Independent
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Gavin J. Donohue, *President & Chief Executive Officer*

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Via email at info@rggi.org

Ms. Nicole Singh, Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Dear Ms. Singh:

The Independent Power Producers of New York, Inc. (IPPNY) is a not-for-profit trade association representing the independent power industry in New York. IPPNY's Members[1] are companies involved in the development of electric generating facilities, the generation, sale, and marketing of electric power, and the development of natural gas facilities in the State of New York. IPPNY's Members drive the state's economic engine by producing over 75 percent of New York's electricity using a wide variety of generating fuels and technologies including cogeneration, nuclear, hydro, coal, wind, oil, landfill gas, natural gas, and biomass. IPPNY and its Members have participated actively in the development of the Regional Greenhouse Gas Initiative (RGGI) program at both the state and regional levels and in the New York State Public Service Commission's proceedings on the Renewable Portfolio Standard (RPS), Large-Scale Renewables (LSR), and Reforming the Energy Vision (REV).

IPPNY submits the following written comments, based upon Member feedback to date, as a follow-up to the November 17, 2015 regional stakeholder meeting conducted by the Regional Greenhouse Gas Initiative, Inc. IPPNY supports the goal of reducing greenhouse gas (GHG) emissions from ***all*** sectors of the economy and the implementation of the Clean Power Plan (CPP) through the RGGI program or otherwise in a fair and consistent manner across the United States.

New York State continues to be a leader in reducing carbon dioxide (CO_2) emissions from its electric power sector. RGGI is a model for Federal action, as the program was intended to be.

New York's mass-based goal (annual average CO2 emissions in short tons) for 2030 and beyond is 31,257,429 tons under the CPP. According to New York's RGGI Rule, New York's base

[1] All of the views expressed in IPPNY's comments do not necessarily represent the positions of each of our Members, since IPPNY represents a broad spectrum of companies. Given the importance of RGGI and the CPP for New York's electric markets, we anticipate some of our Members also may submit comments on their own.

budget for 2015 is 34,348,101 tons, a cap that will decline by 2.5 percent each year from now until 2020. New York State's base budget is 30,435,778 tons for the 2020 allocation year and beyond. Based upon these numbers, New York will meet the CPP's requirements ten years sooner and reduce emissions by over 800,000 tons more than the CPP requires.

Additionally, New York State's existing ***economy-wide*** goals, under the adopted 2015 State Energy Plan, would reduce CO2 emissions by 80 percent below 1990 levels by 2050 (80 by 50 goal), with an interim goal of cutting emissions by 40 percent below 1990 levels by 2030 (40 by 30 goal). According to the New York State Energy Research and Development Authority's October 2015 *Patterns and Trends* report, the electric generation sector in New York State has reduced GHG emissions the most of any other sector of New York's economy.[2] From 1990 through 2013, electric generators have cut their emissions by 52.5 percent below 1990 levels. New York's electricity sector has met and exceeded its share of the 40 by 30 goal since 2006, when its emission levels reached 45.9 percent below 1990 levels.

In light of this emission reduction success, IPPNY holds the following positions:

- Competitive markets, the forces of which have produced significant emissions reductions and have resulted in an evolving energy supply mix, should continue to provide the signals for investments under RGGI and the CPP.

- IPPNY supports the harmonization of RGGI and CPP implementation and the potential expansion of RGGI to other states to provide a consistent CO2 price signal that will foster needed investment and avoid competitive disadvantages in restructured wholesale electricity market states. States with power plants in organized wholesale power markets should develop plans to participate in programs like RGGI and to dovetail with RPS programs, energy efficiency programs, clean energy standards, or other policies.

- Allowance allocation choices of other states in relation to RGGI could result in economic leakage in which other states have a competitive advantage. This disadvantage to the RGGI states could arise from allocation mechanisms of auction vs. direct allocation and from the participation of entities in the auction that are not subject to the regulation. RGGI states should evaluate whether the program's current method of allowance allocation and rules defining market participation put RGGI state power generators at a competitive disadvantage relative to operators in other states, once these states have developed their CPP state implementation plans. Should other states choose to allocate allowances directly or limit distribution to affected emission sources only, RGGI may have to look at the potential need to narrow the allowance auction only to affected generating units.

- The EPA and the RGGI states should work with all states to ensure they comply with the CPP consistent with a level playing field and to ensure a broad and competitive CO2 market.

[2] New York State Energy Research and Development Authority, *Patterns and Trends: New York State Energy Profiles – 1999-2013*, Final Report, October 2015, Appendix A-1, New York State Estimated Greenhouse Gas Emissions from Fuel Combustion, 1990, 1999-2013, Table A-1: GHG Emissions by Sector (in million metric tons carbon dioxide equivalent)

- RGGI should be extended to other higher emitting sectors, given that the electricity sector has reduced emissions more than any other, or the RGGI states could look outside the RGGI program for additional reductions from higher emitting sectors not currently covered by the program. RGGI allowance auction proceeds should be used to further reduce emissions directly from electric generating facilities.

- IPPNY supports technological innovation, maintaining fuel diversity for electric system reliability, the retention of low and non-emitting facilities that currently keep emissions low, and the inclusion of a reliability safety valve.

2016 Program Review Analysis: Electricity and Emissions Modeling

In terms of the Reference Case Assumptions Outline that drives the Integrated Planning Model (IPM), the November 17 RGGI meeting indicated that the RGGI states are reviewing announcements of recent retirements, requesting stakeholder feedback, and may do sensitivity analyses down the road. In general, IPPNY supports RGGI's intent to update the IPM to reflect current and projected market conditions.

