

Rhode Island General Assembly
Senate Committee on Environment and Agriculture
Testimony on S 658, An Act Relating to State Affairs and Government –
Rhode Island Global Warming Solutions Act

The New England Power Generators Association (NEPGA)¹ appreciates the opportunity to provide testimony on S 658, *An Act Relating to State Affairs and Government – Rhode Island Global Warming Solutions Act*. NEPGA applauds Rhode Island's goal to address carbon reductions from all sectors of the economy. However, NEPGA suggests the better, more competitive way to meet the requirements of the proposed Global Warming Solutions Act would be to work with other states in New England to set a meaningful price on carbon dioxide (CO₂) emissions for electricity and other sectors of the economy – particularly transportation.

NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 MW – or approximately 90% of all generating capacity throughout New England - and roughly 1,919 MW of the generating capacity in Rhode Island. NEPGA companies also provide thousands of well-paying, highly-skilled jobs to the state's workforce, pay millions of dollars in taxes to the state and its cities and towns and contribute millions of dollars in income taxes paid by employees.

Since electric restructuring in the late 1990s, generators participating in New England's competitive wholesale electricity markets have invested billions of dollars in facilities to produce a reliable, cost-effective supply of electricity without guaranteed cost recovery or a guaranteed rate of return. In fact, 2016 and 2017 featured the lowest annual average wholesale electricity prices since the beginning of the competitive markets. The region's markets have also produced a cleaner, more efficient fleet of power plants, reducing more greenhouse gas emissions in New England than any other sector of the economy since 1990.

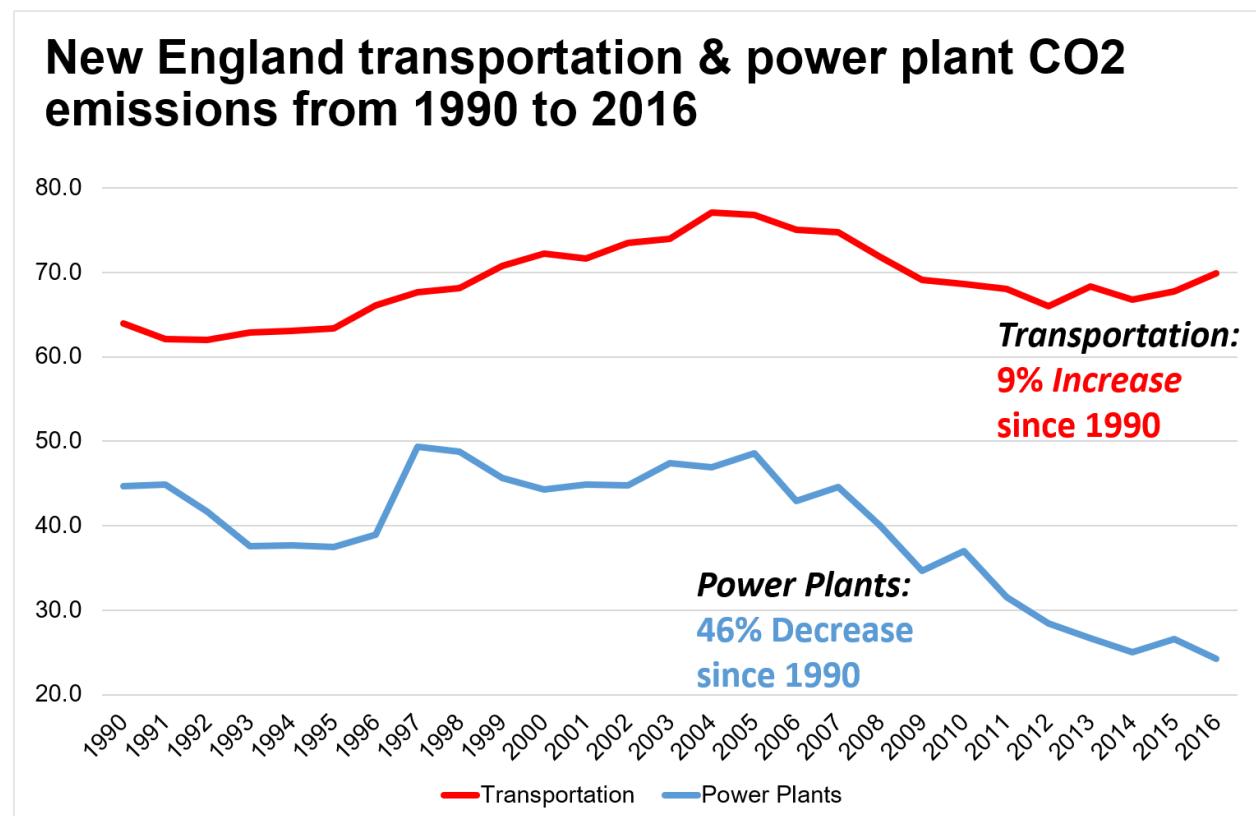
NEPGA supports putting an economy-wide meaningful price on CO₂ emissions to meet environmental mandates. NEPGA believes that such a program would work best on a New England-wide basis and not in a state-by-state patchwork. NEPGA members are committed to helping enable state CO₂ reductions through competitive wholesale electricity markets, however, additional programs that favor individual technologies make these markets more difficult to function. It is within this context that NEPGA offers the following comments specific to this legislation

