Some Considerations Regarding Regulation of Electricity Serving Load in the RGGI Region

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RGGI is a Success

- A “modest” program—a demo for federal action
  - Fossil electric generation ≥25mW
  - With slight price on CO₂ it raised >$.9 billion

- “Proof of Concept;” it demonstrated:
  - Symbiotic role of C&T with other clean energy policies, and environmental and energy regulators
  - Auction
  - Tracking
  - Mkt. monitoring
  - For a time, a robust primary and secondary mkt. for allowances

- Success despite:
  - Geographically challenged: a 9-, 7-, 8-, 10- now 9-state overlay on 3 regional wholesale electric markets
  - Politically-stressed: it’s almost 2012, and no longer 2007 or 2008
  - With slight price on CO₂
FJD -- technically feasible for RGGI, but with challenges

- RGGI designed with states from a wholesale market outside of RGGI; rest of RGGI States (NY and NE ISO states) “import” from PJM and Canada

- Likely Challenges:

  **Administrative**
  - Will there be rulemakings in each state?
  - How many companies affected? Today > 100 LSEs in RGGI, other aggregators?
  - Will all providers be included: IOUs, COOPs, Munis?

  **Market**
  - Tracking; do you follow:
    - Electrons (NERC tags)?
    - Dollars (GATS, GIS, etc.)?
  - Ability to characterize environmental make-up of system mix is imperfect
  - Potential for “green washing”
### Number of Regulated Load-Serving Entities in RGGI

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Regulated LSEs</th>
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<tr>
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<tr>
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<td>RI</td>
<td>3</td>
</tr>
<tr>
<td>VT</td>
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Questions about Applying FJD to RGGI

- **Administrative**
  Could one company in each state or the ISO manage (for a price) the tracking/accounting required of an FJD program?

- **Tracking**
  Characterizing environmental make-up of system mix may be imperfect, but is it impossible?

  There is a potential for “green washing” energy purchase claims. Aren’t there also ways to help reduce or eliminate this challenge?
Alternative to FJD: the Administrative Approach

Would it be effective to:

(1) account in the region’s budget for all non-RGIGI affected fossil-fired mWhs serving load region-wide,
(2) affix a reasonable emissions attribute to the energy, and
(3) adjust the overall cap accordingly by retiring allowances?

Would it be effective if there were an emissions portfolio standard (EPS) applied to LSEs/Aggregators?

What is a reasonable term for EPS jurisdictional purchases under such a standard?
A First Step: Defining “Leakage”

- RGGI requires in-region fossil-fired electric power generators with a capacity of ≥25mW to hold allowances equal to their CO₂ emissions over a three-year period.

- What about other fossil resources from both in- and out-of-region that are serving electricity users in RGGI?

- Should “leakage” be considered the emissions associated with all fossil-fueled resources used to serve load in RGGI, other than RGGI-affected units?

- Is “leakage” the incremental emissions caused by RGGI from all fossil-fueled resources used to serve load in RGGI other than energy from RGGI-affected units?

- Is “leakage” something else?
Carbon Management—Policy Mix (IEA)
Carbon Management In the Meantime

Supply-side

Imports
• Effects of forthcoming EPA regulations on carbon profile in PJM;
• Natural gas coming forward in PJM;
• Alternatives to Ontario and New Brunswick, i.e., more Quebec power?

In Region <25MW
• <25MW resources in 2009 >7m mWhs used (1,690 lbs CO\textsubscript{2}/mWh v. 1191 lbs CO\textsubscript{2}/mWh for PJM).
• Under what circumstances are these smaller resources dispatched? (See DSM note below)
• Alternative in-region generation: MD asking BG&E, Potomac Elec., to build new natural gas gen. 1,500 MW.

Other
• RPSs what do they promise
• Do states currently provide all benefits associated with the current purchases of voluntary renewable resources? Would expanding this create more demand for them?
• Do any restructured states with provider-of-last-resort auctions have the authority to include environmental attributes in their auction criteria for default service?
Carbon Management – Demand Side (IEA)

Figure 2 Ignoring energy efficiency potential can lead to higher carbon prices
Carbon Management In the Meantime

Demand-side

• Do Commissions value EE properly?

• Are states investing all they can in EE?

• What do potential studies say, and are they up-to-date?

• What are the prospects for EERSs or more aggressive EERSs?

• Is Geo-targeting of EE occurring sufficiently (see emissions of in-region <25MW resources above)
Concluding Thoughts

1. Recognize and celebrate the program’s success
2. In taking these next steps, define the challenges associated with non-RGGI–affected generation serving load in the RGGI region
3. With that, fashion the least-disruptive policy responses that harness the least-cost solutions.

Thank you