The RGGI states also are looking for stakeholder input on what the assumption should be for the future of Indian Point. IPPNY urges that sensitivity analyses be conducted to analyze the impact, if any of the state's nuclear facilities no longer may be available. The basic assumptions, under which the RGGI program first was established, included that ***all*** existing nuclear electric generating facilities would continue operating. This modeling should extend to the CPP's goals as well.

IPPNY is encouraged that the modeling will consider the futures prices of natural gas (which are in the $2 per mmBtu range) in the short term with a transition to the Energy Information Administration's Annual Energy Outlook (EIA AEO) price forecasts for natural gas prices from 2016 to 2031. IPPNY supports the intended modeling effort to build supply curves based upon projections and to look at sensitivities. IPPNY also urges that a sensitivity analysis be conducted to examine the fuel availability of natural gas in cold weather.

IPPNY also would like to confirm that the modeling effort will not require any changes in emissions compliance reporting for generating facilities.

2016 Program Review Key Topics

Key Topic #1: EPA CPP: State Plan Approaches

The RGGI states should continue to use mass-based goals under the RGGI program for both existing and new sources as a pathway for compliance with the CPP. Furthermore, complementary programs (such as REV and LSR) can contribute to emission reductions in addition to RGGI.

Key Topic #2: CO2 Emissions Reductions

Given that, all things being equal, the RGGI program will exceed the emission reduction requirements of the CPP, the RGGI program should maintain its steady cap from 2020 through 2030.

In relation to the suggestions of some stakeholders for the further decline of the RGGI cap trajectory, IPPNY urges the RGGI states to conduct an assessment of the placement of other sectors (other than the electricity sector) in relation to the economy-wide 80 by 50 goal, given that New York's electricity sector already has exceeded its share of the 40 by 30 goal, in order to make informed decisions about the cap trajectory and how other sectors will address the 80 by 50 goal. RGGI modeling for any program changes needs to address all sectors.

New York State should evaluate the impact that the potential longer-term electrification of the transportation sector may have on emissions in the electricity sector (as part of meeting the 80 by 50 goal), before considering any suggestions for changes to the RGGI cap (which is a power sector cap). The RGGI states would need to demonstrate that the transportation sector is indeed to be electrified and that electricity sector emissions would increase as a result, before using this reason as a need to reduce the RGGI cap.

Key Topic #3: RGGI Flexibility Mechanisms

Cost Containment Reserve (CCR) and Offsets

As noted in the November 17 meeting, IPPNY asks for more information on projections for CCR triggers, offset price economics, RGGI allowance price projections, and the CPP's massed-based allowance price projections for New York (all during the time period 2020 to 2030), in order for the RGGI states to make informed decisions.

Control Periods

The RGGI control periods should align with the CPP interim step periods, and the RGGI fourth control period could be extended to cover 2018-2021.

Compliance Penalties

The RGGI states should amend the non-compliance penalty from surrendering CO2 allowances equal to three times the number of a source's excess emissions to a CO2 allowance penalty that better aligns with the CPP's requirements.

Key Topic #4: RGGI Regulated Sources

The RGGI program should continue to regulate emissions from fossil fuel-fired power plants with a capacity of 25 MW or greater located within the RGGI states, including both existing sources and any new sources.

Key Topic #5: EPA CPP: Promoting Renewable Energy and Energy Efficiency

The RGGI states should participate in the Clean Energy Implementation Program (CEIP). There is the beginning of interest by renewable IPPNY Member companies in the CEIP, and the CEIP should dovetail with New York's LSR program; so, when we know more about the LSR program, we may be able to know more how the CEIP can fit with the LSR program.

Key Topic #6: Broadening the RGGI Market /Increasing RGGI Trading Partners

IPPNY supports the development of a broad, efficient and competitive CO2 market. Trading should be beyond RGGI states. The RGGI program could add states to RGGI or move to a "trading ready" approach, in order to ensure that member states have the ability to trade with states that adopt the appropriate mass-based approach. A broader market is more efficient with a single price across jurisdictions.

The structure of the RGGI mass-based program for existing and new sources works well with competitive power markets and should be replicated by states to make inter-state trading as easy as possible. Each RGGI state has the same rules, and the RGGI states should pursue an "apples to apples" approach with trading partners to avoid competitive inconsistency.

The environmental integrity of the RGGI program is maintained by the RGGI cap and the CPP cap. Other states with which RGGI would trade also would be capped, and, if RGGI states acquire an importation of allowances from other states, those states accordingly would emit less, so there is a zero sum gain impact. RGGI modeling could look at the impact on environmental quality and allowance prices of RGGI trading with other states.

Key Topic #7: RGGI CO2 Allowance Auctions & Tracking System

The RGGI states are seeking stakeholder comments on participation in the RGGI CO2 allowance auctions and other comments on the CO2 allowance auction process. Allowance allocations could affect energy prices and dispatch, especially where allowances are issued by allocation rather than auction.

RGGI allows banking of allowances in perpetuity, and allowances could be converted from RGGI tracking to EPA tracking, if RGGI goes to a "trading ready" approach. Banked allowances need to work under RGGI and the CPP, and RGGI's banked allowances should be useable going forward under the CPP.

The Federal tracking system allows more information to be provided about allowance holders, whereas RGGI maintains confidentiality about allowance holders. The owners of a specific number of allowances should not be public information; if market power concerns are the issue, a market monitor, like the one currently in place in RGGI, can facilitate this role. If data is released (IPPNY is not advocating it should be released), there should be a period of time that allowance ownership information is confidential to protect the marketplace. An annual delay in release of information may be sufficient to avoid concerns over confidentiality.

Thank you for the opportunity to provide these comments, and IPPNY urges you to incorporate them into your decision-making. If you have any questions or need additional information, please feel free to contact IPPNY.

Sincerely,

Radmila P. Miletich

Radmila P. Miletich
Legislative & Environmental
Policy Director