Connecticut Department of Energy and Environmental Protection

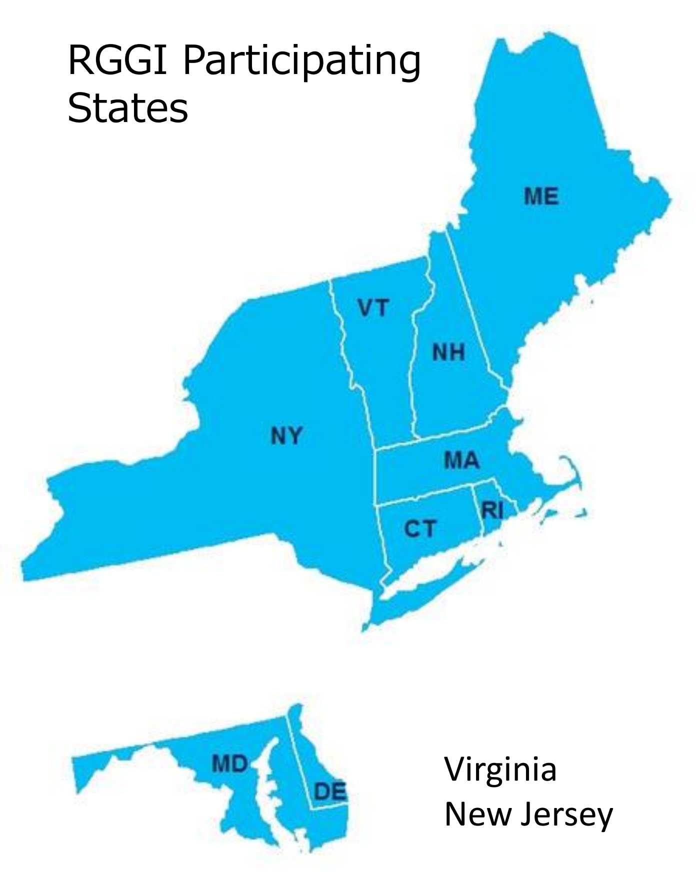
Connecticut Department of
ENERGY &
ENVIRONMENTAL
PROTECTION

RGGI Regulations Update

May 28, 2019

RGGI Program Scope

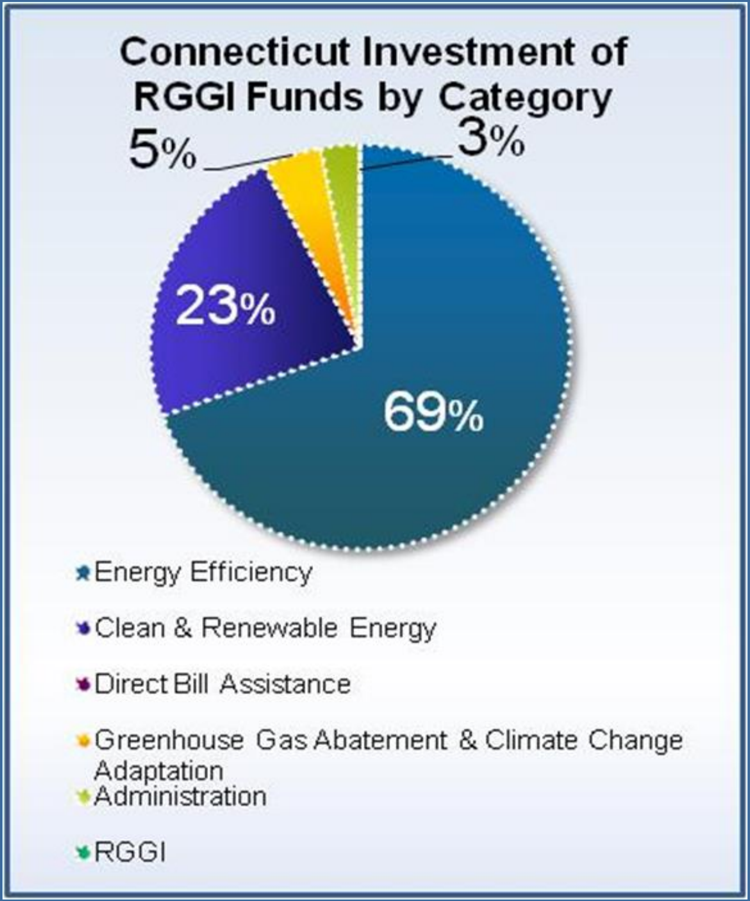
- Nine states participating in RGGI, spanning three RTOs
- States collectively establish a regional budget ("cap") on CO_2 emissions from power plants
  - Covers new and existing fossil fuel-fired generators with capacity 25MW and above
  - Compliance entities in each state must hold allowances equal to their CO_2 emissions during a three-year control period
  - Three-year control periods starting with 2009-2011, currently in fourth control period (2018-2020)
- Allowances are distributed by the states, primarily through quarterly allowance auctions
- Proceeds from the sale of allowances are strategically invested by each state in consumer benefit programs
- An emissions and allowance tracking system (RGGI COATS) is used to track RGGI market & program data



