

Clean Power Plan: Key choices for states in the months ahead

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Core Clean Power Plan Questions

Does your state want to file a plan?

Does your state want to allow trading?

Does your state prefer a mass-based or rate-based approach?

Does your state want to favor particular generating units?

Do you want your plan to follow the boundaries of electric systems?

How does your state want to address complementary policies?

What's needed 11 months from now (September 6, 2016)?

Does your state want to file a State Plan?

Yes

No

Do you want to allow trading?

Then you're on a path to allow trading (FIP)

Yes

No

What type of approach to trading?

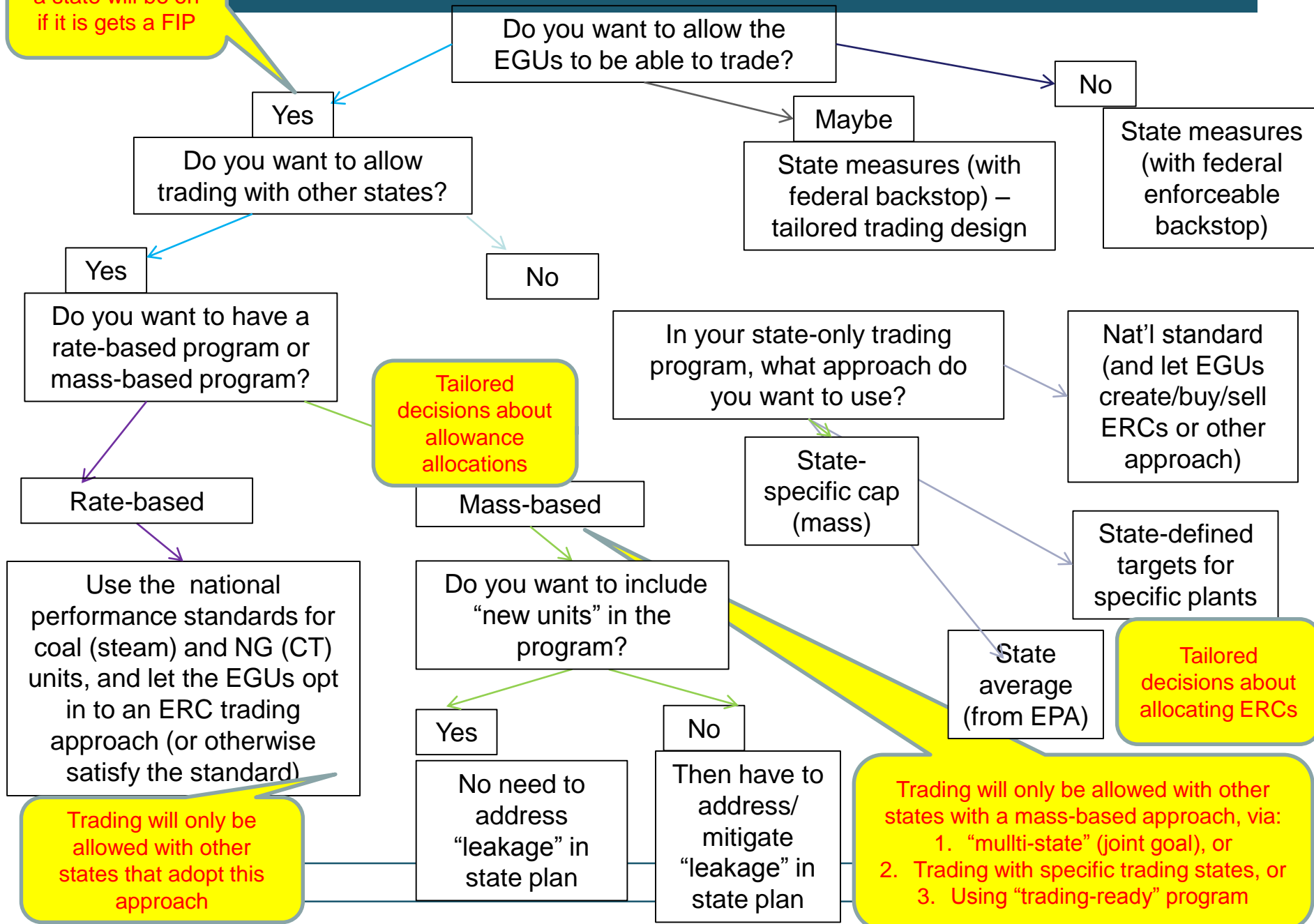
Then you're on a path to a "state measures plan"

Rate

Mass

How will new units be handled?

