December 4 2015

Nicole Singh
Executive Director, RGGI Inc.

Re: Comments in response to November 17 RGGI Program Review Stakeholder Meeting

Dear Ms. Singh:

The Northeast Clean Energy Council (NECEC), on behalf of Advanced Energy Economy Institute (AEEI), Alliance for Clean Energy New York (ACE NY), and their joint and respective member companies, submit for filing these comments in response to the *Key Items for 2016 Program Review Stakeholder Discussions: Program Elements and EPA Clean Power Plan* from the November 17 RGGI Stakeholder meeting.

Thank you for the opportunity to comment, and we look forward to continuing to engage in this process.

Sincerely,

Janet Gail Besser

Janet Gail Besser,
VP, Policy & Government Affairs
Northeast Clean Energy Council

RGGI Program Review Initial Comments
December 2015

Advanced Energy Economy Institute
Alliance for Clean Energy New York
Northeast Clean Energy Council

Introduction

Advanced Energy Economy Institute (AEEI), Alliance for Clean Energy New York (ACE NY), and the Northeast Clean Energy Council (NECEC) jointly thank RGGI Inc. and the participating RGGI states for a successful and informative Program Review stakeholder meeting in New York City on November 17, 2015.

AEEI, ACE NY, and NECEC also applaud the participating RGGI states for the continued success of the regional partnership. Since the program's inception, the region has seen a steady decline in greenhouse gas emissions from the power sector – and as the rest of the country looks to plan their implementation of the federal Clean Power Plan (CPP), other states will look to the RGGI states for guidance and a path forward.

The mission of AEEI, the charitable and educational organization affiliated with Advanced Energy Economy (AEE), is to raise awareness of the public benefits and opportunities of advanced energy. NECEC's mission is to accelerate the region's clean energy economy to global leadership. NECEC's mission is to create a world-class clean energy hub delivering global impact with economic, energy and environmental solutions. NECEC helps clean energy companies start, scale and succeed with our unique business, innovation and policy leadership in the Northeast. ACE NY's mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution.

Below we outline initial comments in reaction to the presentations and discussions at the November 17, 2015 Program Review stakeholder meeting, and we look forward to continued involvement with the RGGI Program Review and the development of the RGGI states' CPP compliance plans.

EPA CPP: State Plan Approaches:

The RGGI states are seeking stakeholder comments and feedback on using the CPP mass goals and comment on the potential advantages of different state plan pathways.

At the November 17, 2015 Program Review stakeholder kick-off meeting, representatives from the RGGI states indicated that they intend to coordinate the development of their state plans under RGGI's existing, mass-based framework which includes both new and existing sources of carbon pollution. AEEI, ACE NY, and NECEC strongly support this position. We believe that RGGI is a proven model for reducing greenhouse gas emissions, and that RGGI states would benefit from using this existing structure to develop their state plans. We further agree that both new and existing sources of pollution should be included to avoid leakage and potential market distortions, and that a mass-based approach is appropriate for the RGGI states.

CO_2 Emissions Reductions

The RGGI states are seeking stakeholder comments on the RGGI states emission goals post-2020 and pursuing additional emission reductions post-2020.

Participation in RGGI has already put the RGGI states on a path to achieving their respective CPP targets. All of the RGGI states have adopted aggressive, yet achievable, climate change targets to reduce economy-wide greenhouse gas emissions. Although varied by state, these goals cluster around 40% below 1990 levels by 2030 and 80% by 2050. We believe that the post-2020 RGGI cap should be based on the collective goals of the RGGI states, in order to put the participating states on the pathway to least-cost implementation of their collective climate goals. Consistent targets across programs can enable clean energy businesses to invest in the region -- creating jobs, growing the economy, and providing least-cost clean energy solutions to residents.

Our position on the appropriate level for the RGGI cap from 2020 to 2030 is based on the states' goals, as well as the strong belief that achieving these goals and decarbonizing the electric sector will require new business opportunities for our advanced energy business members, and significant investment in new renewable energy generation across the RGGI region. The RGGI states should seize the opportunity of the RGGI 2016 program review to translate the states' goals into electric sector reductions, and send a gradual and long-term signal to the power sector that the state goals must be extended to 2030 and achieved. It seems clear that a 2030 RGGI cap that merely achieves compliance with the Clean Power

Plan will require minor or no additional emissions reductions after 2020, and thus will not stimulate the energy efficiency and renewables market opportunities, nor will it put the states on a path to achieving their 2050 requirements and goals. Therefore, locking in the 2020 cap level for an additional 10 years is a missed opportunity for states to achieve their own climate goals and continue to demonstrate the leadership and vision of the RGGI states even after the Clean Power Plan is adopted and achieved.

RGGI Regulated Sources

The RGGI states are seeking stakeholder comments on how best to address the fact that the RGGI cap includes emissions from more regulated sources than the CPP for compliance.

AEEI, ACE NY, and NECEC believe that the RGGI states should continue to regulate emissions from more sources than the CPP requires for compliance. RGGI has already successfully reduced emissions from these sources while spurring investment in the regional economy and creating jobs in RGGI states. RGGI should continue to maintain these strong emission standards even if federal standards are not as strong.