Connecticut's Distribution of RGGI Proceeds

Distribution of Auction Proceeds:

- 23% of auction proceeds to the Green Bank for renewable energy sources
- 7.5% of auction proceeds to DEEP
- 69% directly funds energy efficiency programs in Connecticut



Summary of 2014 Program Review

- Cap set at 91 million tons in 2014
  - Cap declines annually at 2.5% of the previous year's cap through 2020
- Annual bank adjustment of 21,891,408
- Implementation of Cost Containment Reserve
  - 10 million allowances released if auction price above set price (Started at $10 in 2014 and increasing 2.5% a year)
- Price floor set at $2 increasing 2.5% a year

Key 2017 Program Review Goals

- Advance environmental goals at a reasonable cost and risk to ratepayers
- Implementation of commitment of 3 year program review
- Position the program to allow for relative easy entry of new states, e.g. Virginia and New Jersey

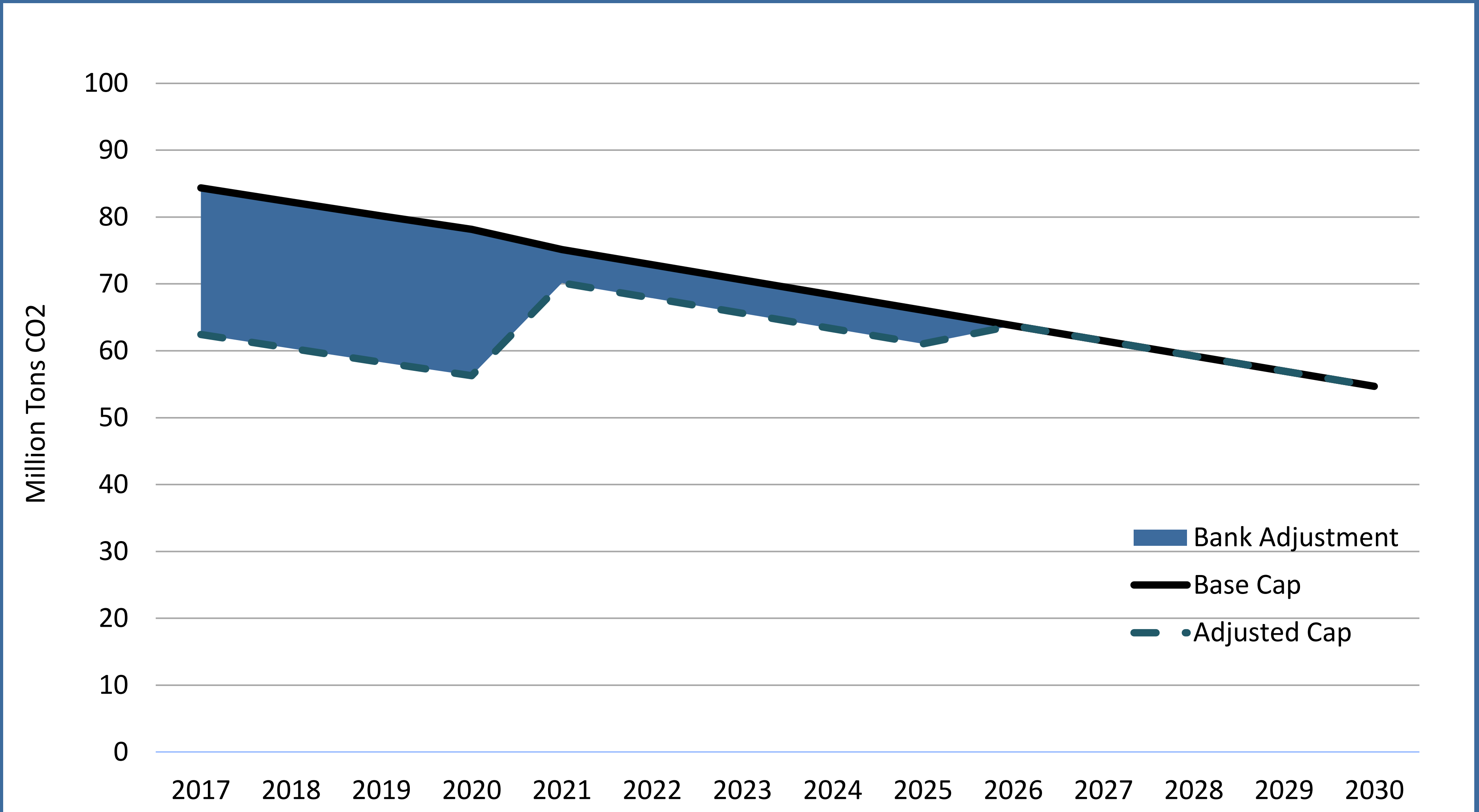
Key Issues Addressed in 2017 Program Review

