



# Connecticut Department of Energy and Environmental Protection



**Regional Greenhouse Gas Initiative (RGGI) 8/8/13**

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

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Connecticut Department of Energy and Environmental Protection

# 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 (2<sup>nd</sup> 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 1<sup>st</sup> 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)



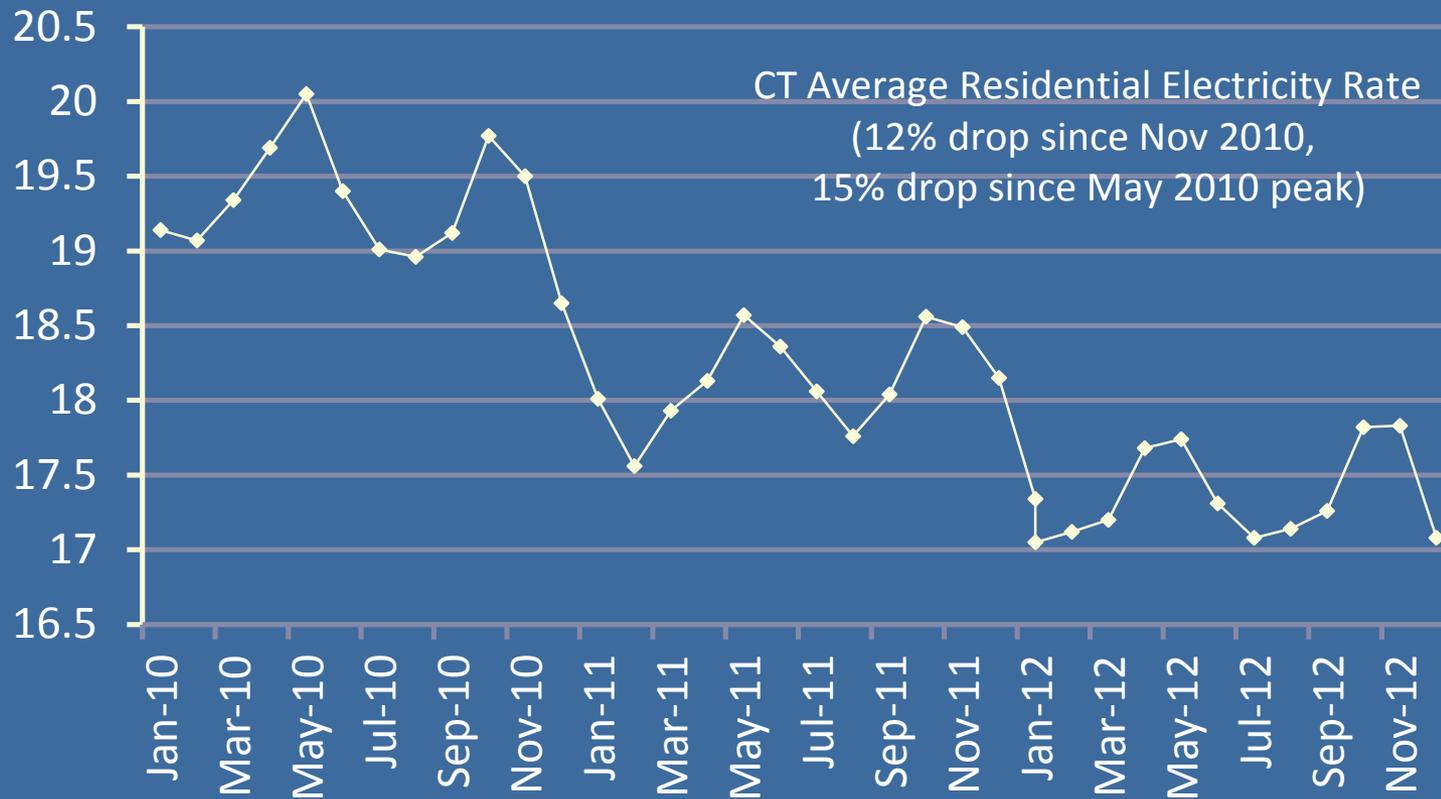
# RGGI and Electric Rates

- Initial concerns:
  - CT electric rates typically 1<sup>st</sup> or 2<sup>nd</sup> 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



Source: US Energy Information Administration (EIA)



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# CT regaining competitiveness - commercial

## Percent Change in Average Price of Electricity- Commercial Sector May 2010-May 2012



- 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)



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# CT regaining competitiveness - industrial

