

NEW YORK'S RGGI-FUNDED PROGRAMS

STATUS REPORT
QUARTER ENDING MARCH 31, 2010

SEPTEMBER 2010

NEW YORK STATE
ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY

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1 Introduction

To implement the Regional Greenhouse Gas Initiative (RGGI), New York State has established its CO₂ Budget Trading Program through regulations promulgated by the Department of Environmental Conservation (DEC) and the CO₂ Allowance Auction Program through regulations promulgated by New York State Energy Research and Development Authority (NYSERDA).¹ This report is prepared pursuant to the “Operating Plan for Investments in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program” (Operating Plan),² and provides an update on the progress of programs through the quarter ending March 31, 2010. It contains an accounting of program spending, an estimate of program benefits, and a summary description of program activities and implementation.

The Operating Plan states that a number of factors (*e.g.*, changes in the economy, efforts to supplement and not supplant economic stimulus funding, etc.) could impact the roll-out of programs during the first year of the plan, and thus called for the DEC and NYSERDA to conduct a review of the document six months after its publication. Subsequent to this review, the partner agencies released a revision to the original Operating Plan in the form of a Summary Document that was issued on December 29, 2009.³ The Summary Document includes: a more conservative projection of auction proceeds, adjustments to meet the requirements of the recently enacted Green Jobs/Green NY Act,⁴ a provision for the recently enacted budget deficit reduction measures, and commitments pursuant to a consent decree that resolves the legal challenge to the State’s RGGI program.

A meeting was held on January 13, 2010, with the Advisory Group to discuss the proposed changes outlined in the Summary Document. Stakeholder comments were reviewed and incorporated, and a final set of recommended changes was provided to NYSERDA’s Board of Directors for approval at its March 1, 2010 meeting. This quarterly report reflects the budgets and program information contained in the Summary Document and subsequent quarterly reports will reflect any changes as described in the approved Operating Plan. Please refer to the following webpage for ongoing developments with the Operating Plan: [RGGI Use of Auction Proceeds](#).

1.1 New York’s Auction Proceeds⁵

As of March 31, 2010, New York had sold more than 79.2 million CO₂ allowances and received approximately \$213.4 million in auction proceeds. Detailed auction results are presented in Table 1-1.

¹ For the DEC adopted regulations, see 6 NYCRR Part 242: CO₂ Budget Trading Program Regulations; for the NYSERDA adopted regulations, see 21 NYCRR Part 507: CO₂ Allowance Auction Program Regulations.

² On April 27, 2009, the NYSERDA Board of Directors approved the Operating Plan, providing the budgets and descriptions for the programs that would be funded by the RGGI auction proceeds.

³ A copy of the Summary Document can be found on NYSERDA’s website: [Revised RGGI Operating Plan Summary of Recommendations \(December 29, 2009 Draft\)](#)

⁴ The text of the Green Jobs-Green New York Act of 2009 (Public Authorities Law --A.8901/S.5888) and its amendments can be found on NYSERDA’s website: [Laws of New York, 2009, Chapter 487](#) and [Laws of New York, 2009, Chapter 488](#)

⁵ See [NY Proceeds by Auction](#) for more auction result details.

Table 1-1. New York State's RGGI Auction Results⁶

Auction Date	Control Period	Clearing Price	New York State Allowances Sold	New York State Auction Proceeds
12/17/08	Current	\$3.38	12,422,161	\$41,986,904
3/18/09	Current	\$3.51	12,422,161	\$43,601,785
	Future	\$3.05	776,385	\$2,367,974
6/17/09	Current	\$3.23	11,861,849	\$38,313,772
	Future	\$2.06	776,385	\$1,599,353
9/09/09	Current	\$2.19	11,861,849	\$25,977,449
	Future	\$1.87	776,385	\$1,451,840
12/02/09	Current	\$2.05	11,861,850	\$24,316,793
	Future	\$1.86	571,423	\$1,062,847
3/10/10	Current	\$2.07	15,136,022	\$31,331,56
	Future	\$1.86	740,167	\$1,376,711
TOTAL			79,206,637	\$213,386,994

Source: RGGI Inc.

⁶ New York did not offer allowances for sale in the RGGI auction held on 9/25/08, where the clearing price for 2009 vintage allowances was \$3.07.

2 Budget and Spending Status

This section presents financial data for the approved programs through March 31, 2010. Assuming a \$446 million,⁷ three-year revenue estimate described in the Summary Document, approximately \$301 million would be available for the following five major program areas:

- Residential/Commercial/Industrial/Municipal;
- Transportation;
- Power Supply and Delivery;
- Sustainable Agriculture and Bioenergy; and
- Multi-Sector.

Anticipated available funding levels along with approved budgets, contract commitments, and spending are presented in Table 2-1.

⁷ The \$446 million estimate was based on the value of the projected auction proceeds from the fourth quarter of calendar year 2008 through the first quarter of calendar year 2012. For a more detailed explanation, please refer to the Summary Document.