This is the branch a state will be on if it gets a FIP



This is the branch a state will be on if it gets a FIP

Do you want to allow the EGUs to be able to trade?

Yes

Maybe

No

Do you want to allow trading with other states?

State measures (with federal backstop) – tailored trading design

State measures (with federal enforceable backstop)

Yes

No

Do you want to have a rate-based program or mass-based program?

In your state-only trading program, what approach do you want to use?

Nat'l standard (and let EGUs create/buy/sell ERCs or other approach)

Tailored decisions about allowance allocations

State-specific cap (mass)

State-defined targets for specific plants

Rate-based

Mass-based

Use the national performance standards for coal (steam) and NG (CT) units, and let the EGUs opt in to an ERC trading approach (or otherwise satisfy the standard)

Do you want to include “new units” in the program?

State average (from EPA)

Tailored decisions about allocating ERCs

Yes

No

No need to address “leakage” in state plan

Then have to address/mitigate “leakage” in state plan

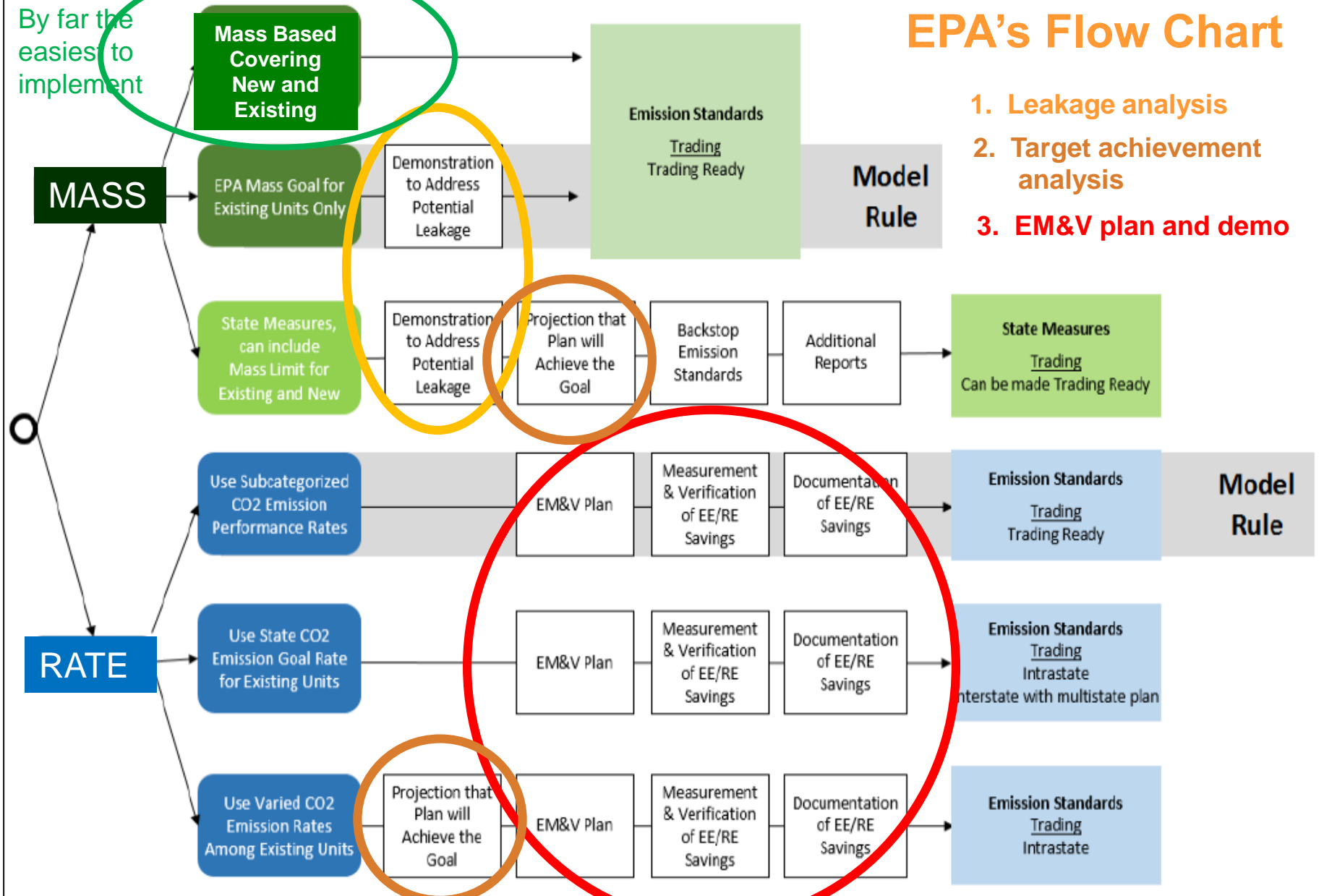
Trading will only be allowed with other states with a mass-based approach, via:
1. “mullti-state” (joint goal), or
2. Trading with specific trading states, or
3. Using “trading-ready” program