However, RGGI states can achieve even more economic benefits, job growth, and cost-effective emission reductions by ensuring that their CPP compliance plans do not ignore emission reduction measures that already participate in the RGGI program. AEEI, ACE NY, and NECEC wish to provide some specific recommendations regarding the treatment of combined heat and power (CHP) under a mass-based, CPP compliance plan such as the one that RGGI states are likely to adopt.

CHP is an efficient energy source that generates electricity and useful heat from the same fuel source in an integrated system by recycling exhaust or waste heat from electricity generation and converts it into thermal energy, which can be used in industrial processes, space heating, or water heating. The simultaneous production of power and useful thermal energy consumes less fuel than if produced separately. While best-in-class power plants without CHP have fuel efficiencies of about 50%-55%, CHP units achieve overall fuel efficiency of between 75%-85%. This greater fuel efficiency translates into reduced emissions as well as fuel cost savings, enhanced reliability and power quality, and insulation from energy price volatility.

The efficiency and emission reduction benefits of affected CHP units (i.e., units that utilize fossil fuel sources and are subject to CPP emission limits) are explicitly recognized by EPA under a rate-based plan as "eligible resources" able to receive credit for the emissions that they reduce as a result of their greater efficiency. However, there is no explicit recognition of CHP under a mass-based plan. For this reason, the CPP points out that mass-based plans have the potential to discriminate against CHP in a way that rate-based plans do not.

The CPP only regulates electric generating units (EGUs). Production of useful thermal output from non-affected sources, such as stand-alone boilers, is not subject to regulation under the CPP. Because the emissions generated from affected CHP units are the result of both electric generation as well as the production of useful thermal output, they could be at a regulatory disadvantage compared to these less efficient, higher emitting, stand-alone boilers.

The RGGI states should consider including provision in their state plans to reconcile this market distortion in order avoid discriminating against CHP. AEEI, ACE NY, and NECEC recommend that the state plans only require affected CHP to hold allowances for emissions associated with its electric output. This is comparable with how useful thermal output is treated under California's AB32 program, in which emissions associated with thermal output from certain district heating facilities and cogeneration units do not face a compliance obligation.

Alternatively, RGGI states could consider establishing an allowance set-aside for CHP units to account for the emissions associated with useful thermal output. In order to ensure equitable treatment of this useful thermal output, we recommend that this allowance set-aside be additional to any other allowance set-aside already earmarked for CHP. Under this approach, an allowance would be allocated to an affected CHP unit for each ton of emissions associated with that unit's useful thermal output. Because CHP units provide continued benefits to the power system in the form of lower emissions, lower fuel costs, and enhanced reliability, the allocation for CHP units should not be prorated as the caps decline over time; it should be based on the actual thermal output of the CHP unit in a particular year. This additional "useful thermal output" set-aside approach could be taken regardless of the baseline allowance allocation methodology ultimately used by the RGGI states. This is consistent with how Connecticut and Maine already account for CHP, and is specifically identified as an acceptable approach in the CPP preamble.

We would be happy to discuss this solution in more detail and would welcome the opportunity to have our member companies who are affected by this explain it from their perspective.

EPA CPP: Promoting Renewable Energy and Energy Efficiency

Given the fact that the RGGI states auction most of the CO2 allowances, the RGGI states are seeking stakeholder comments on whether the RGGI states should participate in the CEIP program.

As noted above, RGGI states are likely to adopt mass-based CPP compliance plans. AEEI, ACE NY, and NECEC are supportive of this approach because it will harmonize the goals of both programs. In the 2016 RGGI Program Review, we support inclusion of a mechanism to allow states to participate in the CEIP, without diluting the targets that the RGGI states have already established. We are also supportive of continued investment of auction proceeds in emission reduction measures, and of allocating set-aside allowances to emission reduction measures such as CHP, renewables and efficiency under states' compliance plans generally. We look forward to future opportunities to spell out specific mechanisms that can serve this dual objective.

Because compliance under a mass plan is ultimately measured at the smokestack, emission reduction measures such as energy efficiency and renewables will contribute to compliance implicitly by reducing generation at the EGUs. While these technologies and services will be an essential part of any cost-effective emission reduction strategy, they will not automatically be given credit for emission reductions achieved under a mass-based plan even though the same measures receive a direct marketable credit under a rate-based plan. The electricity customer will bear the cost of implementing many emission-reduction measures while the avoided generation will directly benefit the EGU. We believe it is therefore crucial that RGGI states continue to invest auction proceeds, and to consider allocating set-aside allowances, to these measures.

We also recognize that the CEIP could offer states an attractive opportunity to deploy clean energy solutions in low-income communities as a way to earn early credit toward their CPP compliance targets. Investments in renewable energy and energy efficiency activities are particularly valuable in these communities, given their potential to reduce consumers' energy expenditure while also creating job growth opportunities. We also recommend that the RGGI states consider these goals as well when they strategize how to best investment their auction proceeds across programs.

Broadening the RGGI Market /Increasing RGGI Trading Partners

The RGGI states are seeking stakeholder comments and suggestions on the possibility of increasing the size of the current RGGI market/RGGI participating states. The RGGI states are seeking comments on possible advantages and how the RGGI states could best pursue this option.

We agree with the approach discussed by the member states to develop a plan that would enable the region to be ‘trading ready’. However, while we would encourage other states to develop programs that would enable them to “join” RGGI, we caution that trading partners should have programs that are of equal or greater stringency agreed to by the states to avoid diluting RGGI’s effectiveness or allowing leakage to other regions.