

**THE  
NORTHEAST  
REGIONAL  
GREENHOUSE  
GAS COALITION**

BP America

Conectiv Energy

Consolidated Edison

Constellation Energy

Dominion Energy New  
England

Public Service  
Enterprise Group

Valero Energy

Waste Management

January 25, 2008

Gina McCarthy, Commissioner  
Connecticut Department of Environmental Protection  
79 Elm Street  
Hartford, CT 06106

Dear Commissioner McCarthy,

The Northeast Regional Greenhouse Gas Coalition (GHG Coalition) commends you as well as the RGGI Staff Working Group members for your efforts on RGGI. As an official member of the RGGI Stakeholder Group, the GHG Coalition has participated in all of the stakeholder group meetings and submitted numerous recommendations on ways to design a program that will result in real, cost effective GHG emission reductions and minimize the cost impacts on consumers in the RGGI region.

The GHG Coalition has evaluated the Final Research Report entitled "Auction Design for Selling CO<sub>2</sub> Emission Allowances under the Regional Greenhouse Gas Initiative" dated October 26, 2007, and submitted written comments on the report on November 15.

The GHG Coalition would like to highlight three significant areas of its November 15 comments to you: 1) the need for RGGI auction rules and clarity on enforcement roles and responsibilities; 2) the need for pilot scale auctions in advance of the first live RGGI allowance auction, and 3) the role of RGGI, Inc. in the regional auctions and other RGGI implementation elements.

**RGGI Auction Rules**

The GHG Coalition contends that regional RGGI auction rules (or similar policy statement or procedures) be developed in an expedited manner and published for public comment by the RGGI states. These auction rules or procedures should not only specify how the auctions will be conducted and by whom, but should also specify the market monitoring and mitigation rules, and the governmental agency that will have jurisdiction to enforce regional auction rules or procedures and take action where appropriate.

Whatever auction formats and rules are ultimately adopted, it should be clear which government agency will oversee the auctions and spot markets, whether auctions will be suspended or nullified if inappropriate activity occurs, and what penalties or sanctions will apply to violators. Decisions in these areas should be disclosed to the public before auctions commence so that potential violations will be deterred and prospective bidders will have confidence in the security of the auctions.

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## **Pilot Auctions**

The GHG Coalition strongly recommends that the RGGI states host a series of “pilot” auctions – prior to the first RGGI “live” auctions -- that could include all potential market participants (entities with & without compliance obligations). Some pilot rounds could be open to all while others could be closed to CO<sub>2</sub> Budget Sources only across the entire RGGI region. The pilot auctions would reveal to market participants and RGGI states how the auctions are likely to perform under varying rules and market conditions. This will serve to eliminate some of the uncertainty the CO<sub>2</sub> Budget Sources (and indeed state regulators) face with what may be a 100% RGGI allowance auction (the GHG Coalition continues to believe that the RGGI States should start with an auction well below 100%).

## **RGGI, Inc.**

The GHG Coalition requests that the RGGI states publicly release documents regarding the structure, function, and role of RGGI, Inc. in the implementation of RGGI. The only information that the GHG Coalition and other RGGI stakeholders have regarding RGGI, Inc. is from the original RGGI MOU of December 20, 2005. The GHG Coalition would like to understand the role of RGGI, Inc. in the regional auctions as well as its role in the administration of the CO<sub>2</sub> allowance tracking system, among other RGGI implementation issues.

In conclusion, the GHG Coalition looks forward to continuing discussions with RGGI states and other stakeholders as RGGI is implemented.

Sincerely,

*Brian M. Jones*

Brian M. Jones

cc: Donald W. Downes, Chairman DPUC  
Chris Nelson, CT DEP