- Annual cap decline from 2021-2030
- Bank adjustment
- Cost Containment Reserve (CCR)
- Emission Containment Reserve (ECR)

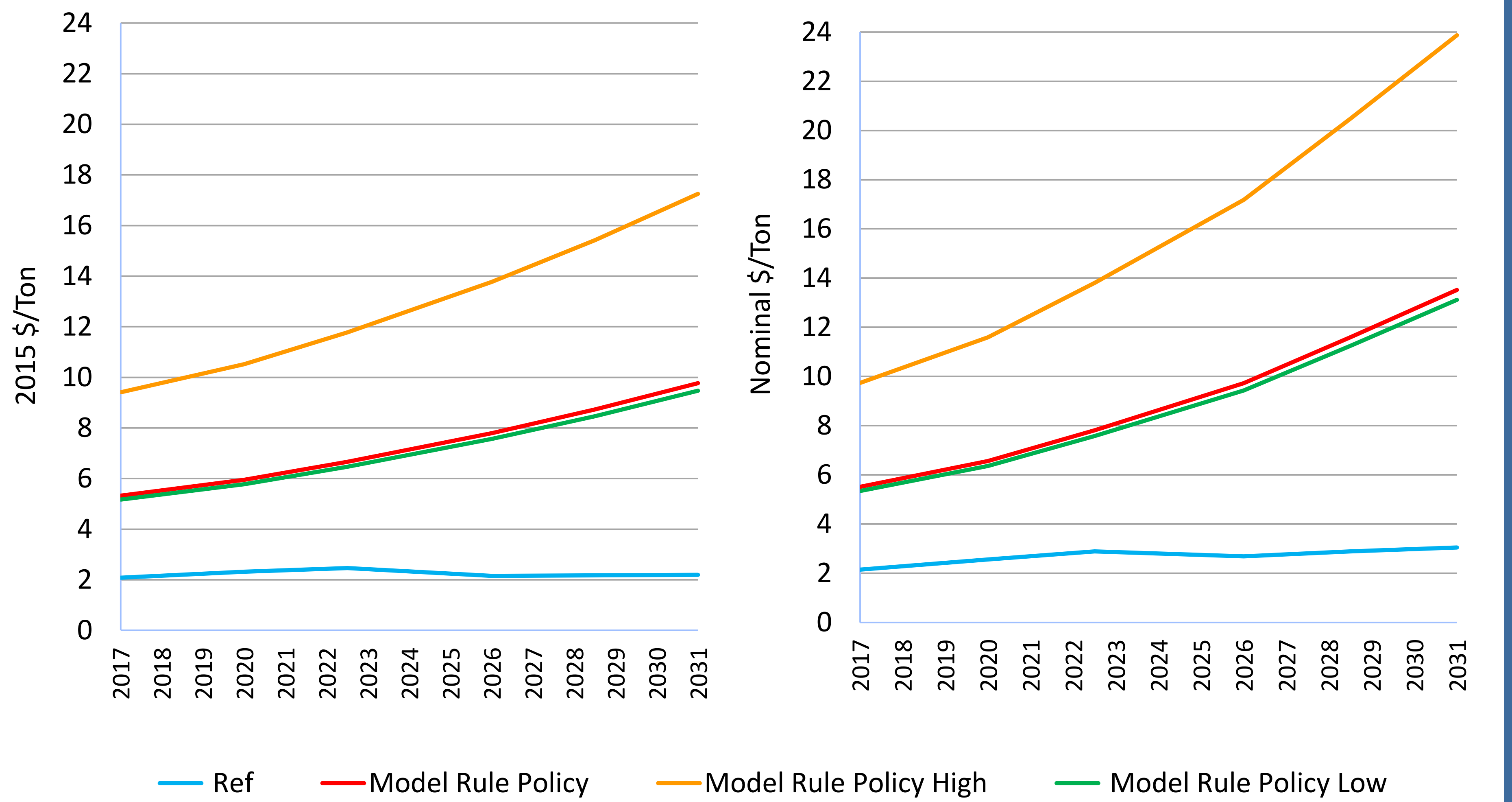
2017 Program Review Outcome

- One-time cap decline of 3 million tons in 2021 and then 2.275 million tons per year through 2030.
  - Designed to match recent trends in emissions
- Bank adjustment over five years starting in 2021
  - Expected to be fairly significant given recent low emissions
- Extend CCR to 10% of the base cap starting in 2021
  - CCR trigger price set at the “high emission” modeled scenario
  - Start at $13.00 in 2021
- Implement the ECR at 10% of the base cap starting in 2021
  - ECR trigger price set at the “low emission” modeled scenario
  - Start at $6.00 in 2021

