Informational Item – Regional Greenhouse Gas Initiative

Energy Resource Management

William Nadeau

Senior Vice President ERM

New York Power Authority

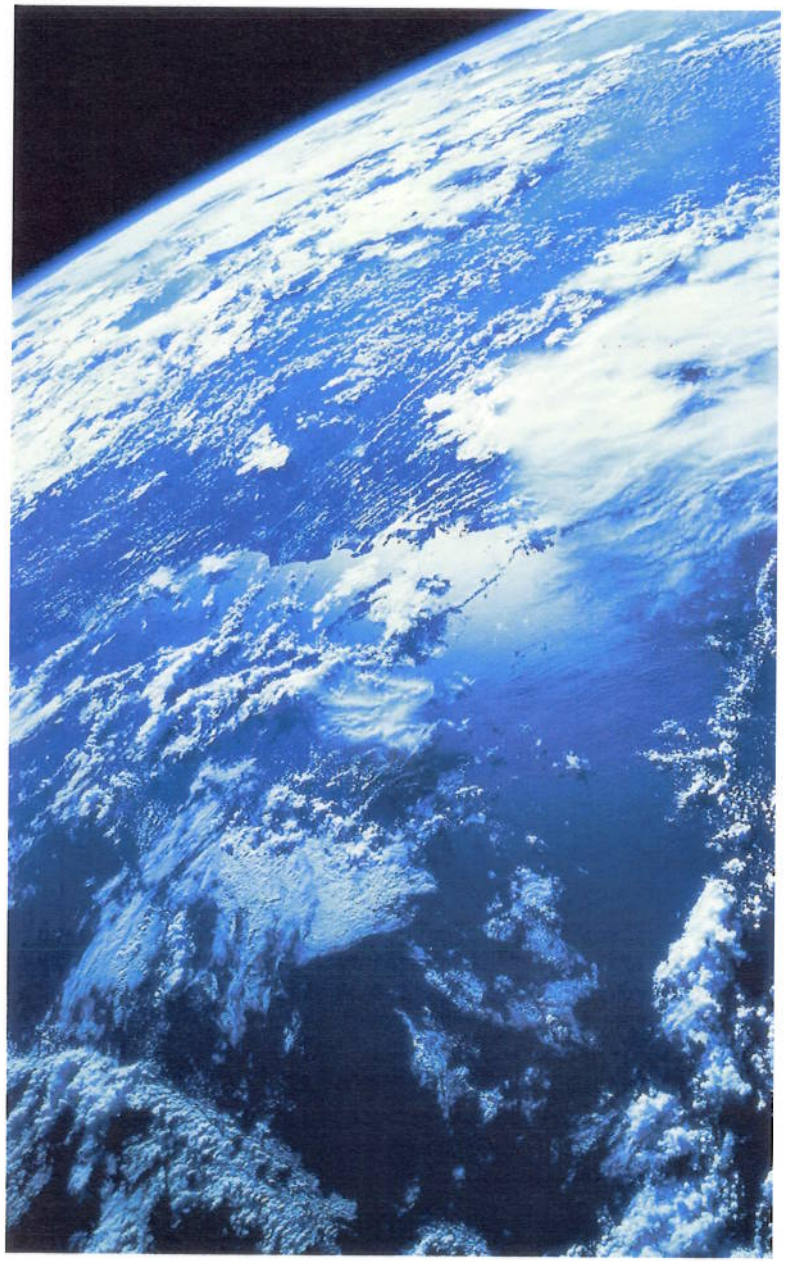
Regional Greenhouse Gas Initiative (RGGI)