## Percent Change in Average Price of Electricity- Industrial Sector May 2010-May 2012



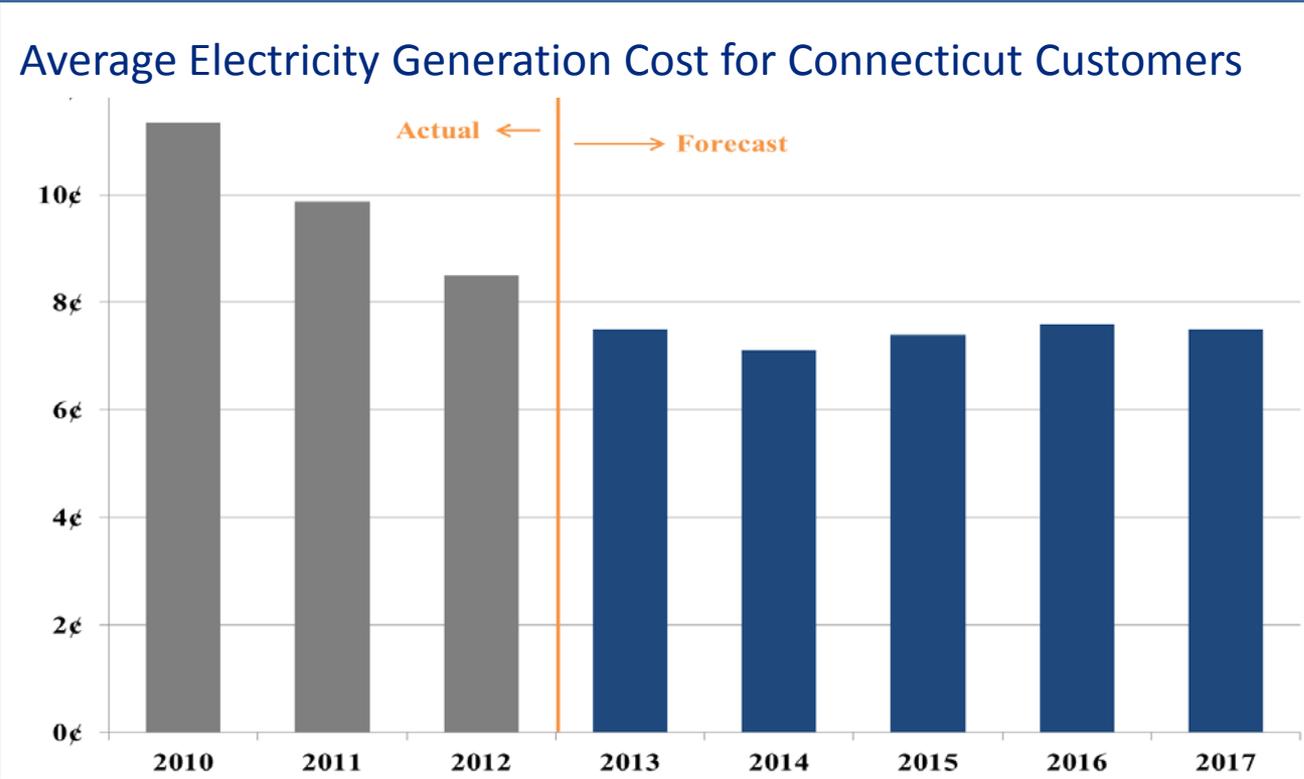
- Connecticut rates decreasing faster than other states
- States in other regions that have not made investments in cleaner power generation beginning to feel upward price pressures from costly upgrades

Source: US Energy Information Administration (EIA)



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# Projected lower rates due to lower generation costs