RGGI CO_2 Model Rule Policy Scenario Cap



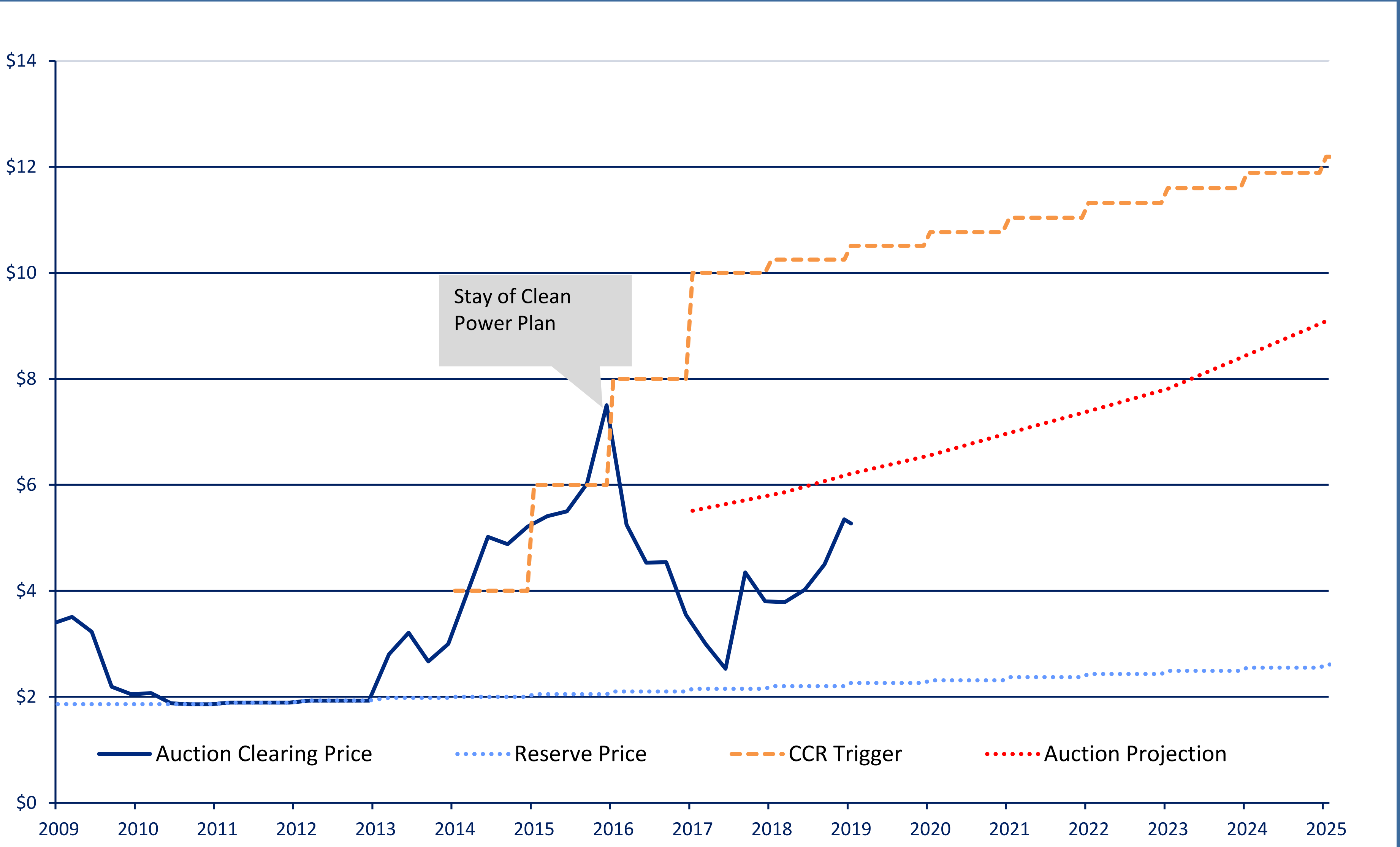
Forecasted RGGI Allowance Prices



Program Outcome by the Numbers

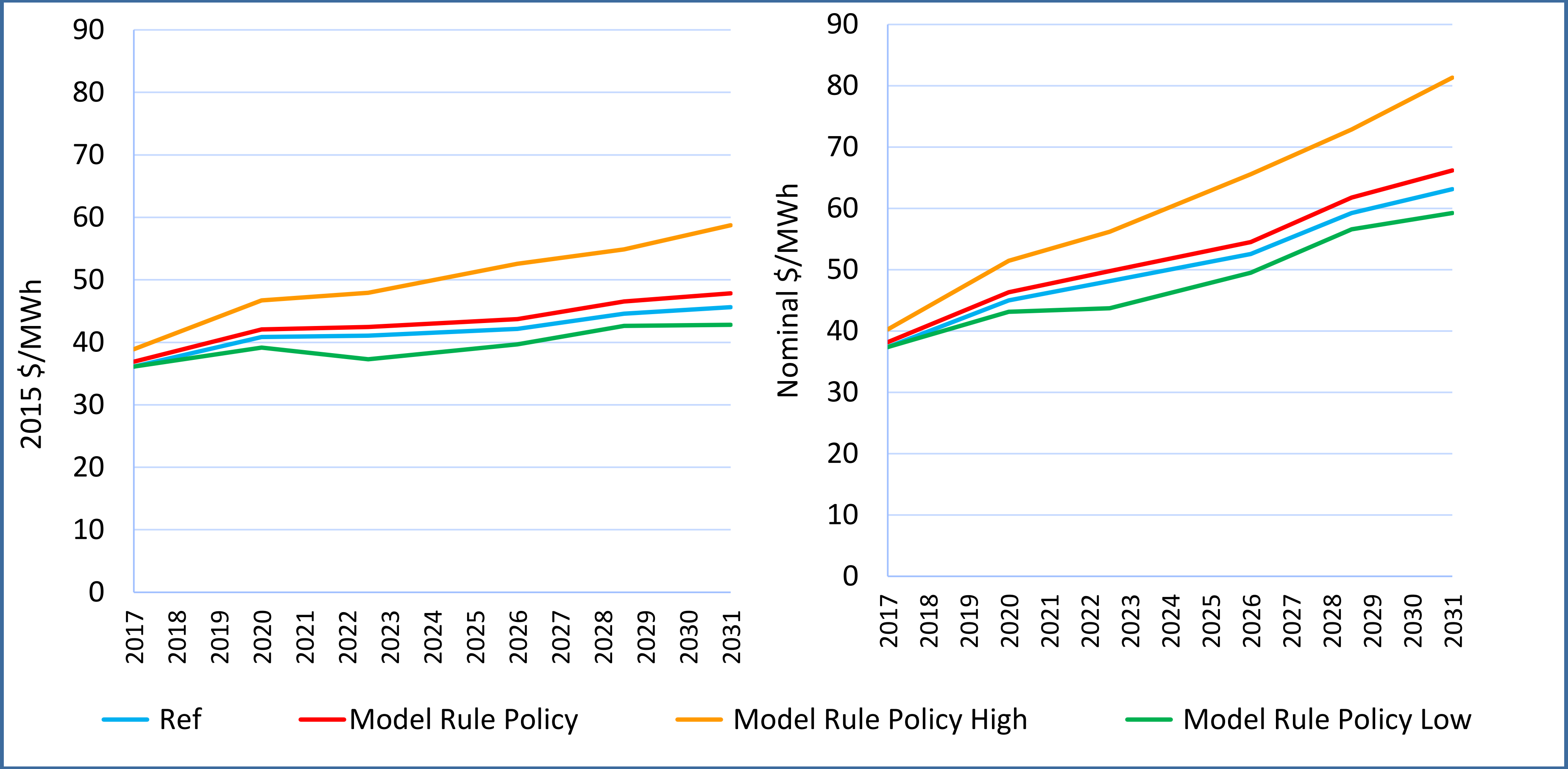
Year	Expected Price	Base Allowance Quantity	CCR Quantity	CCR Trigger Price	ECR Quantity	ECR Trigger Price	Expected Revenues (no bank adjustment)
2021	$6.98	4,860,813.00	486,081	$13.00	486,081.00	$6.00	$33,912,272.03
2022	$7.39	4,713,516.00	471,351	$13.91	471,351.00	$6.42	$34,848,594.96
2023	$7.81	4,566,218.00	456,621	$14.88	456,621.00	$6.87	$35,662,162.58
2024	$8.45	4,418,921.00	441,892	$15.93	441,892.00	$7.35	$37,339,882.45
2025	$9.09	4,271,624.00	427,162	$17.04	427,162.00	$7.86	$38,829,062.16
2026	$9.73	4,124,326.00	412,432	$18.23	412,432.00	$8.42	$40,129,691.98
2027	$10.35	3,977,029.00	397,702	$19.51	397,702.00	$9.00	$41,148,993.39
2028	$10.96	3,829,731.00	382,973	$20.88	382,973.00	$9.63	$41,986,617.53
2029	$11.58	3,682,434.00	368,243	$22.34	368,243.00	$10.31	$42,642,585.72
2030	$12.55	3,535,137.00	353,513	$23.90	353,513.00	$11.03	$44,348,293.67

