

March 14, 2018

Connecticut Environment Committee

RE: Public Testimony of Brookfield Renewable on House Bill 5363 – An Act Establishing a Carbon Price for Fossil Fuel Sold in Connecticut

Thank you to the Co-Chairs and members of the Environment Committee for the opportunity to provide testimony in support of HB 5363. HB 5363 would establish an economy-wide carbon price on fossil fuels beginning in 2020 and escalating annually thereafter.¹ Our testimony focuses on the application of this measure to the electricity sector.

Brookfield Renewable operates over 1,500MW of carbon-free resources in ISO-NE and an additional 1,000MW that can be imported to New England from New York and Quebec. Our renewable hydro, wind, solar and pumped storage resources are available to help meet the energy needs and environmental objectives of Connecticut and the region.

Brookfield Renewable believes strongly in the importance of clear price signals and the ability of appropriately structured markets to deliver a diverse, carbon-free resource mix to Connecticut at least cost to consumers. When it comes to the electricity market, we strongly believe that Connecticut and New England ratepayers will be best served – and greenhouse gas emissions reductions will be most cost-effectively achieved – by implementing a strong and transparent carbon price that incentivize new technologies, but that also values, maintains and optimizes existing non-emitting resources. The wholesale electricity market in New England currently fails to consider the external costs of carbon emissions associated with electricity production and delivery. While the Regional Greenhouse Gas Initiative (RGGI) became the first mandatory cap-and-trade program in the United States in 2009, program design has not enabled allowance auction pricing that adequately reflects the true cost of carbon emissions.² As a result, non-emitting generation sources are being undervalued, creating a risk that the region will be unable to both retain existing non-emitting generation and incent new investments. Both are necessary

¹ Contingent on Massachusetts and Rhode Island enacting a carbon price of at least \$10/ton.

² For example, the U.S. EPA determined the social cost of carbon was \$36/ton in 2015, increasing each year thereafter. Average 2015 RGGI auction clearing prices were \$6.10/ton.

to achieve Connecticut's long-term renewable energy and environmental goals. As a result, Brookfield Renewable supports HB 5636 because it represents a meaningful step towards carbon pricing that more appropriately reflects the social cost of carbon.

However, a standalone carbon price is only one policy option. Other regional, market-based solutions are available to improve valuation of non-emitting generation attributes.

For example, the Forward Clean Energy Market (FCEM) is a market-based construct for the procurement of non-emitting generation designed to achieve four main objectives: i) procure non-emitting generation on a least-cost basis by allowing new and existing generation to compete for the public policy needs of the state; ii) ensure financeability of new projects by allowing for multi-year price lock-ins (price stability); iii) avoid outcomes where the consumer pays twice for the same product; and iv) ensure appropriate cost allocation (beneficiary pays principle). Specifically, for Connecticut, the FCEM allows a market-based mechanism to retain existing resources and incentivize new build so that the state's clean energy and environmental policy goals may be met in an efficient and cost-effective manner. Brookfield Renewable has briefed the Department of Energy and Environmental Protection and the Public Utilities Regulatory Authority on the FCEM concept and we look forward to continued dialogue with the agencies on this issue. We also encourage the Committee to consider the FCEM market design concept either together with or in addition to HB 5363.

Thank you again for the opportunity to comment in support of HB 5363. Brookfield Renewable would be happy to provide the Committee with additional information on the FCEM concept and the ways it can advance Connecticut's clean energy and carbon reduction goals.³

³ Additional information on the FCEM can also be found in a presentation by the Brattle Group "A Dynamic Market Clean Energy Market in New England", November 2017. The presentation is available at: http://files.brattle.com/files/11819_a_dynamic_clean_energy_market_in_new_england.pdf.