NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.
33 Broad St, 7th Floor, Boston, MA 02109
(t) 617-902-2354 (f) 617-902-2349
www.nepga.org

NEPGA Testimony on S1821 and H1726

The New England Power Generators Association, Inc. (NEPGA)[1] appreciates the opportunity to provide information to the Joint Committee on Telecommunications, Utilities and Energy regarding S1821 and H1726. In light of the significant achievements of the power sector in reducing CO2 emissions, NEPGA applauds the sponsors of these bills for recognizing the need to focus on sectors like transportation and buildings that have yet to make significant contributions to the Commonwealth's CO2 reduction goals.

NEPGA's member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, including nearly 10,000 MW of generation in Massachusetts providing over 1,400 well-paying, highly skilled jobs in the state. NEPGA's Massachusetts companies provide electricity for consumers from a portfolio of plants. These companies pay over $100 million annually in state and local taxes.

NEPGA's mission is to support competitive wholesale electricity markets in New England. We believe that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region

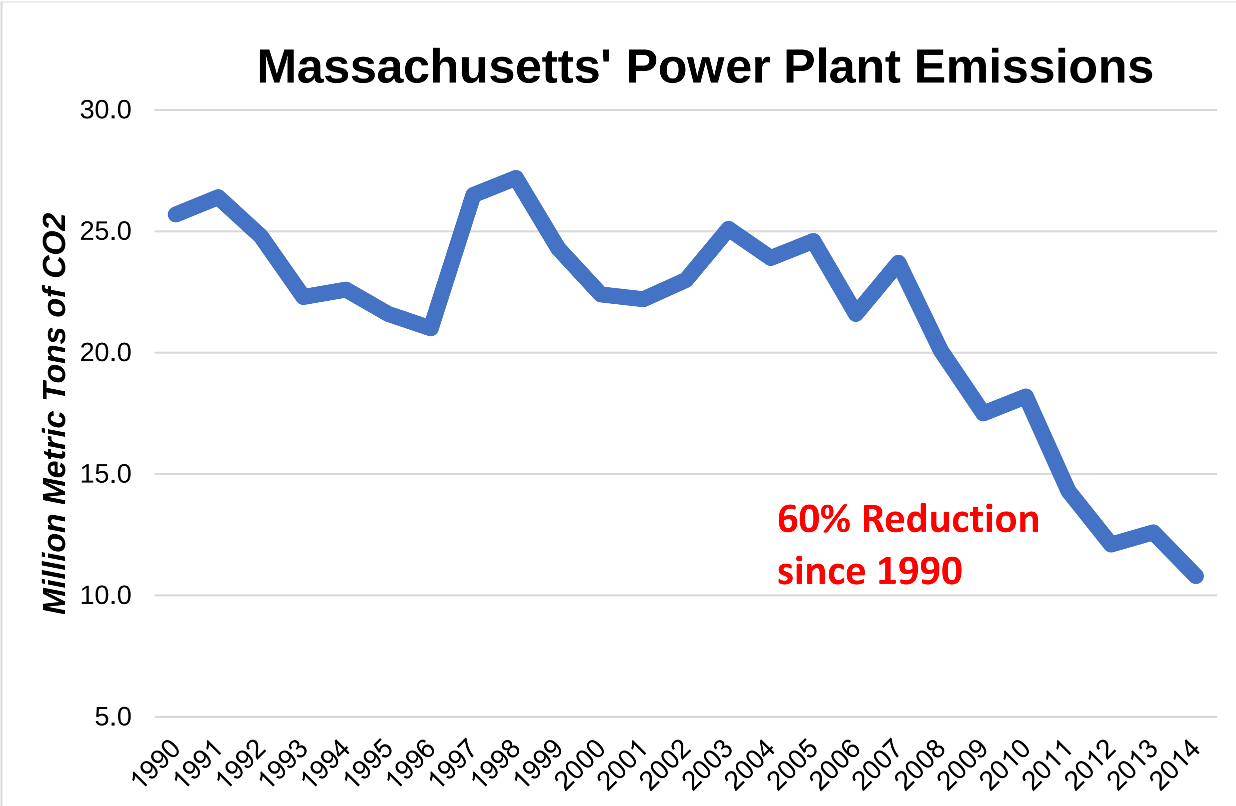
Power Generators Reducing Emissions

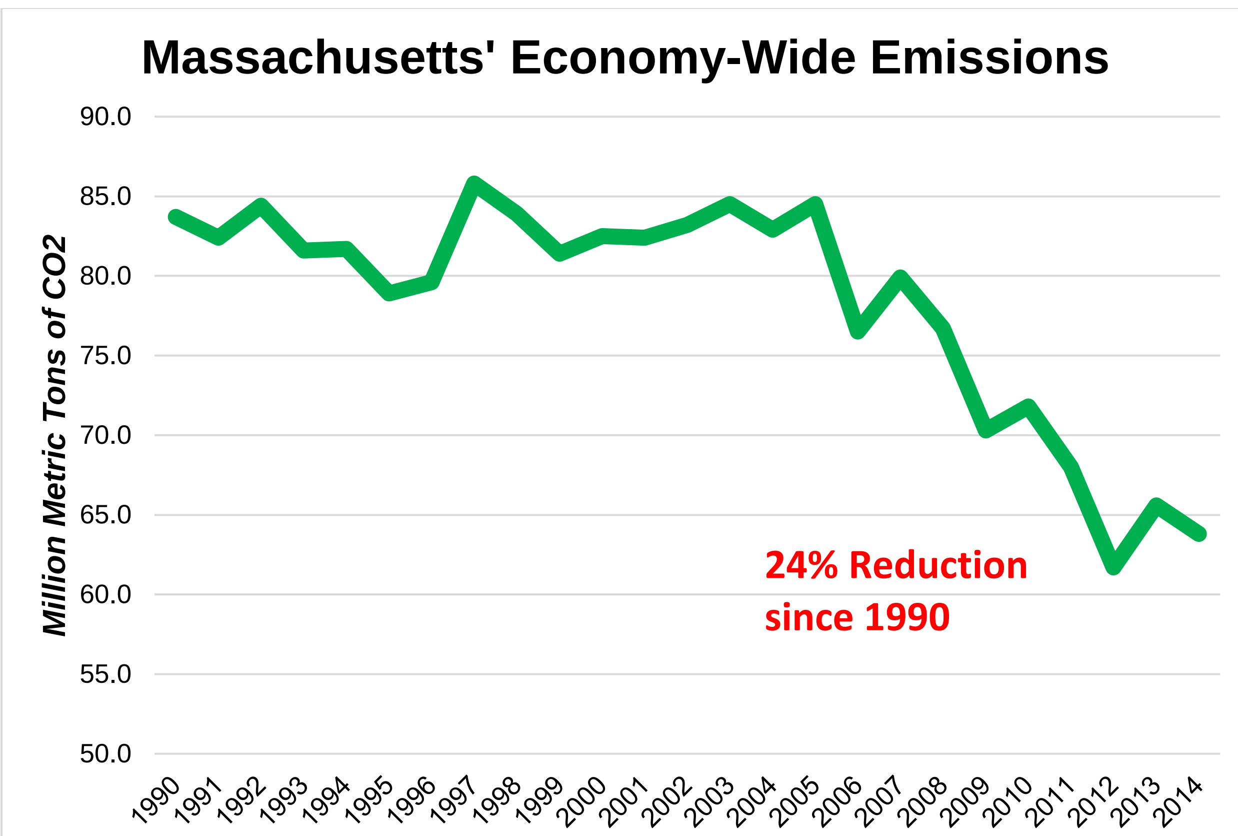
NEPGA and its members support the use of market-based mechanisms to meet state requirements for environmental performance. Those measures include a meaningful valuation of CO2 emissions. NEPGA and its members stand ready to work with Massachusetts policymakers and other stakeholders to achieve the Global Warming Solutions Act (GWSA) mandates in a market-based, cost-effective and reliable manner. Changes to the wholesale electricity markets can drive a change to dispatch of the region's generation resources, retain needed existing resources and induce investment of new clean-energy resources. Market improvements, in conjunction with reductions across other sectors of the economy, can help meet state carbon emissions requirements in a timely, cost-effective and reliable manner for consumers.

