consumer benefit or strategic energy purpose" allowance value must be used to: (1) reduce the costs of the RGGI program to the state's electricity ratepayers; (2) provide incremental benefits for activities or projects that would not otherwise have occurred anyway and not simply be used to replace existing programs or investments; and (3) support programs and activities that do not pose a significant risk to human health and the environment.

If you have any questions, please advise.

Sincerely,

David F. Bomke  
Executive Director

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"Educating Energy Consumers Toward Economical Energy Options"

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