REGIONAL GREENHOUSE GAS INITIATIVE

Comments of Con Edison and Orange and Rockland Utilities on Issues Raised in the February 2, 2016 Regional Greenhouse Gas Initiative Program Review Stakeholder Meeting

February 19, 2015

I. *Introduction*

On February 2, 2015, the Regional Greenhouse Gas Initiative ("RGGI") States continued their 2016 Program Review process by hosting a stakeholder meeting.[1] Following the meeting, the RGGI States requested stakeholder input in the form of written comments.[2] In response to this request, Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. (collectively the "Companies") respectfully submit these initial comments for the RGGI States' consideration.

II. *Comments*

A. *IPM Modeling*

The Companies support IPM modeling that reflects CO_2 allowance trading with states outside the current RGGI region. Allowing trading with at least some other states, such as Virginia or California, will produce modeling outcomes that reflect how trading programs could become a more attractive option under upcoming federal CO2 regulations. The Companies support expanding the RGGI trading program to as many other states and regions as possible, as broader markets will provide greater market efficiency while also maintaining environmental integrity through emissions caps.

Regarding the Draft Results presented to stakeholders, the spreadsheets provided by ICF appear to include forecasted Capacity Prices that were either erroneously calculated or include erroneous assumptions. For example, nominal Capacity Prices in New York are shown to jump from $7/kW-yr. in

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[1] *See* http://www.rggi.org/design/2016-program-review/rggi-meetings
[2] *Id.*

2017 to $164.1/kW-yr. in 2020, an increase of over 23 times the initial price. Similar price jumps are observed in Capacity Prices for other states. The Companies assume that the units for 2017 prices are inaccurately expressed and represent prices in kW-month, since the initial 2017 values are unrealistically low if expressing a kW-yr. value. In addition, the Companies believe that the gas prices used in the model may be overstated and that the capital costs used for new builds may not accurately capture the cost differential to build in different parts of New York State.

B. *Preserving Carbon Market Principles*

The Companies support continuing RGGI's design as a carbon trading market, inasmuch as it places a price on carbon produced from electric generation facilities. RGGI should not be used as a mechanism to further all state goals, such as New York State's draft plan to incorporate further zero-emission resources. Other state initiatives exist to support some of these goals and are more appropriate vehicles for achieving these policy objectives. Goals from other programs should not be accomplished by dramatically reducing the RGGI CO_2 cap lower than levels necessary to meet upcoming federal CO_2 regulations, such as those under the US Environmental Protection Agencies now-delayed Clean Power Plan. If RGGI duplicates state programs to achieve broader goals than simply carbon emissions reductions, consumers will pay twice to fund the incentives for these programs. This double-payment will lead to inefficient outcomes and places an undue burden on consumers.

Another important pillar of the RGGI program model is spending auction revenue on programs that will reduce the financial burden on consumers for reducing carbon emissions. The RGGI states must ensure that all funds are properly directed to the energy efficiency and other programs that will allow consumers to shift consumption away from carbon-intensive energy sources.

III. *Conclusion*

The Companies appreciate the opportunity to provide comments in this review process. We strongly encourage the RGGI states to consider consumer impacts in addition to environmental goals when designing the next phase of the RGGI program.