Table 2-1. Anticipated Available Funding and Financial Status through March 31, 2010 (\$ million)

	Total Three-Year Anticipated Available Funding	Contract Commitments ^a	Funds Spent
Residential/Commercial/Industrial/Municipal			
Green Jobs/Green NY	98.6	48.0	0.0
Residential Space and Water Heating Efficiency	53.0	-	-
Commercial, Industrial, Municipal and Institutional	25.5	1.2	0.5
Climate Smart Communities	6.6	-	-
Advanced Building Systems and Industrial Process Improvements	7.0	-	-
Total Residential/Commercial/Industrial/Municipal	190.7	49.2	0.5
Transportation			
Transportation Efficiency (and Electrified Rail Efficiency)	20.5	-	-
Advanced Transportation Development	12.0	-	-
Total Transportation	32.5	-	-
Power Supply and Delivery			
Statewide Photovoltaic Initiative	12.0	0.0	0.0
Advanced Power Technology	39.0	0.0	0.0
Total Electric Power Supply and Delivery	51.0	0.0	0.0
Sustainable Agriculture and Bioenergy			
Sustainable Agriculture and Bioenergy Program	4.5	-	-
Total Sustainable Agriculture and Bioenergy	4.5	-	-
Multi-Sector			
Clean Technology and Industrial Development	15.0	-	-
Climate Research and Analysis	8.0	0.04	0.0
Total Multi-Sector	23.0	0.04	0.0
PROGRAM AREA TOTAL	301.6	49.2	0.5
Other Costs			
Deficit Reduction Plan (DRP) Transfer ^b	90.0	90.0	90.0
Con Edison Smart Grid Program ^c	7.6	0.0	0.0
Program Administration ^d	24.0	2.0	2.0
Metrics and Evaluation	17.1	0.0	0.0
RGGI Inc. Costs ^e	3.4	2.1	2.1
New York State Cost Recovery Fee	2.7	0.1	0.1
OTHER COSTS TOTAL	144.8	94.2	94.2
TOTAL	446.4	143.5	94.7

^a "Contract Commitments" presents the total cumulative encumbrances; *i.e.*, funds that have been spent, legally obligated, or set aside in a dedicated account.

^b On December 4, 2009, New York State enacted numerous deficit reduction measures that included the transfer of \$90 million in RGGI auction proceeds to the General Fund.

^c On December 22, 2009, NYSERDA's Board approved a proposed consent decree that resolves the legal challenge to the State's RGGI program. The parties to the consent decree estimate that the total commensurate benefit for years 2009-2011 is \$7,658,707, and agreed to dedicate such funds for development of smart grid technologies in the Con Edison service territory.

^d The Program Administration row includes the Authority's upfront administrative expenses related to the development and implementation of the CO₂ Budget Trading Program, the CO₂ Allowance Auction Program, and the Operating Plan.

^e The first year budget includes RGGI Inc. start-up costs and New York State's share of ongoing RGGI Inc. expenses. RGGI Inc. is a non-profit corporation created to support development and implementation of the CO₂ Budget Trading Program.

Totals may not sum exactly due to rounding.

Source: NYSERDA

3 Summary of Program Benefits

Table 3-1 shows the metrics that will be presented in subsequent Quarterly Status Reports. The Annual Evaluation and Status Reports will include these metrics along with macroeconomic indicators, such as job creation and the geographic distribution of program funding and benefits across the State.

Table 3-1 Program Benefit Categories

Benefits
Net Greenhouse Gas Emission Savings ⁸ (Annual Mt-CO ₂ e ⁹)
Net Electricity Savings from Energy Efficiency and On-Site Generation (Annual MWh)
Renewable Energy Generation (Annual MWh)
Net Natural Gas Savings (Annual MMBtu)
Net Fuel Oil Savings (Annual MMBtu)
Net Propane Savings (Annual MMBtu)
Net Gasoline Savings (Annual MMBtu)
Net Diesel Savings (Annual MMBtu)
Annual Energy Bill Savings to Participating Customers (\$ Million)

These metrics are estimates made by program implementation staff. Evaluation results will be presented in the Annual Evaluation and Status Report.

Source: NYSERDA

⁸ These emission reductions are associated with both electric and fossil-fuel saving measures. Under a cap-and-trade system, the total number of emission allowances is determined by regulation. Regulated entities can purchase allowances and collectively emit up to the cap that is currently in place. Therefore, in the near term, electric efficiency projects may not decrease the overall amount of emissions going into the atmosphere. However, electric efficiency projects will reduce end-users' responsibility or footprint associated with emissions from electricity production.

⁹ CO₂e stands for carbon dioxide equivalent and describes the amount of CO₂ that would have the same global warming potential as a given mixture of gases based on factors published by the Intergovernmental Panel on Climate Change.

