

ENVIRONMENTAL ENERGY ALLIANCE OF NEW YORK
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October 13, 2017

Andrew McKeon, Executive Director
RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Comments submitted by email to info@rggi.org

Dear Mr. McKeon,

I am pleased to write on behalf of the Environmental Energy Alliance of New York, LLC (the "Alliance"; see generation company members highlighted below that support these comments) to provide input on the most recent Regional Greenhouse Gas Initiative (RGGI) stakeholder meeting. Alliance members own and operate electric generating and transmission and distribution facilities throughout New York and, in some instances, across the nation and the globe. The operations of Alliance members contribute to the reliability of the State's electric grid and to the economic well-being of New York.

The Alliance submitted comments throughout the RGGI process and raised several issues which have not been addressed in the stakeholder process. Because there is the potential that the issues we raise could ultimately undermine the success of RGGI, we believe that it is important to reiterate our reservations.

- Stakeholder process
 - Most of our comments noted that "We believe that more time has to be made available to stakeholders so that we can provide meaningful review of the materials provided." There are consistently less than ten days to comment during the program review process.
 - Trying to fully evaluate RGGI analyses that have this large a potential impact is difficult and could easily lead to a situation where there are unintended outcomes. For example, the latest consumer impact modeling projects that consumer costs will be reduced. Given that consumer costs have not fallen to date in RGGI, this projection is questionable.
- Historic emissions vs future emissions
 - [Alliance White Paper June 1, 2016](#): Our analysis shows that the region's CO₂ emissions would have been somewhere between 24 percent and 3 percent higher without the RGGI

*Central Hudson Gas & Electric Corporation
Consolidated Edison Company of New York, Inc.*
Dynergy Power LLC*
Eastern Generation*
Ethos Energy Group*
National Grid**

*New York State Electric & Gas Corporation
NRG Energy, Inc.*
Orange & Rockland Utilities, Inc.
PSEG Long Island
Rochester Gas & Electric Corporation
Roseton Generating, LLC*
Selkirk Cogen**

program. The Alliance believes that in New York the impact of RGGI is much closer to the bottom of the range than the top.

- On October 3, 2017 the [Investment Status Report](#) was issued for the period ending December 31, 2015. The Report notes that the cumulative RGGI investments of \$1,771,531,729 is responsible for the avoided release of 20.5 million short tons of CO₂ since the beginning of the program. Cumulative 2015 RGGI CO₂ emissions over a three-year baseline before the program began were 198.7 million tons, so the RGGI investment reductions represent a decrease of 10.3%.
- The [Investment Status Report](#) for the period ending December 31, 2015 reports that the annual benefits of 2015 annual investments avoided 298,410 tons of CO₂ which is 13.1% of the 2,275,000 proposed annual reductions starting in 2021.
- The key point of the Alliance white paper is that the fuel switching reductions responsible for most of the historical reductions will not be available in the future. RGGI investments have only been responsible for reductions on the order of 13% per year far short of what is needed to enable compliance with the proposed cap reductions.
- Constrained allowance market
 - [Alliance comments July 17, 2017](#): Presuming that the analysis in the last program review is accurate, the number of surplus allowances available should approach zero by 2020. How the auctions and the secondary market will respond to the first-ever scarcity situation is an unknown.
 - The Alliance recommended that the RGGI States would be wise not to significantly alter the parameters of the RGGI market until this condition is fully explored in real-time.
- Compliance entity share of the allowance bank
 - [Alliance comments June 6, 2017](#): The compliance entity share of the market is an even more pressing concern. Table 1a shows that the compliance entity share of allowances could be less than 20% as soon as 2018 and Table 1b shows that even if the Cost Containment Reserve is triggered each year from 2017 to 2020 the compliance entity share of the allowances will be less than the recommended 20% by 2020.
 - This trend shows that compliance entities will have to go to non-compliance entities to obtain enough allowances to operate. It is not clear how this will affect market prices.
- Allowance management theory
 - [Alliance comments August 3, 2017](#): Economic theory presumes that allowance management decisions depend on long-run future outlooks of allowance supply and demand whereas in reality most compliance entity allowance management is determined almost entirely by short-term requirements, particularly for the current compliance period.
 - The Alliance recommended that RGGI sponsor an allowance management lab test with Dr. Shobe that uses compliance entity allowance managers. We believe that it would be a learning experience for everyone and that the result would be a better representation of what could happen with an Emissions Containment Reserve and a Cost Containment Reserve.
- The Integrated Planning Model (IPM) Perfect Vision

- [Alliance comments June 29, 2016](#): IPM presents the best case scenarios to determine the viability of further reductions because it has perfect vision. Because it “knows” that the emissions have to be at a certain level by 2030 the model predicts that more renewables will be built sooner so that an allowance bank builds for the later years when the cap is smaller.
- This is related to the allowance management theory argument described above. When one of the fundamental rationales for the proposal has demonstrable significant flaws the Alliance suggests that it is prudent to wait until we see what happens.

We emphasize the importance of understanding the behavior of the allowance market and compliance entity behavior in a period of allowance scarcity. The upcoming scarcity, particularly in light of the complication of compliance and non-compliance shares of the allowance bank is unprecedented. Affected sources have limited compliance options and it can be argued that cost-effective options have already been exhausted. As a result, further reductions will have to come from other programs to reduce energy use or generate electricity without CO₂ emissions. In particular, the proposed program revisions call for an annual post-2021 cap reduction of 2,275,000 tons per year. In the recently released [2015 Proceeds Investment Report](#) Table 1: “Benefits of 2015 RGGI Investments Program” the annual benefits of 2015 investments lists an annual reduction of only 298,410 tons which is far short of what is needed to meet the new cap reduction limits.

Based on these concerns the Alliance recommends that the proposed reductions to the cap be postponed until the completion of the 2021 program review that evaluates energy trends, performance of the revised program elements, and response of the market in a period of allowance scarcity. In the meantime, we also reiterate our suggestion that industry work with Dr. Shobe and his allowance management lab to address compliance entity allowance management practices.

Thank you for your time and consideration.

Sincerely,



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