

Department of Public Utility Control Comments on RGGI Comments Department of Environmental Protection December 27, 2007, Draft Regulations of Connecticut State Agencies, Section 22a-174-31

The Department of Public Utility Control (DPUC) offers its comments, as follows, on the Department of Environmental Protection December 27, 2007, Draft Regulations of Connecticut State Agencies, Section 22a-174-31, Control of Carbon Dioxide Emissions.

1. Section (f)(3)(A) CO<sub>2</sub> Allowance Allocations

Section (f)(3)(A) allocates 1 percent of CO<sub>2</sub> allowances to the Voluntary Clean energy Purchase Set-aside Account. Retirements for clean energy purchases are set forth in Section (f)(5). At current sign-up levels, the Connecticut Clean Energy Options program would offset approximately 0.4% of the CO<sub>2</sub> allowances for the annual 2009-2014 budget. Over time, however, customer participation is expected to rise and the annual cap, and 1 percent thereof, will decrease in 2015 and annually thereafter. The Department recommends that the final regulations allow flexibility to allow the annual allocation for the voluntary market to exceed 1% to reflect the carbon reduction corresponding to customer participation. Reduction of CO<sub>2</sub> is a major reason why customers support the CCEO program (and other voluntary purchases of clean electricity) and it is important that the retirement of CO<sub>2</sub> allowances fully reflect the customer participation in the voluntary market.

2. Section (f)(4) CO<sub>2</sub> Allowance Auctions

Section (f)(4) should be modified to clarify that the allowance auction is conducted by the DEP, in consultation with the DPUC. This would be consistent with the language in Section 93(b) of Public Act 07-242, which states that:

The Department of Environmental Protection, in consultation with the Department of Public Utility Control, shall auction all emissions allowances and invest the proceeds on behalf of electric ratepayers in energy conservation, load management and Class I renewable energy programs.

Section 93(b) also states that, "Allowances shall be auctioned under the oversight of the Department of Public Utility Control and the Department of Environmental Protection by a contractor or trustee on behalf of the electric ratepayers." However, the former language clarifies that the DEP shall conduct the auctions and maintain a leadership role.

3. Draft regulations references to the Allowance Auctions language should reflect recent agreements reached among the states in the Regional Greenhouse Gas Initiative.

A. The RGGI Board of Directors has recently acknowledged the necessity of moving forward with market monitoring oversight to ensure that no

collusion or market power is exercised in the trading markets for CO<sub>2</sub> allowance markets. Allowance Auctions language should reflect this broad consensus and include language referring to a role for market monitoring.

- B. The draft regulations should be consistent with the most recent schedule agreed upon by member states for commencing the RGGI auction and other milestones of the RGGI program.

The DPUC respectfully urges the DEP to revise the proposed regulations as recommended above to provide further clarity and consistency with Public Act 07-242 and with recent development among RGGI member states. The DPUC believes that the proposed regulations with the above-noted changes and considerations will encourage energy conservation and stimulate the development of renewable energy sources. The DPUC thanks the DEP for this opportunity to comment.

Respectfully submitted

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ON BEHALF OF THE CONNECTICUT  
DEPARTMENT OF PUBLIC UTILITY CONTROL