ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK
19 Reynolds Road
Kinderhook, New York 12106

October 24, 2023

Andrew J. McKeon
Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007
Submitted electronically to info@rggi.org

Re: Response to RGGI Third Program Review September 26, 2023 Public Meeting

Dear Mr. McKeon:

I am writing on behalf of members of the Environmental Energy Alliance of New York (the "Alliance") to provide comments on the Regional Greenhouse Gas Initiative ("RGGI") Third Program Review presentation on September 26, 2023. The Alliance is an ad hoc, voluntary group of electric generating companies, transmission / distribution companies and other providers of energy services in New York State. The Alliance supports our members in understanding state and national environmental regulatory initiatives to formulate and achieve their business goals and proactively advocate for cost-effective regulations and policies. The operations of Alliance members contribute to the reliability of the State's electric grid and to the economic well-being of the State. Alliance members have an interest in the Third Program Review because it affects the compliance obligations and operations of its generating facilities. These continued operations also affect many stakeholders who depend on a reliable supply of electricity to power homes and businesses across New York State.

The Alliance comments focus on the proposed change to the compliance period, a modeling scenario and sensitivity analysis that reflects delays in the buildout of renewables, the treatment of dispatchable emissions-free resources ("DEFR") by the IPM modeling software, and clarification of interconnection cost assumptions.

Proposal to Change the Compliance Period from Three Years to One Year

RGGI initially included a three-year compliance period to provide flexibility for compliance entities to account for weather variations, fuel price fluctuations, unit dispatch, and other variables. The interim compliance period requirement was added later to address the specific issue of a very small number of units not meeting their compliance obligations. It is unclear how moving to an annual compliance period will address that infrequent situation. At the same time, it will potentially increase complexity and cost for the majority of units that have remained in compliance over the duration of the program.

The flexibility originally provided by the program is likely to be necessary going forward, particularly in New York where RGGI sources will also have compliance obligations under the sector-wide cap and invest program ("NYCI") that is currently under development. As allowance cost, availability, and surrender ratios associated with the NYCI program are not currently known, the Alliance suggests that the RGGI program retain the existing compliance period structure until sources have actual experience with the NYCI. Issues surrounding the ability of RGGI sources who will fall under an entirely new cap and invest program in New York to also comply with a revamped RGGI compliance period present a much greater risk to the RGGI program than the risk of non-compliance by sources in states that may exit RGGI or whose owners declare bankruptcy.

If the RGGI states decide to go forward with a one-year compliance period, a more detailed explanation of the justification for this change should be provided in the record.

Modeling to Account for Delays in Renewable Builds in 2025 – 2030

The Alliance notes the modeling outcome indicates low allowance prices in the modeled years compared with the Emission Containment Reserve ("ECR") and Cost Containment Reserve ("CCR") price triggers in the Model Rule. This model outcome suggests that allowances will be readily available to cover the volume of emissions predicted by the model. However, the modeling documentation describes a significant drop in emissions from 2025 to 2030 owing to new renewable resources coming online and to significant fuel switching of existing fossil-fueled sources, which undoubtedly is the source of the conclusions around allowance availability.

In New York, fuel switching to natural gas has been responsible for the majority of RGGI emission reductions to date, but there is little remaining opportunity for RGGI sources in New York to engage in fuel switching. As such, future emissions reductions will rely on new sources of wind and solar generation. The Alliance recommends that RGGI states should model a scenario that accounts for higher emissions in 2025 – 2030 due to delays in bringing renewable resources online. Renewable project delays and significant cost increases noted in recent New York State Public Service Commission proceedings and in the trade press add additional weight to the importance of conducting this additional modeling effort.

Treatment of Dispatchable Emission-Free Resources in the Model

The role of DEFR is a major technological feasibility challenge that does not appear to be addressed by IPM modeling completed to date. In a recent important publication (2021-2040 System & Resource Outlook) the New York Independent System Operator (the "NYISO") modeled two scenarios with significant DEFR capacity by 2035, and a third scenario without DEFR in 2040. In the IPM modeling for the RGGI program review, ICF excluded DEFR in modeling until after 2040.

The NYISO, in its third scenario concludes:

The exclusion of DEFRs as a new technology option, while enforcing the retirement of fossil generators via the zero emission by 2040 policy, exhausts the amount of land-based wind built and results in the replacement of 45 GW of DEFR capacity in Scenario 1 with 30 GW of offshore wind and 40 GW of energy storage. Note that this capacity replacement estimate is intended to be a directional proxy and would not fully substitute for the

attributes provided by either today's fossil fueled fleet or by future DEFRs. Further reliability concerns, such as voltage support and dynamic stability, may require other system reinforcements to maintain reliability in the future grid.

Ignoring the need for DEFR development and deployment before 2035 in the IPM modeling risks underestimating the capacity of wind and storage required to maintain the grid, but also fails to recognize the ancillary services to the grid that would be filled by DEFR resources. The RGGI states should include a scenario in the IPM modelling for this program review to incorporate a more logical inclusion of dispatchable resources, consistent with the scenarios postulated by the NYISO.

Clarification of Interconnection Cost Treatment in the Modeling

It is unclear from the modeling documentation whether the interconnection costs included in the IPM modeling runs capture only those New York State Public Service Commission-approved transmission projects, or whether the modeling runs also capture estimates of the costs to bring offshore wind into the system. To date, the NYISO is projecting $3.28 billion for the transmission upgrades needed for 3,000 MW of New York offshore wind. In addition, there are significant costs associated with upgrading and expanding the transmission and distribution systems for onshore wind and solar projects. The RGGI states should include these details in the publicly available information associated with the modeling work.

Alliance members appreciate the opportunity to provide comments to the RGGI and look forward to further participation in the Third Program Review.

Sincerely,

Sandra Meier

Sandra Meier, Ph.D.
Director
Sandra.Meier@eeanyweb.org