Prices Already Below Projections



RGGI Firm Power Prices

- The chart shows the projected RGGI average annual firm (energy + capacity) prices in constant 2015 and nominal dollars.
  - Power price is less than ½ of total bill (i.e. does not include transmission and distribution)



Summary of Changes

1. Revised Regional Cap: Lower cap to align the cap with current emissions levels. Section (f)(1)(H)-(R)

2. Bank Adjustment: The adjustment will be made over a 5-year period (2020-2025). Section (a)(86) and Section (f)(2)(G)-(H)

3. Extension of the cost containment reserve (CCR): The CCR 10% of allowances in addition to the cap, that would only be available if defined allowance price triggers are exceeded. These allowances provided within the CCR will be equal to 10 percent of Connecticut's allocation of CO_2 allowances. Section (f)(2)(A)(ii) and Section (f)(5)(E)

4. Creation of the emission containment reserve (ECR) to automatically align the cap with current emissions going forward to mitigate the need for bank adjustments going forward. The ECR is a quantity of allowances that will be withheld from the auction if the price of allowances in an auction fall below a defined allowance price trigger. These allowances provided within the ECR will be equal to 10 percent of Connecticut's allocation of CO_2 allowances. Section (a)(30) and (48), Section (f)(2)(B) and Section (f)(5)(H)-(K)

5. Other: Conforming language changes required by Public Act 14-94 changing the name of Clean Energy Finance and Investment Authority (CEFIA) to the Green Bank. Section (a)(15) and (57) Section (f)(6)(B), As well as reducing the number of years from six to one for the Commissioner of the Department of Energy and Environmental Protection to close dormant accounts and increasing the time from notification from the Commissioner to the closing of the account from 20 to 30 days. Section (g)(8)(B)

Questions?