In recognition of this, the electricity sector is in ongoing discussions among various stakeholders and the states considering proposals for further alignment between the regional electricity market and state policy proposals through the NEPOOL Integrating Markets and Public Policy (IMAPP) initiative.[2] But generators are not just waiting; tremendous progress has already been made.

According to recent data released by the U.S. Energy Information Agency (EIA), Massachusetts' power plants have reduced CO2 emissions 60% between 1990 and 2014, driving economy-wide reductions by 24%; only 1% off the 2020 mandate under the Commonwealth's GWSA.

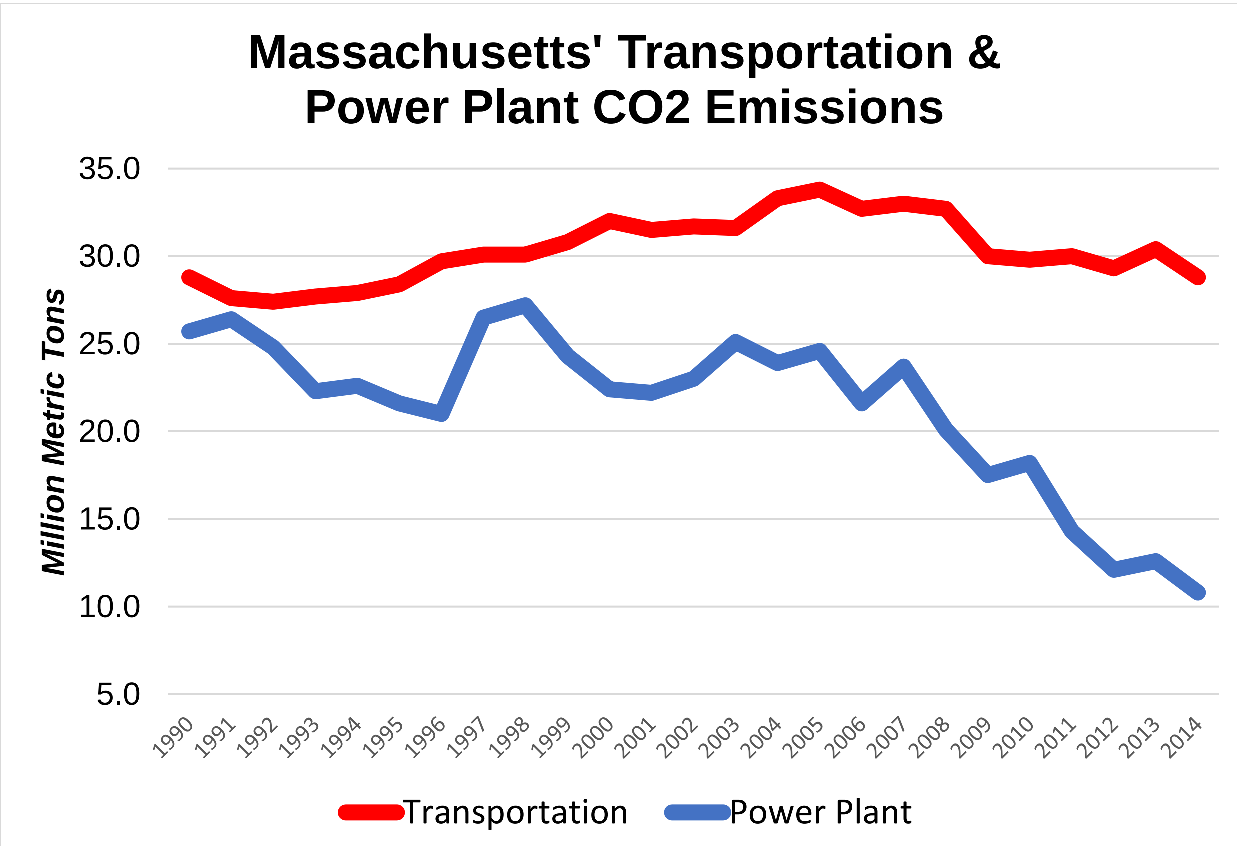
[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.
[2] http://nepool.com/IMAPP.php


