

TO: NYSERDA
FROM: Northeast Regional Greenhouse Gas Coalition¹
DATE: March 23, 2009
RE: **GHG Coalition Comments on NYSERDA's Draft RGGI Operating Plan**

Introduction

This memo provides the Northeast Regional Greenhouse Gas Coalition's (GHG Coalition's) comments on the New York State Energy Research & Development Authority's (NYSERDA's) draft Operating Plan for Investments in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program (the Operating Plan).

The GHG Coalition members have participated as official stakeholders to the Regional Greenhouse Gas Initiative (RGGI) development process since its inception, participating in every RGGI meeting and workshop and submitting consensus recommendations throughout the entire process. See www.ghgcoalition.com/resources for comments submitted on the RGGI process to date. The comments below are only relevant to NYSERDA's draft Operating Plan and do not necessarily reflect the views of GHG Coalition Members on any other policy issues.

The GHG Coalition's comments on NYSERDA's draft Operating Plan focus on the following:

- Program Budget;
- Role of Utilities;
- Residential, Commercial, and Industrial Sectors;
- Transportation Sector; and
- Electric Power Supply and Delivery Sector.

Program Budget

The GHG Coalition appreciates the detail with which NYSERDA outlines the projected budgets for each proposed program over the first RGGI compliance period and encourages other RGGI states to follow suit. However, NYSERDA should clarify how excess revenue will be distributed among the programs. The Operating Plan states that, "If New York allowances are sold in the regional auction at values above \$5 per ton, the incremental revenue would be used to support the achievement of a 30 percent Renewable Portfolio Standard (RPS) goal." The GHG Coalition supports this goal, but would appreciate additional clarity regarding how excess revenues below this threshold would be distributed. Given that RGGI allowances have sold at clearing prices of \$3.08, \$3.38, and \$3.51 per ton respectively in the first three auctions, which is above the \$3.00

¹ The GHG Coalition members are: Calpine Corporation; Conectiv Energy; Consolidated Edison, Inc.; Constellation Energy; Dominion Energy New England; Public Service Enterprise Group Inc.

per ton price assumed in the NYSERDA budget estimates, there is potential for additional revenue. NYSERDA should explain how such revenue would be distributed in coordination with other state programs, such as the Renewable Portfolio Standard and System Benefits Charge.

Role of Utilities

The GHG Coalition believes that NYSERDA should work closely with utilities in developing and administering energy efficiency and other programs funded with RGGI auction revenues. Utilities can build on their existing customer relationships to provide targeted efficiency programs and increase awareness of and participation in such programs. NYSERDA should consider the approaches to revenue distribution taken by other RGGI states, such as Connecticut where 69.5 percent of auction revenues go directly to support energy efficiency measures administered by utilities.

Residential, Commercial, and Industrial Sectors

NYSERDA has indicated that many of the energy efficiency programs funded by the RGGI auction revenues will focus on fossil fuel efficiency rather than electricity efficiency. While the GHG Coalition understands that the essential goal of RGGI is to reduce GHG emissions and that NYSERDA is looking for cost-effective options to do so, it is important to remember that the electric sector is bearing the costs associated with RGGI and programs should focus on decreasing these costs for consumers and regulated entities. Funding efficiency programs for fuels that do not bear the cost of carbon would amount to a cross-sector subsidy, which may encourage consumers to rely more heavily on other fuels. Selected programs should directly benefit electricity customers. NYSERDA should consider providing additional funds to existing electricity energy efficiency programs and developing new programs that target unfunded areas where additional electricity savings can be achieved.

Transportation Sector

The GHG Coalition has previously expressed concern over using revenues raised from the electric sector to fund programs in other sectors, such as transportation. While these concerns are still valid, the GHG Coalition is not opposed to all of the programs outlined in the Operating Plan. In particular, developing the appropriate infrastructure to effectively integrate plug-in hybrid and electric vehicles into the existing transportation and electricity systems is a worthy goal. Expanding electrified rail and increasing its efficiency is another transportation-related funding avenue that the GHG Coalition views as having significant potential to reduce electricity consumption and GHG emissions.

Electric Power Supply and Delivery Sector

The GHG Coalition appreciates the fact that NYSERDA intends to form an Electric Power Supply and Delivery (EPSD) Task Force of concerned stakeholders to advise the Authority on developing the EPSD program. The GHG Coalition encourages other RGGI states to follow NYSERDA's lead and to seek ongoing input from stakeholders on a regular basis.

The GHG Coalition supports many of the efforts proposed under the EPSD initiative. Developing advanced renewable energy technologies, energy storage technologies, and energy delivery technologies, such as smart-grids are essential for reducing GHG emissions from electricity production and consumption. However, the GHG Coalition notes that the EPSD initiative is heavily focused on long-term programs and may be neglecting some potential for short-term GHG reduction efforts. NYSERDA should consider redirecting funding from other non-electricity related programs to realize additional near-term opportunities in the EPSD sector.

In general, the GHG Coalition believes that additional revenue should be allocated for EPSD programs, as these could provide some of the greatest benefits for electricity customers. Currently, the Operating Plan only allocates about 20 percent of RGGI revenues for these programs. NYSERDA should consider substantially increasing funding for these programs.

We look forward to continued participation in the New York RGGI process and thank you for this opportunity to provide input.