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Gavin J. Donohue, *President &  
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Via e-mail to [rggiprograms@nyserda.org](mailto:rggiprograms@nyserda.org)

Mr. John Williams

Director of Energy Analysis

New York State Energy Research Development Authority (NYSERDA)

17 Columbia Circle

Albany, NY 12203

Dear Mr. ~~Williams~~ <sup>John</sup>:

The Independent Power Producers of New York, Inc. (IPPNY) is a not-for-profit trade association representing the independent power industry in New York State. IPPNY's members are companies involved in the development of electric generating facilities, the generation, sale, and marketing of electric power, and the development of natural gas facilities in the State of New York. These companies produce over 75 percent of New York's electricity using a wide variety of generating technologies and fuels such as hydro, nuclear, wind, coal, oil, natural gas, energy-from-waste, and biomass. As IPPNY has a diverse membership, all of the views expressed in IPPNY's comments do not necessarily represent the positions of each of our members.

On behalf of IPPNY, I welcome the opportunity to provide additional comments on New York's draft Regional Greenhouse Gas Initiative (RGGI) Operating Plan for 2011. IPPNY appreciates being involved in the planning and comment process as a member of the RGGI Advisory Board, and this letter outlines our feedback on this proposal. While IPPNY supports some of the draft Plan's provisions, we have strong concerns about reduced funding for certain programs, and our comments urge the state to provide funding for these programs at least at the levels provided in the 2010 Operating Plan. IPPNY is concerned that RGGI's carbon dioxide (CO<sub>2</sub>) allowance auction proceeds no longer are being used directly to achieve the program's main regulatory specified purpose, which is funding projects and programs for "energy efficiency, renewable or non-carbon emitting technologies, and innovative carbon emissions abatement technologies with significant carbon reduction potential."

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## **Competitive Greenhouse Gas Reduction Pilot Program for the Power Sector**

We appreciate the inclusion of the Competitive Greenhouse Gas Reduction (CGGR) Pilot Program, with a specific focus on the power sector. IPPNY supports this pilot program to develop competitive solicitations for market-ready projects that will reduce greenhouse gas (GHG) emissions in New York. We also appreciate that the draft 2011 Plan provides at least \$15 million in funding for this program, but we are concerned that the start of the program is being delayed until 2012. The 2010 Plan contained a CGGR Industrial Pilot Program, from which NYSERDA will have learned important aspects of program mechanics that can be translated this year into the CGGR Pilot program for the power sector.

IPPNY is concerned that the draft 2011 Plan shows no anticipated allocations for the CGGR Pilot for the power sector for fiscal years 2011-2012 or 2013-2014. IPPNY agrees with the draft 2011 Plan's provision to allocate additional continuing funding for each year of the Plan's term to the extent that funding is available. Originally, the 2009 Plan intended to provide a three-year budget for the program of approximately \$41 million. In 2010, funds for the program were eliminated, and, instead, the \$15 million CGGR Industrial Pilot Program was established. However, since the 2010 Plan was approved by NYSERDA's Board in June of that year, New York has raised over \$68 million in RGGI allowance auction proceeds, allowing it to provide funding for the CGGR Pilot for the power sector, as well as to maintain funding for the other programs discussed below, for the remaining years of the 2011 Plan's term.

Although GHG emissions from the electricity sector have been reduced significantly since the beginning of the RGGI program, the CGGR Pilot for the power sector must be funded adequately to develop technologies to reduce emissions further. Power will continue to be produced as it is necessary for the functioning of this state, and, therefore, funding for ways to reduce GHG emissions, specifically from the electricity sector, also must be available continuously.

## **Carbon Capture and Sequestration**

The Advanced Power Technology Program (APTP) is focused on reducing GHG emissions through means such as carbon capture and sequestration (CCS). Investment in CCS technologies has significant potential to reduce GHG emissions associated with power supply in New York, and CCS technologies should continue to be a part of the 2011 Plan without a drastic reduction in funding. Indeed, CCS technology is a major component of "innovative carbon emissions abatement technologies with significant carbon reduction potential" referenced in the RGGI program's regulations.