March 31, 2009

New York Power Authority

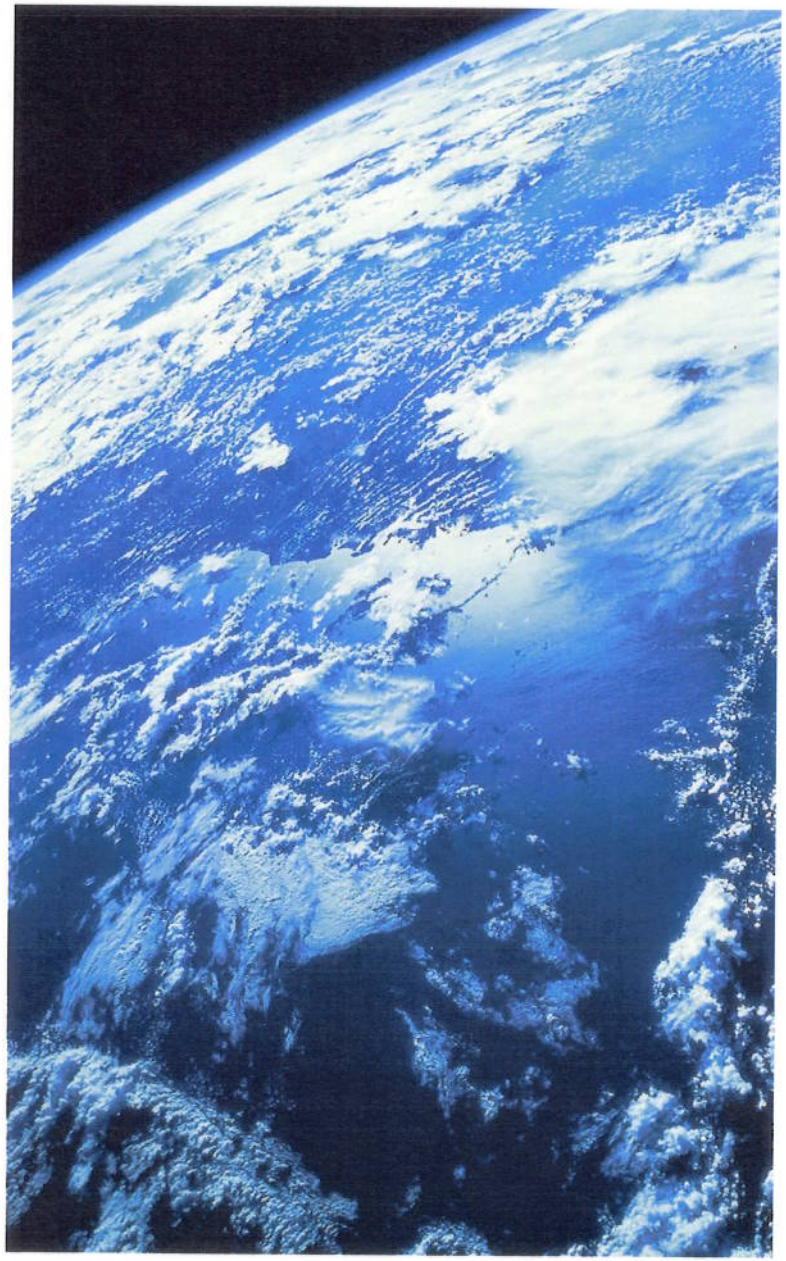
What is RGGI?

- Multi-state regional initiative
  - 10 Northeast and Mid-Atlantic states
- Greenhouse gas (GHG) emissions
  - Initially aimed at carbon dioxide
- Market-based cap-and-trade program
  - Mandatory
  - Initial focus on power plants