Trading will only be allowed with other states that adopt this approach

By far the easiest to implement

EPA's Flow Chart

1. Leakage analysis
2. Target achievement analysis
3. EM&V plan and demo

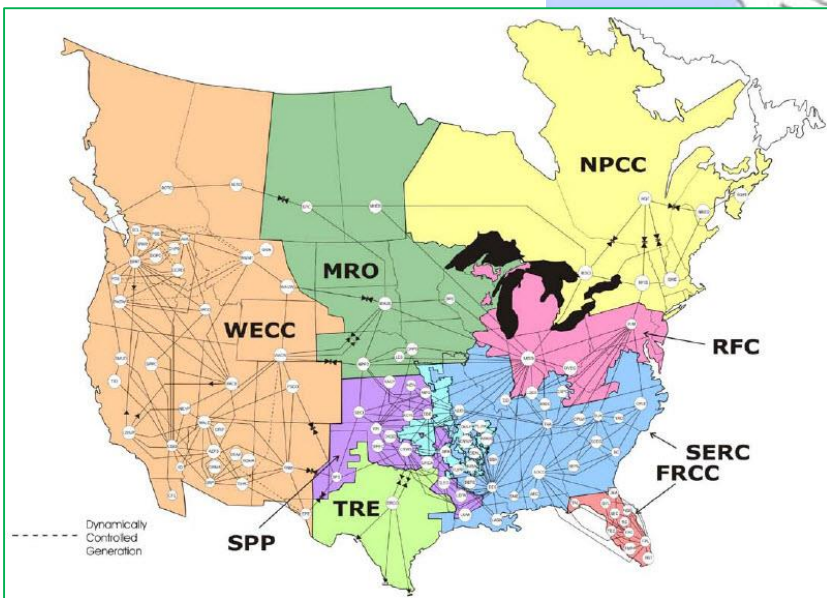
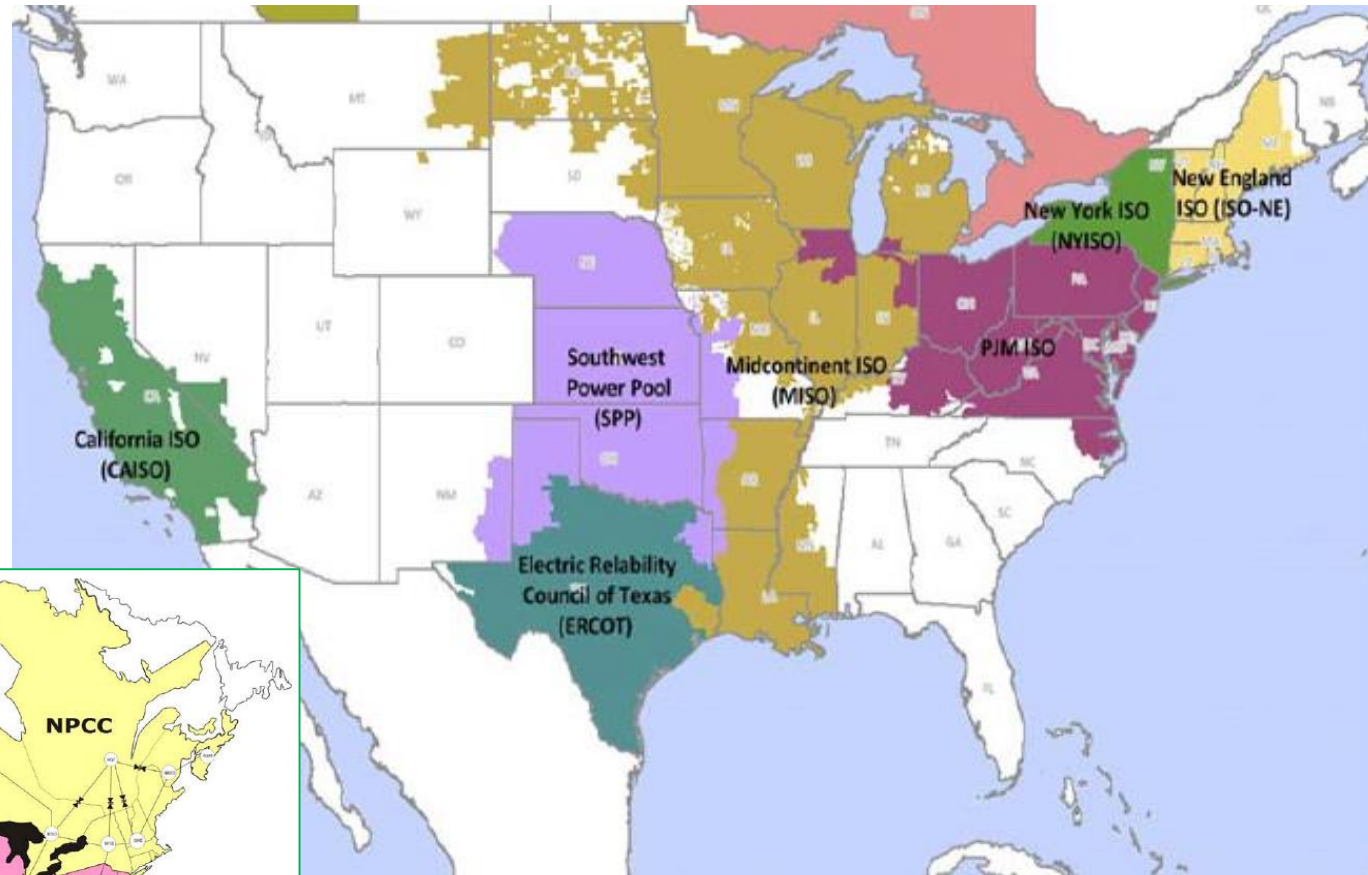


