Independent Power Producers of New York, Inc. (IPPNY)

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Gavin J. Donohue, *President & Chief Executive Officer*

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Via email at rggiprograms@nyserda.org

Mr. Francis J. Murray, Jr.
President and CEO
New York State Energy Research and Development Authority
17 Columbia Circle
Albany, New York 12203-6399

Dear President Murray: Frank

The Independent Power Producers of New York, Inc. (IPPNY) appreciates the opportunity to provide these comments on the New York State Energy and Research Development Authority's (NYSERDA's) proposed amendments to its *Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program*, which has been issued for stakeholder comment by the Authority. However, IPPNY is disappointed that funding for essential electricity sector programs is proposed to be cut by almost half or eliminated completely, while monies continue to be shifted to a series of projects outside the electricity sector.

Indeed, the vast majority of funds derived from the auction of allowances under the Regional Greenhouse Gas Initiative (RGGI), which is a program to control carbon dioxide (CO_2) emissions from the electricity supply sector, are derived from operators of electric generating facilities. As a result, the bulk of the RGGI monies simply and primarily should be returned to supply sources and electricity consumers, in the form of investments to improve electricity service, while meeting the goals of the RGGI program. As IPPNY has argued since the beginning of the development of NYSRDA's RGGI Operating Plan, given that the RGGI auction monies ultimately will be collected from generating sources and then electricity consumers, the funds should be limited to use in addressing CO_2 emissions associated with electricity production and consumption. The use of these revenues for transportation and non-electric uses is a gross cross-subsidization.

NYSERDA's rule to implement the RGGI Allowance Auction states that the RGGI auction proceeds are to be used to "promote and implement programs for energy efficiency, renewable or non-carbon emitting technologies, and innovative carbon emissions abatement technologies with significant carbon reduction potential." As you are aware, NYSERDA has proposed to cut severely funding for programs that are at the core of realizing this regulatory purpose. Namely, NYSERDA intends to reduce resources for Carbon Capture and Sequestration (from \$15 million down to only \$9 million) and for Advanced

Renewable Energy (from $29 million down to only $15 million), as well as to eliminate completely $41 million for the Competitive Greenhouse Gas Program, which also was intended to develop innovative ways to reduce emissions.

1. **Carbon Capture and Sequestration Program**

Inexplicably, several parties at the January 13, 2010 NYSERDA RGGI Advisory Board meeting expressed very short-sighted views, by calling for the elimination of funding for carbon capture and sequestration. Obviously, a top priority for the use of RGGI monies should be developing carbon capture and sequestration technologies to reduce greenhouse gas emissions from the electric sector and other entities that will be required to reduce emissions by 80 percent by 2050, under the governor's Executive Order #24. Holders of Title V permits are the most likely entities to be required to comply with the governor's order. These entities include power plant owners, utilities, the New York Power Authority, gas pipeline companies, owners of landfills and recycling facilities, universities, hospitals, correctional facilities, condominiums, local government entities, as well as many other types of businesses. The development and use of carbon capture and sequestration technology is essential, unless the state expects all Title V permit holders to buy allowances over the long-term, especially during tough economic times.

However, while it proposes dramatically to cut funding for carbon capture and sequestration technology, NYSERDA plans to provide $8 million for the New York State Department of Environmental Conservation (DEC) to develop a Climate Action Plan, under the governor's Executive Order #24, among other activities. This level of funding for a state effort significantly is more than the $3.4 million the state is spending for New York's participation in the regional RGGI initiative.

As part of the 2007-2008 New York State Budget, the DEC's Climate Change Office was established, as the entity responsible for implementing the RGGI program in New York. Activities related to the RGGI should be funded from monies appropriated by the Legislature for the purposes of this office. To the extent that the DEC needs additional resources for its activities to develop the Climate Action Plan, funding should be provided for those activities, as a sub-allocation under the monies to be provided by the Legislature for the Climate Change Office. In addition, New York should determine whether the research and development (R&D) programs that the DEC intends to conduct are unique and cannot be accomplished by other R&D initiatives. The $8 million in RGGI funds should be transferred to provide additional funding for the Carbon Capture and Sequestration Program.

2. **Advanced Renewable Energy Program**

In addition, by enacting the Green Jobs – Green New York Law, the governor and the Legislature decided that only a total of $112 million in RGGI monies should be allocated for certain residential, small business, and job training programs. However, NYSERDA proposes to provide $123 million for a Residential Space and Water Efficiency Program, in addition to $29.6 million for small business. NYSERDA should transfer monies away from these purposes and restore funding for Advanced Renewable Energy Program to the original $29 million level. Also, photovoltaic programs should be funded with increased collections under the Renewable Portfolio Standard and not by RGGI funds.

3. **Competitive Greenhouse Gas Program**

Notably, several parties at the January 13 Advisory Group meeting agreed that eliminating the Competitive Greenhouse Gas Program would reduce innovation in addressing emission reductions, and they noted that this program should be a top priority for the restoration of funding. NYSERDA should re-examine how it determined the initial $41 million funding level, given that it seems strange that this program is the only one for which a lower "critical mass" of funding cannot be established.

Still, NYSERDA proposes to provide $34.5 million for transportation sector programs to fund priorities of the Metropolitan Transportation Authority (MTA), among other matters, when the MTA has funding available to it under both an operating plan and a capital plan. In April 2005, the MTA Board approved the 2005-2009 Capital Program, totaling $21.145 billion. In 2009, the MTA had $5.5 billion in operating revenues. To the extent that the transportation sector needs additional funds to address climate change, a transportation sector specific funding source should be developed and used for those purposes. The $34.5 million should be transferred to help restore funding for the Competitive Greenhouse Gas Program.

Furthermore, monies that NYSERDA proposes to provide for program administration ($24 million) and evaluation ($17.1 million) are high. These proposed allocations total $41.1 million, and only a total amount of $301.6 million is available for program funding. Funds should be transferred from these uses, in combination with above discussed reductions in transportation sector resources, to restore fully the funding for the Competitive Greenhouse Gas Program to the original $41 million level.

IPPNY urges you and NYSERDA Staff to address our concerns and to incorporate our recommendations into its decision-making process. IPPNY appreciates your taking the time to review and act on our comments. If you have any questions or need additional information, please feel free to contact me.

Thank you for your consideration.

Sincerely,

Gavin J. Donohue
President & CEO

cc: Thomas Congdon
Pete Grannis
Garry Brown
Janet Joseph
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Conor Bambrick