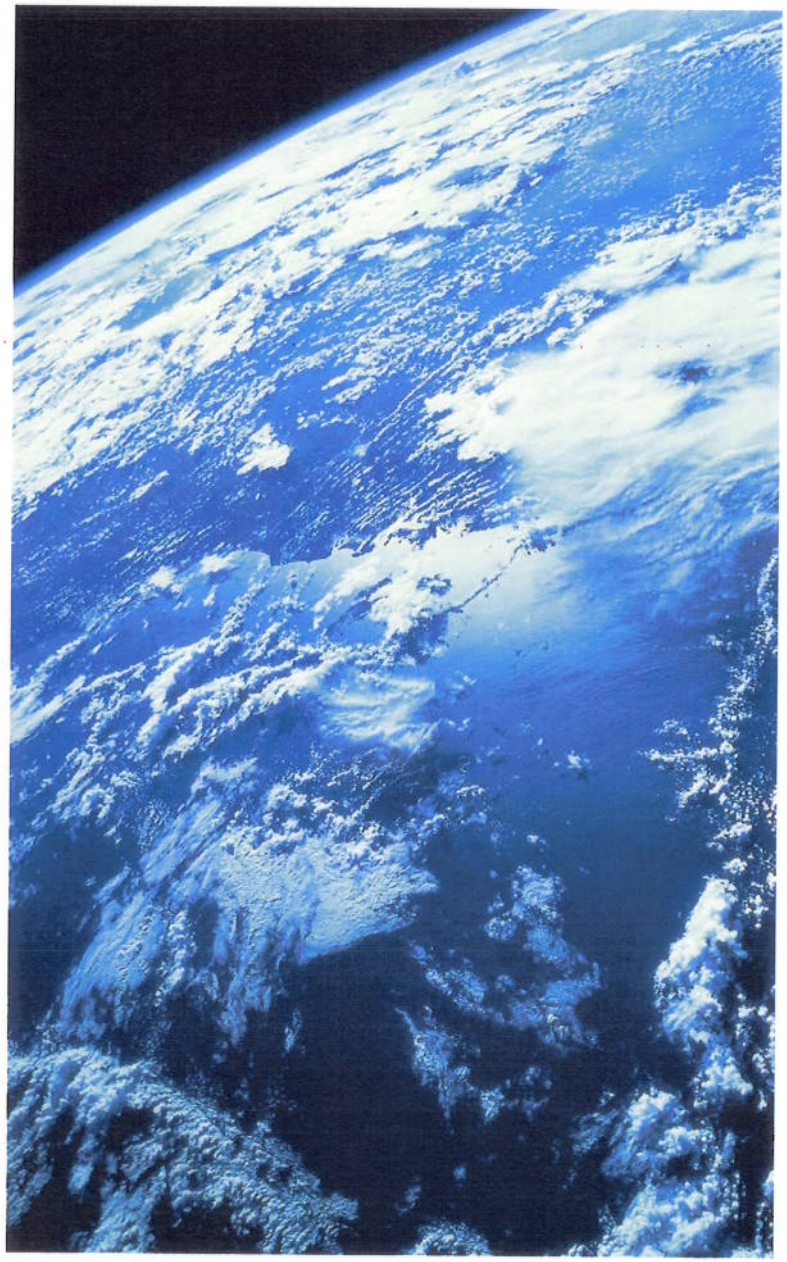
Guiding Principles

- Uniformity to facilitate interstate trading
- Expandable and flexible
- Not interfere with other programs
- Start simply and develop over time



