Overview of Proposed Revisions to Section 22a-174-31 of the RCSA

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Important History

• 2005 Department’s Climate Change Action Plan – suite of greenhouse gas mitigation strategies
  – Identifies regional CO2 cap-and-trade program as key strategy to reduce emissions from electricity generating sector (2nd largest source of GHG emissions in State)

• December 2005 - August 2006: Connecticut, the New England States, NY, NJ, MD, and Delaware sign RGGI MOU committing to establish the regional CO2 cap-and-trade program
  – Goal: stabilize and reduce CO2 emissions from the electricity generating sector.
Important History

- June 2, 2008 Global Warming Solutions Act (Public Act 08-98) enacted
  - Connecticut shall reduce greenhouse gas emissions to 10% below 1990 levels by 2020; and
  - Connecticut shall reduce greenhouse gas emissions to 80% below 2001 levels by 2050.

- July 23, 2008 – Section 22a-174-31 of the RCSA, Control of Carbon Dioxide Emissions promulgated; initiating participation in 1st Regional CO2 cap-and-trade program in the nation.
RGGI at a Glance

- CT and 8 Northeastern and Mid-Atlantic States operate a regional CO2 cap and trade program through their individual rules.
- Section 22a-174-31 of the RCSA allocates CT’s budget of CO2 allowances under that regional cap.
- CO2 allowances are sold at regional auctions.
- Fossil fuel electric generating facility must hold 1 CO2 allowance per ton of CO2 emitted during each control period.
- Proceeds from auctions fund energy efficiency programs (EE) and deployment of renewable energy sources (RE) (e.g. solar PV roofing on homes and businesses).
RGGI and Electric Rates

- Initial concerns:
  - CT electric rates typically 1st or 2nd highest in continental US.
  - RGGI feared to increase already high rates

- *CT Electric rates are decreasing at a faster rate than the national average and several other states since 2010.*
CT residential electricity rates are falling

Connecticut Residential Retail Electricity Rates

CT Average Residential Electricity Rate
(12% drop since Nov 2010,
15% drop since May 2010 peak)

Source: US Energy Information Administration (EIA)
CT regaining competitiveness - commercial

- Connecticut rates decreasing faster than other states
- States in other regions that have not made investments in cleaner power generation beginning to feel upward price pressures from costly upgrades

Source: US Energy Information Administration (EIA)
CT regaining competitiveness - industrial

- Connecticut rates decreasing faster than other states
- States in other regions that have not made investments in cleaner power generation beginning to feel upward price pressures from costly upgrades

Source: US Energy Information Administration (EIA)
Projected lower rates due to lower generation costs

Average Electricity Generation Cost for Connecticut Customers

Source: CT DEEP; CLP; Brattle Group Projections
Projections based on current commodity price projections; 2013-2017 projections for CLP service territory (80% of state)
2012 Program Review

• Required under the RGGI MOU; resulted in Model Rule
• Conclusion: Current regional allowance cap and each state’s budget thereunder are too large to drive further CO2 emission reductions
• 9 RGGI States agreed to reduce the regional cap from 165 Million CO2 Allowances to 91 Million CO2 Allowances
• Reduction aligns allowances with recent emissions trends
• Establishes cost containment mechanisms to address unforeseen circumstances
• Evaluate options to prevent “leakage” due to power imports
• Review again in 2016
Emission vs. Proposed Cap

RGGI Emissions

NYISO
PJM
ISO NE
RGGI CAP
Rev. RGGI CAP

CO2 Short Tons

calendar year


Connecticut Department of Energy and Environmental Protection
Revised Section 22a-174-31

The bulk of the revisions resulting from the Model Rule occur in the following Subsections

1. Subsection (a) – Definitions
2. Subsection (b) – General Provisions;
3. Subsection (f) – CO2 Allowance Allocations;
4. Subsection (g) – Allowance Tracking and Compliance
5. Subsection (i) – Reporting
6. Subsection (j) – Ratepayer Relief