IPPNY is concerned that RGGI funding for power sector programs is being cut, while the power sector obviously is the primary source of RGGI allowance auction monies. More significant reinvestment in the power sector should be made in order for the state to continue to reach its GHG emission reduction goals. According to the 2009 Plan, CCS was slated to receive a total of \$15 million in funding. In the 2010 Plan, CCS funding was reduced to \$9 million. The draft 2011 Plan's provisions of only \$1 million in funding for this year and no additional funding for

the Plan's remaining years is an incredible cut in the funding for this important technology. As noted in *Power Trends 2011*, 70 percent of the state's generating capacity is produced by fossil fuels. As discussed in the Draft Climate Action Plan, as developed by the Power Supply and Delivery Working Group, the development and implementation of CCS technology is an essential element of continuing to have a reliable electricity system, while reducing GHG emissions from the power sector. As a result, CCS funding must be preserved.

The 2009 Plan intended to provide funding to help support one or more large-scale CCS demonstration projects in New York. IPPNY has argued that New York needs to do its share to complement private sector efforts and resources from the Federal Government. Regardless of what the Federal Government may be doing to fund CCS, it is shortsighted of New York not to fund CCS with RGGI allowance auction revenues obviously intended and available for this purpose. As one of the original goals of the RGGI program is to reduce GHG emissions from fossil-fueled facilities, it is counter-productive to cut funding for a technology that will do just that.

As NYSERDA noted in its 2010 Plan, the United States Department of Energy "estimates New York's onshore sequestration potential at more than three billion tons of CO<sub>2</sub>, enough capacity to eliminate all of the state's power plant-generated emissions for nearly 50 years. By capturing and sequestering the lifetime emissions from one 600-megawatt integrated gasification combined-cycle power plant, the release into the atmosphere of more than 150 million tons of CO<sub>2</sub> could be avoided. Before these benefits can be realized, however, CCS technologies need to advance and site-specific geological research needs to be conducted to determine the best methods and locations to sequester CO<sub>2</sub>." Clearly, NYSERDA recognizes the importance of developing CCS technology in this state.

At the May 20, 2011 meeting of the RGGI Advisory Board, Steve Kulig, technical manager at the Board of Public Utilities in Jamestown, spoke about his disappointment that RGGI funding for CCS technology is being reduced dramatically. Although his company is not an IPPNY member, we share his concerns. Accordingly, the 2011 Plan should reinstate funding for CCS to at least at the \$9 million level allocated by the 2010 Plan.

### **Advanced Renewable Energy**

In addition to CCS, another focus of the APTP is the Advanced Renewable Energy Program. Funding for renewable energy is an expressly stated purpose for the use of RGGI allowance auction proceeds. New York's climate action planning process, pursuant to Executive Order #24 of 2009, envisions a substantial increase in low- and non-emitting generation sources. New York State Energy Law also encourages renewable energy generation as part of a fuel-diverse energy supply mix.

The 2009 Plan's funding level for advanced renewable energy projects was slated at \$29 million. In 2010, this number was reduced to \$15 million. The 2011 Plan now intends to cut the funding level to a scant \$3.5 million for only this year. Again, we are concerned about the

disproportionate amount of RGGI proceeds being reinvested into the power sector to facilitate the use of low-emitting energy supplies.

Indeed, NYSERDA's draft System Benefits Charge 4 Operating Plan includes provisions for an Advanced Clean Power Program, and RGGI monies should be used to supplement and not supplant other available sources of funding. However, in the area of energy efficiency, ample sources of funding are provided from resources other than the RGGI program, yet the draft 2011 Plan still proposes to provide large amounts of supplemental funding for energy efficiency over the Plan's entire term. Accordingly, IPPNY urges that the 2011 Plan include at least the \$15 million intended by the 2010 Plan to provide supplemental funding for renewable energy over the entire term of the 2011 Plan.

In conclusion, IPPNY appreciates the opportunity to provide input on the draft 2011 RGGI Operating Plan, and IPPNY's members recognize the huge undertaking that is involved in the Plan's development. Overall, IPPNY finds that the lack of continued funding in the areas of CCS and renewable energy are in contravention of the state's goals to reduce GHG emissions. IPPNY's recommendations will ensure that New York continues to be a leader in GHG emission reduction and the development of renewable energy projects, and we urge their incorporation into the 2011 Plan. If you have any questions or need additional information, please contact me.

Thanks for your  
consideration!

Sincerely,



Radmila P. Miletich  
Legislative & Environmental  
Policy Director

CC: Mr. Frank Murray, NYSERDA's President & CEO  
Mr. Joe Martens, DEC's Commissioner  
Mr. Thomas Congdon, Assistant Secretary for Energy and the Environment  
Mr. David Coup, NYSERDA's Project Manager