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

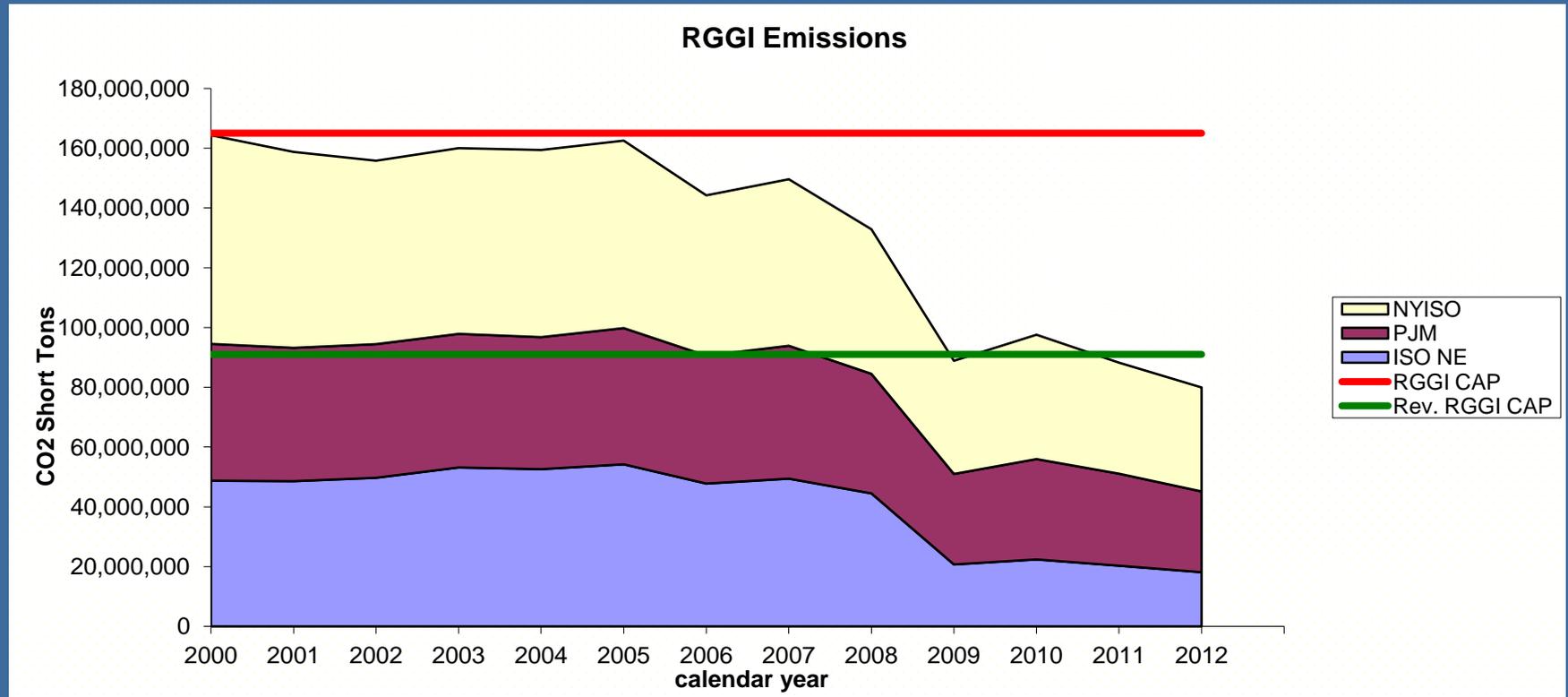


# 2012 Program Review

- 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



# 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 by Subsection

## 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 by Subsection

## Subsection 22a-174-31(b)

- Introduces interim control periods
- The 1<sup>st</sup> year and the 2<sup>nd</sup> year of each 3 year control period are interim control periods
- Obligation to true-up CO<sub>2</sub> allowances at the end of each interim control period



# Subsection by Subsection

## 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 by Subsection

## 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

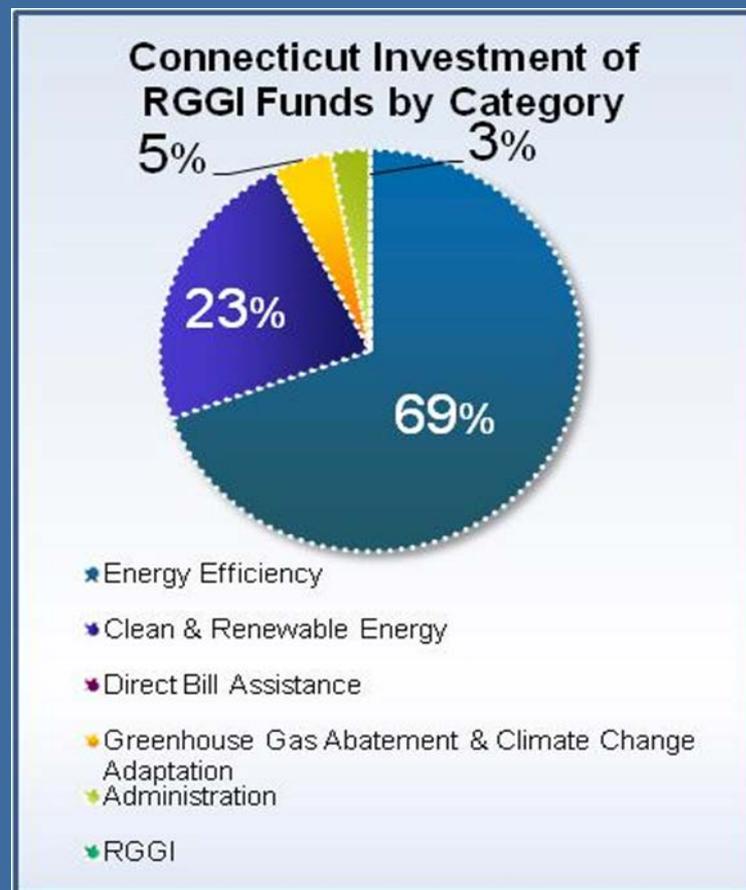


# Subsection by Subsection

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

### 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 by Subsection

- 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:

[http://www.ct.gov/deep/cwp/view.asp?a=4405  
&Q=528200&deepNav\\_GID=2121](http://www.ct.gov/deep/cwp/view.asp?a=4405&Q=528200&deepNav_GID=2121)



# 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:

[http://www.ct.gov/deep/cwp/view.asp?a=4405  
&q=493990&deepNav\\_GID=2121](http://www.ct.gov/deep/cwp/view.asp?a=4405&q=493990&deepNav_GID=2121)

or

submitted directly to Debra Morrell at  
[debra.morrell@ct.gov](mailto:debra.morrell@ct.gov).



# Public Hearing

Wednesday, August 14, 2013

10:30 a.m.

Hearing Room 1

Department's New Britain Office

Ten Franklin Square, New Britain, Connecticut.



# Questions?



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