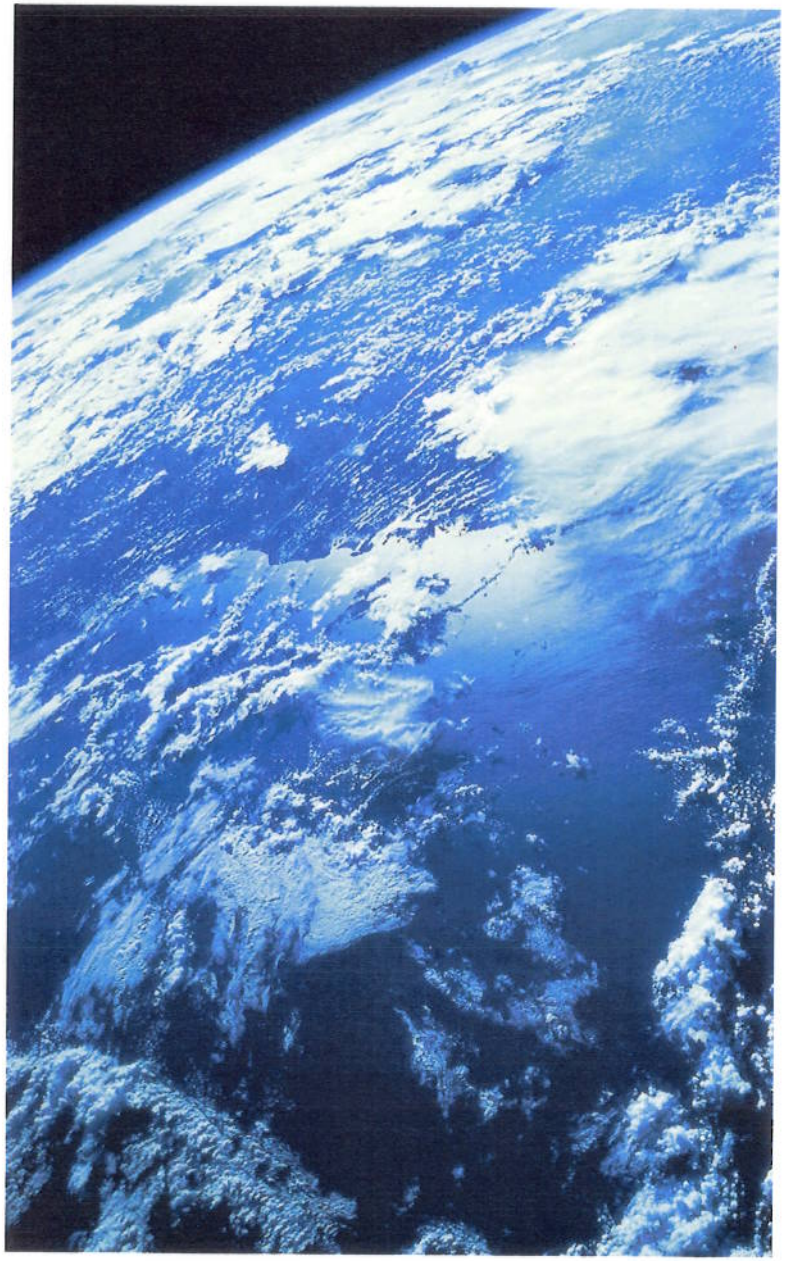
Cap-and-Trade Program

- Flexible and market-based.
- Determine emission sources covered.
- Establish total amount of emissions allowed from all sources (emissions cap).
- One allowance for each ton of emissions.
- Every source required to cover emissions at end of each compliance period.



Emissions Reductions

- Power sector; nameplate greater than 25mW; burn more than 50% fossil fuel.
- Stabilize emission from power sector at current levels from 2009 to 2015.
- 2.5% reduction per year from 2015 through 2018 (10% reduction by 2018).