*Connecticut’s proposed action does not modify or revise Connecticut’s Offset Rule (Section 22a-174-31a of the RCSA)*
Subsection 22a-174-31(a): Definitions and Abbreviations

• Introduces several new definitions including:
  – Cost Containment Reserve Trigger Price; CO2 Cost Containment Reserve Allowance; Connecticut Budget Trading Program Adjusted Budget; Excess Interim emissions; First Control Period Interim Adjustment for Banked Allowances; Interim Control Period; Second Control Period Interim Adjustment for Banked allowances, Unsold CO2 Allowances, and Undistributed Allowances
Subsection 22a-174-31(b)

• Introduces **interim control periods**

• The 1\textsuperscript{st} year and the 2\textsuperscript{nd} year of each 3 year control period are interim control periods

• Obligation to true-up CO2 allowances at the end of each interim control period
Subsection 22a-174-31(f):

- Sets CO2 Trading Program Base Budget for 2014 = 5.89 million tons (~43.5% reduction);
- Base Budget decreases annually by 2.5% to ~5 million tons in 2020
- Creates 2 adjustments for banked allowances
- Adjusted Budget = Base Budget – adjustment(s)
Subsection by Subsection

Subsection 22a-174-31(f), continued

• Revises Allowances Allocations
  – 97% of Adjusted budget goes to auction
  – 3% of Adjusted budget goes to set-aside accounts

• Eliminates Voluntary Clean Energy and Long Term PPA set-aside accounts

• Allocations to remaining set-aside accounts are consistent with historic use.
Subsection 22a-174-31(f), continued

- Establishes CT’s allocation of CO2 cost containment reserve (CCR) allowances (up to 323K tons for 2014; up to 647K tons for each year thereafter)

- Establishes procedures for auctioning CO2 Cost Containment Reserve Allowances
  - If demand > supply at or above CO2 CCR Trigger Price, then CO2 CCR allowances are auctioned
  - CCR Trigger Price = $4 in 2014, $6 in 2015, $8 in 2016
Distribution of Auction Proceeds:

- 23% of auction proceeds to CEFIA for renewable energy sources
- 7.5% of auction proceeds to DEEP
- Through FY 2015; 69.5% of proceeds distributed:
  - 6.25% to CMEEC, up to $1.25M per quarter to CL&P and UI, rest to CEFIA (up to $25.7M) to fund energy efficiency measures
- After FY 2015 69.5% of proceeds shared by CL&P, UI, and CMEEC to fund energy efficiency
Subsection by Subsection

• Subsection 22a-174-31(f), concluded
  – Commissioner has authority to retire unsold/undistributed CO2 allowances.

• Subsection 22a-174-31(g)
  – Revises dates and citations
  – Requires recording of retired unsold/undistributed allowances
  – Establishes vintages for allowance and offsets available for compliance deduction following interim control periods
  – Sets forth enforcement parameters for excess interim emissions.
• Subsection 22a-174-31(i) – Alternatives to submitting quarterly CEMS reports to the Department.

• Subsection 22a-174-31(j) – Rate Payer Relief
  – For 2014, auction proceeds in excess of $35 million per year will be transferred to the Public Utilities Regulatory Authority for return to CT ratepayers in accordance with Section 16-19 of the Connecticut General Statutes.
To Obtain a Copy of the Revision

Copies of the proposed regulation, fiscal impact analyses and a statement, in accordance with Section 22a-6(h) of the C.G.S are available and posted on DEEP’s website at:

Comment Period

Public Comment Period closes August 16, 2013, at 4:00 p.m.

Written comments may be filed electronically on the Department’s website at:
or
submitted directly to Debra Morrell at debra.morrell@ct.gov.
Wednesday, August 14, 2013
10:30 a.m.
Hearing Room 1
Department’s New Britain Office
Ten Franklin Square, New Britain, Connecticut.
Questions?