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Dynegy Inc. Comments on the Regional Greenhouse Gas Initiative (RGGI) 2016 Program Review Proposed Model Rule Amendments

Dynegy Inc. (Dynegy) commends the RGGI participating states for the proposed model rule amendments establishing a post-2020 path forward for the RGGI program. Dynegy has more than 4,700 MW of generating capacity in the competitive New England and New York power markets, making Dynegy one of the largest generators in the region. As such, we seek to ensure that state climate change policies achieve environmental benefits while maintaining the integrity of the competitive wholesale power market and preserving the ability of the power sector to deliver affordable and reliable energy. We believe the RGGI program, including the proposed model rule amendments, meets these requirements and should serve as a model for states to address emissions from other sectors of the economy, such as transportation, that are largely unregulated with respect to CO2 emissions.

Regarding the key provisions of the proposed model rule amendments, we believe the post-2020 CO2 reduction schedule strikes an appropriate balance between continuing to drive CO2 reductions from the power sector and pushing the sector too far, too fast. As a strong supporter of market-based approaches to achieving environmental and fuel diversity goals, Dynegy cautions against introducing policies that may set artificial limits on an otherwise well-functioning competitive market. However, we believe that both the Cost Containment Reserve and the newly proposed Emissions Containment Reserve are likely to function as true safety-valve provisions, rather than market-limiting interventions. In addition, ICF International modeling of the proposed tighter CO2 emission cap indicates that the post-2020 RGGI program will not lead to increased imports of electricity from higher-emitting sources in states not participating in RGGI. Limiting emission "leakage" is vitally important to maintaining the integrity of any policy aimed at reducing CO2 emissions. The RGGI success in this regard stems directly from the program's regional design that incorporates, to the greatest extent possible, the manner in which electricity is bought and sold in the region's competitive power markets. Dynegy strongly supports such a regional, market-based approach to addressing CO2 emissions from the power sector.

As RGGI acknowledged at the September 25, 2017 RGGI Program Review stakeholder meeting, CO2 emissions from electricity generating facilities covered by the RGGI program are now more than 45% below 2005 levels. While the establishment of competitive power markets in the region and the low price of natural gas have played a role in shifting electricity generation towards lower-emitting sources, the RGGI program has contributed materially to this impressive achievement since its first auction of CO2 emission allowances in 2008.

Going forward, the ongoing integration of market-based climate policies, such as RGGI, with competitive power markets will continue to achieve material CO2 reductions from the power sector to support state climate policies while limiting impact on regional wholesale power prices. The RGGI participating states must now turn their attention to controlling the largest source of CO2 emissions in the region -- the transportation sector -- and other unregulated sources if they are serious about meeting their long-term climate objectives.

Respectfully Submitted,

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