Core Clean Power Plan Questions

- ✓ Does your state want to file a plan?
- ✓ Does your state want to allow trading?
- ✓ Does your state prefer a mass-based or rate-based approach?
- ✓ Does your state want to favor particular generating units?
- ➔ Do you want your plan to follow the boundaries of electric systems?
- ➔ How does your state want to address complementary policies?
- ➔ What's needed 11 months from now (September 6, 2016)?

Borders: RTOs, Balancing Authorities, States

Follow the electrons....



Complementary policies

Any of these paths allow states to put in place measures that support various goals

- Renewable Portfolio Standards
- Clean Energy Standard (Low Carbon Portfolio Standard)
- Energy efficiency (Energy Efficiency Resource Standard; EE programs)
- Encouraging nuclear uprates
- Market-based policies to retain zero/low carbon supply
- Nuclear generation (new & capacity uprates)
- Water efficiency programs
- Electric transmission and gas-delivery infrastructure
- Building codes
- Low-income rate design and targeted programs

What is required in the filing by September 6, 2015?

States do not have to file a plan at all in September 2015

States electing to develop and submit their own state plans:

- States may submit a completed plan by September 2015.
- Any state may instead request a 2-year extension to submit a complete plan. To request an extension, a state's plan must include 3 things:
 1. Identify final plan approach(es) under consideration, and describe progress to date.
 2. Explain why the state needs more time
 3. Describe process for public comment and engagement (including vulnerable communities)
- If EPA does not inform the state within 90 days that it cannot grant the extension, the extension will be deemed automatically approved.

Other observations

- **The more flexibility a state gives to the owners of its power plants, the more opportunities for innovative and lower-cost compliance, with greater opportunities for reliability**
- **Analyses to date suggest that trading (and mass-based trading) across wide geographic areas lowers the cost of compliance**
- **Mass-based trading approaches avoid measurement/verification required in other approaches (state measures; rate-based)**
- **Allowance allocation decisions affect who gets the benefit of allowance value**
- **An initial choice of one approach can be modified over time – although with consequences for EGUs and other market participants**
- **Many institutions can be called upon to perform analyses over time (e.g., RTO, utilities, NGO institutions)**

Questions.....

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