Issue Track 4:
Interaction with Other State Policies and Programs

Issues/Questions Raised by Stakeholders during Workplan Development

May 21, 2018

Issues/Questions Raised by Stakeholders

- What are price and quantity impacts on Tier 1 RECs?
- What is the impact on Tier 2 REC payments?
- How are the ZEC prices affected?
- How does carbon integration affect leakage both within and outside the RGGI region?
- What impact will carbon integration have on retail policies/programs?
  - VDER
  - NWAs
  - Energy Efficiency
  - Other Utility Programs
- Other?

Change in REC Prices, According to Brattle Report:

- A carbon charge would increase energy revenues for new Tier 1 renewable resources supported by RECs (page 45).
- Prices will not be reduced for fixed-price REC contracts in place.
- Assume each increase in wholesale energy price would reduce REC prices dollar-for-dollar, although offset could be lower due to differences in risk (REC is guaranteed for contract, carbon charge cannot be guaranteed)
- p.45; p.46 includes an example for onshore wind pricing
- Other thoughts for consideration?

Change in ZEC Prices, According to Brattle Report:

- CES Order creates a formula; ZEC prices automatically adjust to changes in wholesale energy and capacity prices.
- Carbon charge would increase wholesale energy prices, decreasing ZEC prices on a dollar-for-dollar basis. (p.44).
- Brattle provided a 2025 Estimate: Nuclear unit will earn energy revenues of $52/MWh, capacity revenues of $14 MWh. = 2025 ZEC price $5.7/MWh before carbon charge. Add $40/ton carbon charge, raises energy wholesale prices by $17/MWh to Upstate nuclear = ZEC price -0- and increase nuclear generator net revenues by $9.7/MWh.
- Other thoughts for consideration?

Leakage and RGGI Interaction, According to Brattle Report

- RGGI may already be causing some leakage to non-RGGI states.
  - RGGI differentially raises the cost of internal resources.
  - Leakage to states outside RGGI could be addressed by imposing border charges.
- To prevent leakage of allowances and emissions to other states, New York could match its extra abatement efforts with a corresponding reduction in the number of allowances available.
  - This seems to imply an opportunity cost to NY of the lost revenues for RGGI allowances withheld

Leakage and RGGI Interaction

- Many moving parts make predicting the impact of carbon integration on RGGI and leakage complex.
  - ➢ *RGGI states agreed to new emission caps starting in 2020.*
    - ➢ *Downward pressure on RGGI prices could lead to further cap reductions*
  - ➢ *RGGI states have introduced an emission containment reserve (ECR) and agreed to revise a cost containment reserve (CCR), both of which will be active starting in 2021.*
    - ➢ *If RGGI prices stay at the CCR or ECR, within RGGI "leakage" does not occur*
  - ➢ *Virginia and New Jersey are considering participating in RGGI, and that outcome is uncertain.*

- Other thoughts for consideration?