4 Program Activities and Implementation

4.1 Residential, Commercial, Industrial and Municipal Sectors

4.1.1 Green Jobs – Green New York (GJGNY)

GJGNY is a statewide program to promote energy efficiency and the installation of clean technologies to reduce energy costs and greenhouse gas emissions. GJGNY will provide subsidized energy audits to single family, multifamily, small business, and not-for-profit building owners as well as financing options for the completion of energy efficiency services. GJGNY is also designed to support sustainable community development and create opportunities for green jobs.

GJGNY activity in the first quarter of 2010 involved planning for the delivery of services and the development of financing options, including the following steps:

- Presented the draft operating plans for the Workforce Development, Outreach and Marketing, and Multifamily components of GJGNY to the GJGNY Advisory Council.
- Obtained approval of the Workforce Development Operating Plan from NYSERDA's Officers in March.
- Prepared drafts of the Small Commercial/Not-for-Profit and Small Homes components of the Program to be presented to the Advisory Council in April.
- Began preparing a draft of the Evaluation Operating Plan to be presented to the Advisory Council in May.
- Issued an RFP to select a Financial Advisor to assist NYSERDA with the development of the various financing options. Received proposals on March 15th, conducted a technical evaluation panel, and began contract negotiations with the selected contractor.

4.1.2 Commercial, Industrial, Municipal and Institutional (CIMI) Programs

CIMI programs offer a set of coordinated initiatives designed to achieve cost-effective CO₂ reductions by providing technical support and implementation assistance to existing facilities and new construction projects. The Water and Wastewater Efficiency Program (WWEP) provides an opportunity to initiate integration and coordination of climate change goals, capture federal economic-stimulus funds, and install infrastructure that will help to improve the environment and keep New York waters clean and healthy. New York has secured federal economic stimulus funds that will bolster efforts to finance a new generation of water and wastewater infrastructure via the Clean Water State Revolving Fund (SRF) Program. Plants financed with SRF monies will be constructed to high energy-efficiency standards, thus minimizing carbon emissions and improving economic and environmental performance.

This program is co-managed by the New York State Environmental Facilities Corporation (EFC) and NYSERDA. WWEP reviews selected projects on the SRF Intended Use Plan, including likely recipients of Green Project Reserve Funds, and identifies candidates for energy-efficiency and carbon-abatement opportunities. Selected projects receive technical analysis to identify costs and savings associated with energy efficiency, process improvements, and carbon-abatement opportunities, as well as cost share for plant upgrades.

NYSERDA has completed the following steps necessary to implement the WWEP:

- Partnered with EFC and participating municipalities to finalize project scopes, cost estimates, and energy impacts to meet the Green Project Reserve requirements for 2009.
- Commenced the planning and design of the 2010 WWEP, incorporating improvements from the lessons learned from the 2009 WWEP.
- Reviewed and commented on the U.S. Environmental Protection Agency (EPA) Green Project Reserve draft energy guidance portion of the 2010 SRF Procedures.
- Worked with EFC to start the review process for selecting municipalities that have projects with energy efficiency and carbon abatement opportunities in 2010.

4.2 Power Supply and Delivery (PSD)

The objective of the two PSD programs is to help reduce greenhouse gas (GHG) emissions from the electric power sector in New York. The initiative has both near-term and long-term components that will support a portfolio of diverse projects relating to electric power generation and transmission and distribution systems. These projects will reduce GHG emissions throughout the sector, including implementation of an integrated strategy enabling smart-grid functionality and maintenance of a diverse portfolio of efficient generation resources. The PSD programs are designed to simultaneously maintain system reliability, safety, and security.

4.2.1 *Statewide Photovoltaic Program*

The Statewide Photovoltaic Program will focus on reducing GHG emissions in the short term by helping establish a sustainable market for solar energy throughout New York that includes targeted financial incentives. The program will support end-use solar installations for commercial, industrial, and residential customers and electric utility applications to improve the performance of distribution circuits and reduce peak electric load in critical load pockets.

4.2.2 *Advanced Power Technology Program*

The Advanced Power Technology Program is designed to reduce GHG emissions in the long term. The program will focus on three primary areas — advanced renewable energy, advanced power delivery, and carbon capture, recycling, and sequestration — and will provide support activities to yield substantial GHG reductions. Other advanced power generation systems and technologies may be explored in the future.

4.3 Multi-Sector Programs

4.3.1 Climate Research and Analysis

The Climate Research and Analysis Program will support research studies, demonstrations, policy research and analyses, and outreach and education efforts to address critical climate change-related problems facing the State and the region, including the needs of environmental justice communities.

Initial work is building on ongoing efforts related to the State's Climate Action Plan, called for through Governor Paterson's Executive Order 24. This Order established a goal to reduce greenhouse gas emissions in New York State to 80% below levels emitted in 1990 by the year 2050, and included a directive to assess how all economic sectors can adapt to climate change. RGGI funds will support identifying and assessing actions to achieve both of these objectives.

For information on other
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**STATE OF NEW YORK
DAVID A. PATERSON, GOVERNOR**

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
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