Massachusetts' Power Plant Emissions
Million Metric Tons of CO2
30.0
25.0
20.0
15.0
10.0
5.0
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
60% Reduction since 1990


Massachusetts' Economy-Wide Emissions
Million Metric Tons of CO2
90.0
85.0
80.0
75.0
70.0
65.0
60.0
55.0
50.0
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
24% Reduction since 1990

This dramatic reduction in emissions demonstrates that New England's power generators have responded to wholesale competitive markets, new technologies and the low-cost natural gas, as well as the Regional Greenhouse Gas Initiative (RGGI). These reductions have been further enabled by efficiency gains following the restructuring of the state electricity industry nearly 20 years ago. Since 1999, the efficiency (measured in heat rate) for power plants in New England improved by 22%, meaning that the electricity output that used to take four plants to produce, today takes only three.

Over the same timeframe, however, transportation – the sector with the highest source of emissions – is the only sector that has not reduced emissions since 1990.[3] As a result of the dramatic reduction at power plants, transportation now represents twice the emissions of any other sector. In fact, the transportation sector now makes up nearly 50% of all CO2 emissions in Massachusetts.



NEPGA applauds the sponsors of S1821 and H1726 for recognizing the need to focus on sectors like transportation and buildings through mechanisms such as those contemplated in these bills. NEPGA appreciates the intent to, for the first time, put in place a comprehensive CO2 valuation policy across the economy. More attention must be paid to those sectors that do not have mechanisms in place, like RGGI, and NEPGA commends the Committee for focusing attention on this critical topic. There are numerous ways to address transportation, including through the increased deployment of electric vehicles, that provide opportunities for substantial emission improvement.

[3] http://www.eia.gov/environment/emissions/state/, released November 3, 2016

The prudence of focusing on sectors that have not yet met their emissions obligations is further highlighted by the integrated nature of the electricity grid. New England's electricity system is a region-wide market, which means that policies in one state necessarily impact all the others.

For example, ISO New England, the regional electricity market operator, recently conducted an analysis of a regulation proposed by the Massachusetts Department of Environmental Protection (DEP) intended to reduce CO2 emissions within the Commonwealth. Analysis conducted by ISO New England, however, demonstrated that if Massachusetts plants were compelled to run less, as they would need to in order to comply with the proposed regulations, emissions would actually *increase* in New England by 34,000 to 136,000 tons of CO2 per year. NEPGA is concerned that this proposed regulation, scheduled to be finalized in August, may have the dramatic unintended and unnecessary consequence of decreasing emissions within the Commonwealth at the expense of increasing emissions in the other states within the region.

This is only one example, but it demonstrates how a policy aimed at improving the emissions performance in a single-state, can adversely affect regional, and even global, policy goals. In addressing power sector CO2 emissions, regional collaboration and coordination is paramount.

While NEPGA appreciates the recognition in S1821 and H1726 that the electricity sector has more than met its mandates, NEPGA is also aware that others have called for additional mandates on the sector. If the Committee contemplates including power generation facilities in the CO2 charge legislation, avoiding unintended consequences similar to those associated with the proposed DEP regulations described above as well as the other pitfalls of a patchwork state-by-state approach will be paramount to ensure the viability of an integrated electricity market. One approach to do so would be to link any Massachusetts CO2 valuation with similar discussions occurring in other states. NEPGA notes in particular a concept proposed this year in Connecticut where implementation of the state's CO2 valuation would be linked to similar legislation passing in Massachusetts and Rhode Island.[4]

Conclusion

NEPGA appreciates the opportunity to comment on S1821 and H1726 and the intention behind the bills to look economywide on emissions policy. NEPGA urges the Committee and the state to recognize the dramatic reductions that have already been made in power plant CO2 emissions and to avoid the patchwork approach to this critical issue in an inherently regional electricity marketplace.

[4] Connecticut General Assembly Raised Bill 7247