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

Power Generators Are Reducing Emissions in Rhode Island

Today, facilities in Rhode Island and the other New England states that generate electricity using a carbon-based fuel participate in the Regional Greenhouse Gas Initiative (RGGI). Investments in RGGI are projected to reduce carbon emissions by 5.3 million short tons of CO₂ over the program's lifetime.² Recently, the nine RGGI states proposed an additional 30% reduction in the regional GHG emissions cap from 2020 to 2030.³ Participation in RGGI, however, is limited exclusively to the electricity sector.

In addition to programs like RGGI, New England and Rhode Island have already seen significant reductions in carbon emissions because of greater efficiencies following the restructuring of the state's electricity industry. Since 1999, the efficiency (measured in heat rate) for power plants in New England improved by 22%. This means that the electricity output that used to take four plants to produce, today takes only three. According to recent data released by the U.S. Energy Information Agency (EIA), power plants in New England have reduced carbon emissions by 46% between 1990 and 2016.⁴



² https://rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2015.pdf

³ https://www.rggi.org/sites/default/files/Uploads/Press-Releases/2017_08_23_Announcement_Proposed_Program_Changes.pdf

⁴ <https://www.eia.gov/environment/emissions/state/>

NEPGA asks the Committee to consider whether other sectors of the economy have made sufficient contributions to greenhouse gas emissions reductions, particularly transportation, and to consider a market-based mechanism that would more efficiently and effectively reduce CO₂ rather than selecting individual technologies in the electricity sector.

A State-Specific Carbon Price on Electric Generation Would Increase Regional Carbon Emissions and Put Rhode Island at a Competitive Disadvantage

NEPGA particularly appreciates S 658's recognition of "leakage" and consideration of Rhode Island's participation in regional, multi-state and national programs to effectively implement the state's CO₂ emissions reduction goals. Rhode Island power plants participate in a regional system that is designed to efficiently dispatch the lowest cost resources to reliably meet consumer demand. A state-specific compliance mechanism would mean that Rhode Island-based power plants would run less (because their production would be more expensive than other regional generators), yet electricity demand in the state would still need to be met. This means that plants outside of Rhode Island, which would not otherwise run as much if not for the Rhode Island-specific compliance mechanism, would have to increase production to make up for the shortfall.

ISO New England, the region's grid operator, conducted an analysis of a Massachusetts emissions regulation that imposes state-wide emissions limits on the state's power generators.⁵ That analysis showed that if Massachusetts' plants were compelled to run less often to comply with the recent regulations, emissions would increase region-wide by 34,000 to 136,000 tons of CO₂ per year.⁶ NEPGA does not believe that supporters of S 658 intend to create a scenario that would increase overall greenhouse gas emissions in New England in the name of reducing them in Rhode Island. If Rhode Island is committed to reducing economy-wide CO₂ emissions, the most efficient method for doing so would be the state's participation in a regional program that spans the New England-wide electricity market, not by a state-specific policy that would frustrate S 658's environmental goals and put Rhode Island generators, their employees and the state's overall economy at a competitive disadvantage. NEPGA encourages the Committee to amend the bill to prioritize a market-based compliance mechanism that sets a meaningful price on CO₂ that can be implemented on a regional basis for the most efficient and effective results.

Conclusion

NEPGA thanks the Committee for the opportunity to provide testimony on this important issue. We stand ready to work with Members on the best path toward attaining Rhode Island's energy and environmental goals.

⁵ 310 CMR 7.74, Reducing CO₂ from Electricity Generating Facilities

⁶ https://iso-ne.com/static-assets/documents/2017/02/iso_dep_comments_022017_submit.pdf

Respectfully submitted,

/s/

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