

Allowance Allocation Concerns

Roger Caiazza
NRG Energy
December 2, 2004
Albany, NY



NRG Energy, Inc. Overview

- A wholesale power generator engaged in the ownership and operation of power generation facilities, procurement of fuel and sale of energy, capacity and related services

Northeast Region

- NRG owns and operates 8% of electric generating capacity in the RGGI region
- NRG Northeast installed capacity – 16% natural gas, 53% oil, and 31% coal
- NRG Northeast electric generation – 11% natural gas, 18% oil, and 71% coal

NYS Energy Plan



- Need Balance Between 3 components
 - Competitively priced energy sources
 - Reliable power
 - Environmentally safe power

General NYS Concerns



- NYS has reduced CO₂ significantly
- NYS electricity costs are high
- Uneven playing field – regulated vs. de-regulated
- Business competitiveness hurt from higher electric prices compared with other states

Common Guiding Principles



- Keep program simple
- Design a program that is expandable
- Phased approach
- Minimize impacts to reliability & affordability
- Goal is to develop a model rule for state, national & international adoption

Allocation Recommendations



- Applicability
 - 25 MW non-peaking units
 - 50MW peaking units
- Current baseline
 - Equitable starting point
 - Will entice additional state participation
- Should not affect energy policy
 - Market generation mix

NYS CO₂ Allocation



- CO₂ tons should be the currency
 - Simple
 - Equitable
- Input based
 - More complicated to administer
 - Not directly correlated to emissions
- Output based
 - Produces windfalls
 - Penalizes add-on controls

- Current baseline
 - Flexible and robust definition is needed
 - State has already reduced CO₂ emissions
- State must get credit for RPS
- Co-benefit reductions of SO₂ or NO_x unlikely