

RGGI Allocation Workshop  
Session 4 - Options for Allocating  
to Utility Generators  
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# AES Operates in 27 Countries with 113 Power Facilities.

- Northeast/Mid-Atlantic Region:

	Coal	Gas Combined Cycle	Biomass
New York	6		(1 cofired)
Connecticut	1		
New Jersey		1	
New Hampshire		1	1
Pennsylvania	1	1	
Maryland	1		

- Additional North America Plants

- Locations: California, Texas, Oklahoma, Indiana, Hawaii, Puerto Rico, Ontario
- Fuels: Gas, Coal, Petcoke, Biomass

# RGGI Goals & Guiding Principles

- All allocation decisions need to be evaluated against RGGI's stated objectives:

*"The program will initially be aimed at developing a program to reduce carbon dioxide emissions from power plants in participating states, **while maintaining energy affordability and reliability and accommodating, to the extent feasible, the diversity in policies and programs in individual states.**"*

# Uniform Allocation Methodology By Participating States Is Not Required Or Desirable

- Each state is unique.
- A one-size-fits-all approach does not allow each state to manage its individual differences.
- The NOx SIP Call provided for state differences.
- The greater the flexibility provided, the more likely that the RGGI program will be adopted by others.
- A one-size-fits-all approach is in direct opposition to the stated RGGI objective of allowing and accommodating diversity in policies and programs in individual states.

# Only Emitting Facilities Should Receive Allowance Allocation

- Non-emitting plants will derive increased energy revenues from RGGI.
- Non-emitting resources are not allocated allowances in the EU trading program.
- Allocation to non-emitting resources could create CO<sub>2</sub> emission scarcity conditions and further energy price impacts.



# Allocations Should Be Fuel-Specific

- A fuel specific allocation method will assist in maintaining fuel diversity.
- The New England January 2004 system emergency highlighted the need to avoid over-dependence on one fuel type.
- Example: New York's new Acid Deposition Reduction Rules concluded that SO<sub>2</sub> allocations need to be fuel specific to enhance fuel diversity.

# Fuel Specific, con't.

- Both input (lbs/MMBtu) and output (lbs/MWH)-based allocations can be fuel specific.

## *Allocation Methodologies*

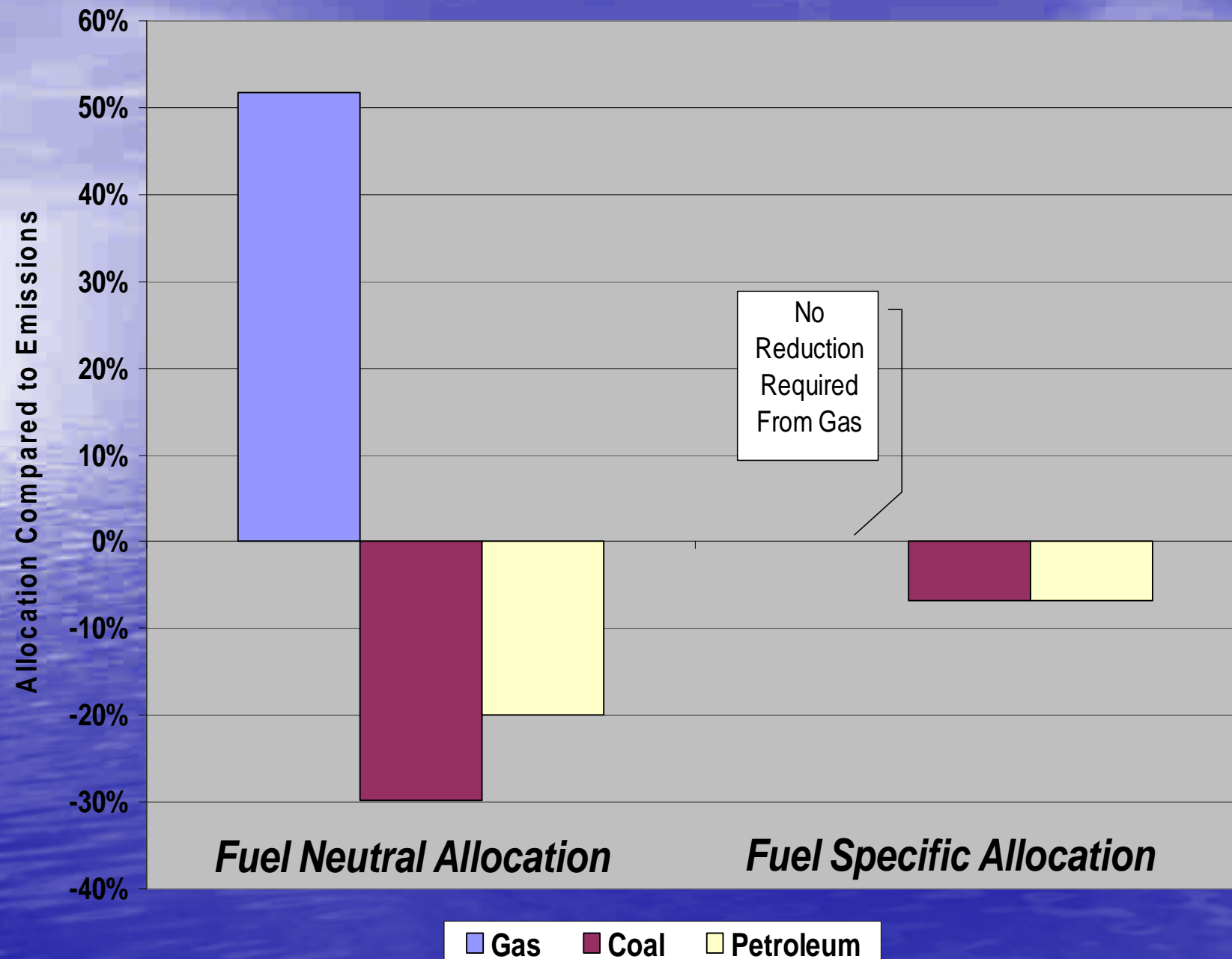
	Fuel Specific	Fuel Neutral
Heat Input	√	√
Energy Output	√	√

# Fuel Neutral Allocations Provide Significant Windfall To Gas Fired Generation At The Expense Of Other Generation Types

- NYS example: NY budget set at 5% reduction from 2002 emission levels.
- Allocations only to emitting sources.
- Fuel specific allocations are based on emission rates of each fuel, while fuel neutral allocations uses a single emission rate as the basis for allocations for all fuels.
- No reductions required from the overall fleet of gas plants, all reductions come from from coal and oil plants.



## Output Based Allocation @ 5% Reduction From 2002 NYS CO2 Emissions



# Allocations Should Be Based On Gross Energy Output Of Emitting Facilities

- Operation of FGD and SCR air pollution controls require significant power.
- A net, instead of gross, output approach would penalize controlled facilities.
- The CO<sub>2</sub> allocation method should not be a disincentive to controlling SO<sub>2</sub> and NO<sub>x</sub> emissions.

# Allocations Should Be A Function Of Each Plant's Highest Annual Utilization From 2000-03

- Based on operations since industry deregulated in the late-1990's and incorporates PURPA plants added in the mid-1990's.
- Range of years provides for exclusion of unusually low capacity years that may not represent a plant's typical operations.

# Key Allocation Issues - Summary

- Only emitting facilities should be eligible for allowance allocation
- Allocations should be fuel-specific
- Allocations should be based on gross energy output of emitting facilities
- Allocations should be a function of each plant's highest annual utilization from 2000-03