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Informal Comments of The Energy Association of NYS Patrick J. Curran Executive Director on the Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program Concept Paper Submitted December 1, 2008 Member Companies: CH Energy Group; Consolidated Edison, Inc.; Entergy Nuclear; National Fuel Gas Company; National Grid The following is a synopsis of the informal comments of the Energy Association of NYS with regard to the Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program Concept Paper presented by NYSERDA at a public meeting of the Advisory Group on November 21, 2008. . In the face of the State's ongoing fiscal difficulties it is important that RGGI funds do not get swept up into the State's General Fund, either directly or through shifting between overlapping programs at NYSERDA or other agencies that deal with similar programs or policies. . Electric energy efficiency should be the primary (though not necessarily the exclusive) focus for expenditures. This is the sector where what is basically a carbon tax is being collected ultimately through utility bills. Enhancing utility customer efficiency is where the need is greatest and the greatest opportunity for currently untapped cost-effective carbon emission abatement. This is primarily where RGGI proceeds should be targeted. There would be some latitude for carbon abatement strategies that benefit utility customers that do not directly involve electricity, such as residential oil to gas conversions, transportation programs. . A substantial portion of the RGGI auction proceeds dedicated to carbon abatement through enhanced customer efficiency should go to support utility efficiency programs. In neighboring Connecticut, almost 70% of auction proceeds will go to augment utility efficiency programs. In Massachusetts the number is 80%. These progressive jurisdictions and others have recognized, consistent with points raised by NYSERDA staff in discussions on the Operational Plan, that public utilities are uniquely positioned and equipped to: focus programs directly on customers, particularly lower income and EJ communities; to stabilize revenue flows and increasing certainty that programs could go forward in the face of potentially fluctuating RGGI revenues; and to provide for greater "ground level"(i.e. customer level) outreach. New York cannot afford to neglect these singular in-place resources and the opportunity of which competing jurisdictions have been quick to take advantage. . Funds directed to worker training should be available not only for new "green" industries but for traditional utility worker training that will be required to develop the skilled workforce needed to build and upgrade the modern "smart grid", particularly in light of the aging of the existing utility workforce. . With respect to optimizing the application of public utility resources efficiency, renewables, a more efficient modernized grid, there must be "buy-in", an understanding and commitment, by all arms of state government, but most particularly the PSC. Historically and uniquely low rates of return on investment and the difficulty going to market to borrow and make substantial investments in rapidly changing technologies in this non-competitive regulatory atmosphere seriously handicap New York in its efforts to achieve a thriving 21st Century electronically driven economy and increase carbon abatement through a more efficient, modern electric transportation and delivery infrastructure. . In order to ensure full public and political confidence in the RGGI auction and administration processes, there is the need for independent third-party oversight and audit of the flow of dollars.