Auction Overview

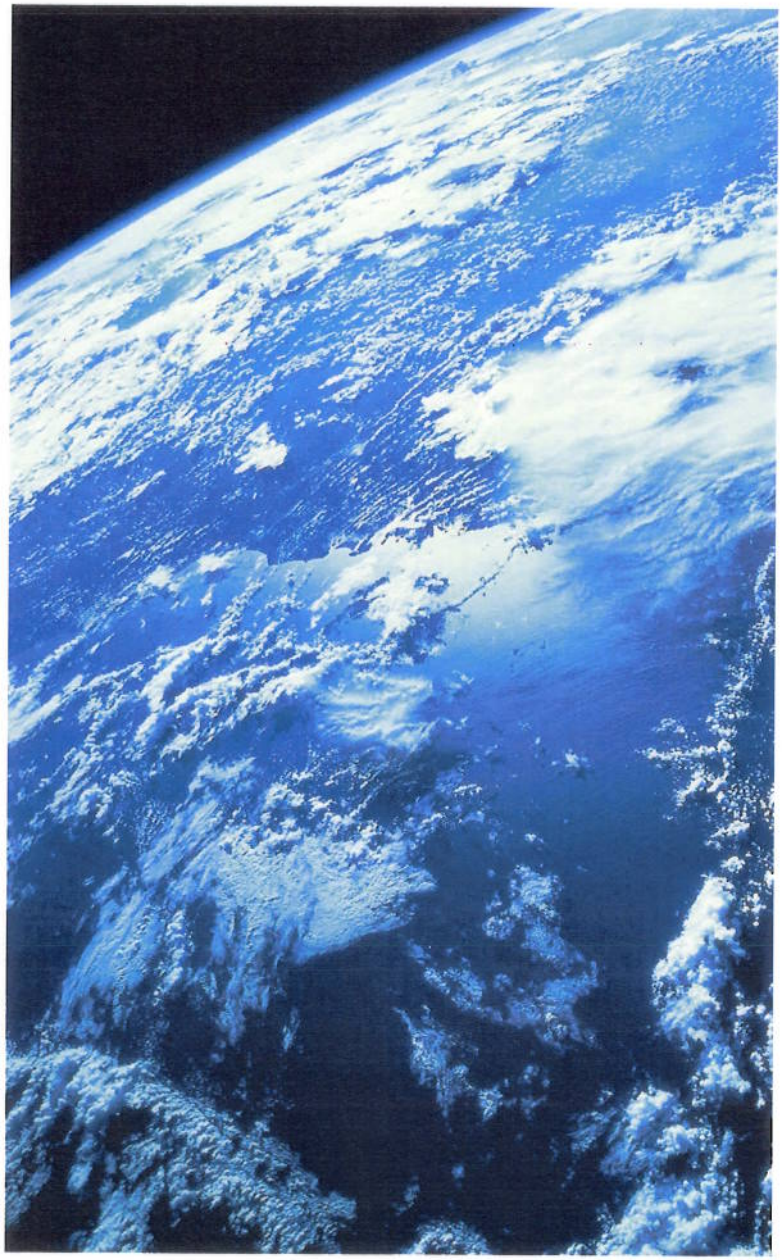
- Structure and Format
  - Quarterly; lot size of 1000 allowances
  - Electronic; internet-based auction platform
  - Single-round; uniform price; sealed-bid
  - Bids ranked from high to low
- Sale Schedule
  - Vintage = Allocation year
  - Compliance period
- Participation
  - Anyone (generator/non-generator owners) may bid
  - Bid up to limit of their security

Auction Overview (Cont'd)

- Reserve Price
  - $1.86 through first three Auctions
- Unsold Allowances
- Monitoring
  - Independent Market Monitor
- Auction Results

Costs and Compliance

- Fossil units costs and operation
  - additional costs beginning in 2009
  - coal and oil challenged
  - carbon in electricity
    - NGCC = ½ T/mWhr
    - Oil = ¾ T/mWhr
    - Coal = 1 T/mWhr
- Compliance
  - Switch to lower carbon fuels
  - Improve efficiency
  - Buy allowances
  - Buy offsets



Proposed RGGI Caps

State	CO_2 Cap Million Tons
Connecticut	10.70
Maine	5.95
Massachusetts	26.66
New Hampshire	8.62
Rhode Island	2.66
Vermont	1.23
New York	64.31
New Jersey	22.89
Delaware	7.56
Maryland	37.52
Total (10 States)	188.1
Pennsylvania	125.1

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Sept. and Dec. 2008 Auction Results

- 44.5 Million allowances sold.
- Sept. clearing price was $3.07 per allowance; Dec. clearing price was $3.38
- Market Monitor – Auction was fair and transparent.
- NYPA awarded 515,000 Allowances in Sept. and 517,000 Allowances in Dec. auction(1/3rd of 2009 estimated requirements.)

Current Activities

- March 18, 2009 Auction
- Other Regional Initiatives
- Potential Federal Programs

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