

## **NYSERDA**

### Regulatory Flexibility Analysis for Small Businesses and Local Governments

#### 21 NYCRR Part 507, CO<sub>2</sub> Allowance Auction Program

On December 20, 2005, New York State entered into a historic regional agreement to reduce greenhouse gas (GHG) emissions from power plants, an important step to protect our environment and meet the significant challenge of climate change. Under the agreement, the governors of ten Northeast and Mid-Atlantic States have committed to propose the Regional Greenhouse Gas Initiative (RGGI), a program to cap and reduce carbon dioxide (CO<sub>2</sub>) emissions from power plants in the region by 10 percent by 2019, for adoption in their respective states.<sup>1</sup> In order to carry out the State's commitment, the Department of Environmental Conservation (the Department) has proposed to establish the CO<sub>2</sub> Budget Trading Program by promulgating 6 NYCRR Part 242.

The CO<sub>2</sub> Budget Trading Program is designed to allocate CO<sub>2</sub> emissions allowances ("Allowances") to an Energy Efficiency and Clean Energy Technology Account ("Account"), which will be established and administered by the New York State Energy Research and Development Authority ("Authority") under this Part 507. The proposed CO<sub>2</sub> Allowance Auction Program as set forth at Part 507 is designed to complement the provisions of the CO<sub>2</sub> Budget Trading Program and to effectuate the purposes thereof.

As stated in Section 242-5.3 of the proposed CO<sub>2</sub> Budget Trading Program rule, the Account will be established to promote and reward investments in energy efficiency, renewable or non-carbon emitting technologies, and/or innovative carbon emissions abatement technologies with significant carbon reduction potential. The Authority will conduct CO<sub>2</sub> allowance auctions ("Auctions"), through the process provided in Part 507, through which the allowances will be made available for sale. The proceeds of the auction(s) will be

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<sup>1</sup> In addition to New York, the other states participating in RGGI are: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont.

used to promote the above-stated purposes of the Account, and for administrative and implementation expenses incurred.

1. Effect of Rule. No small businesses will be directly affected by the adoption of the proposed CO<sub>2</sub> Allowance Auction Program. The only local government affected by the CO<sub>2</sub> Budget Trading Program is the Jamestown Board of Public Utilities (“JBPU”), a municipally owned utility which owns and operates the S. A. Carlson Generating Station (SACGS).

2. Compliance Requirements. The JBPU, as owner and operator of the SACGS, will need to comply with the provisions of the CO<sub>2</sub> Budget Trading Program. In addition to the purchase of allowances through the CO<sub>2</sub> Allowance Auction Program, various strategies are available for JBPU to comply with the CO<sub>2</sub> Budget Trading Program, including increasing the efficiency of the natural gas-fired turbine, co-firing with biofuel, or the purchase of offsets. Should the JBPU decide to participate in the CO<sub>2</sub> Allowance Auction Program for compliance purposes, the JBPU will be required to comply with the provisions of Part 507.

3. Professional Services. The auction process has been designed to provide a user-friendly, web-based auction platform, and participation will not require qualifications or expertise not already available to JBPU or other regulated parties.

4. Compliance Costs. The costs to regulated parties and other bidders of participation in the CO<sub>2</sub> Allowance Auction Program are expected to be minimal.<sup>2</sup> The auction process has been designed to provide a user-friendly, web-based auction platform, and participation will not require qualifications or expertise not already available to regulated parties.

5. Economic and Technological Feasibility. In addition to the purchase of allowances through the CO<sub>2</sub> Allowance Auction Program, various strategies are available for JBPU to comply with the CO<sub>2</sub> Budget Trading

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<sup>2</sup> An analysis of the costs of the CO<sub>2</sub> Budget Trading Program, being promulgated by the Department of Environmental Conservation at 6 NYCRR Part 242, is included in the Regulatory Impact Statement for that program.

Program, including increasing the efficiency of the natural gas-fired turbine, co-firing with biofuel, or the purchase of offsets.

6. Minimizing Adverse Impact. As stated, the costs to regulated parties and other bidders of participation in the CO<sub>2</sub> Allowance Auction Program are expected to be minimal. The auction process has been designed to provide a user-friendly, web-based auction platform, and participation will not require qualifications or expertise not already available to JBPU and other regulated parties.

7. Small Business and Local Government Participation. The JBPU actively participated in the public forums established to discuss the CO<sub>2</sub> Budget Trading Program with interested parties. Those forums included discussions of the auction of allowances and the use of the auction proceeds.