

## **RGGI Auction Proceeds and C&LM Funds**

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### **Issue**

Describe (1) how Regional Greenhouse Gas Initiative (RGGI) proceeds are used; (2) the conservation and load management (C&LM) plan's statutory and regulatory requirements; (3) 2020 funding and expenditures, and 2021 budget; and (4) the Energy Efficiency Board's (EEB) membership.

### **Summary**

[RGGI](#) is a cooperative effort between 11 eastern states (Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Rhode Island, Vermont, and Virginia) to regulate and reduce CO<sub>2</sub> emissions from electric power generators through a “cap and trade” program. In general, the program sets a regional cap on CO<sub>2</sub> emissions that declines over time, and each state’s regulated power plants must purchase allowances to emit CO<sub>2</sub> under the cap at quarterly auctions.

By law, the Department of Energy and Environmental Protection (DEEP) must invest RGGI auction proceeds in energy conservation, load management, and Class I renewable energy (e.g., wind and solar) programs. Regulations further specify how DEEP must allocate the proceeds, with most funds going towards energy efficiency programs under the C&LM plan.

The law establishes the process for developing and approving the C&LM plan every three years. The electric and natural gas utilities must submit a proposed plan to the Energy Efficiency Board (EEB) for approval by the board and DEEP. The Public Utilities Regulatory Authority (PURA) must ensure that ratepayer funds are properly allocated to fund it.

The law authorizes several types of programs under the plan, including rebates and programs for low-income households. It also establishes specific goals for the plan related to weatherization and reduced energy consumption. The EEB and the Green Bank must evaluate programs under the plan every five years, and the DEEP commissioner may review them annually for cost-effectiveness.

By law, RGGI proceeds and electric and natural gas ratepayer funds support the C&LM plan. In 2020, it also received funding from Class III renewable energy certificates and proceeds from the forward capacity market. In 2020, C&LM plan expenditures totaled about \$231 million (approximately \$182 million in the electric category and \$49 million for natural gas). The 2021 budget totals about \$241 million (approximately \$188 million for electric and \$53 million for natural gas).

By law, the EEB has at least 15 members, including the DEEP commissioner, the consumer counsel, and the attorney general, as well as representatives from environmental organizations, farm organizations, residential customers, and a chamber of commerce, among others. The utilities and the Connecticut Municipal Electric Energy Cooperative (CMEEC) participate as nonvoting members.

## **RGGI Funds and Regulations**

State law requires DEEP to invest the proceeds from RGGI auctions on behalf of electric ratepayers in energy conservation, load management, and Class I renewable energy programs. In doing so, the DEEP commissioner must consider strategies that maximize cost-effective reductions in greenhouse gas emission. The law also allows DEEP to retain 7.5% of the revenue for administrative and other costs ([CGS § 22a-200c](#)).

DEEP's regulations more specifically allocate the auction proceeds as follows:

1. 7.5% for DEEP's administrative expenses,
2. 23% to the Clean Energy Fund administered by the Green Bank, and
3. 69.5% for energy efficiency programs ([Conn. Agencies Regs. 22a-174-31\(f\)\(6\)](#)).

According to the Green Bank, all of its RGGI funds go to a distinct bank account used for its Class I renewable energy projects as needed, including the [C-PACE program](#) and, starting in 2021, the [Solar PPA \(power purchase agreement\) program](#).

DEEP's regulations further require that the 69.5% of proceeds dedicated to energy efficiency programs be allocated as follows:

1. 93.75% to the Energy Efficiency Fund administered by the EDCs under the state C&LM plan (described below),
2. 4.01% to CMEEC for its energy efficiency programs, and
3. 2.24% to Wallingford Electric for its energy efficiency programs.

## **C&LM Statutory Requirements**

The C&LM plan generally includes (1) energy efficiency programs to reduce energy consumption by weatherizing buildings and upgrading appliances, among other things, and (2) load management programs to shift electricity use to off-peak periods. The utilities administer the programs through [Energize CT](#).

By law, the state's C&LM plan must, among other things, include steps needed to (1) weatherize 80% of the state's residential units by 2030 and (2) reduce energy consumption by 1.6 million MMBtu (metric million British thermal units) (or equivalent megawatts) annually each year from 2020 to 2025 ([CGS § 16-245m\(d\)\(1\)](#)).

## ***Plan Development and Approval Process***

By law, the C&LM plan's development and approval takes place every three years as follows:

1. The electric distribution companies (EDCs, i.e., Eversource and United Illuminating) must coordinate with the gas utilities (Connecticut Natural Gas, Southern Connecticut Gas, and Eversource (formerly Yankee Gas Services) to submit a combined electric and gas C&LM plan to the EEB.
2. The companies and the board must review and accept, modify, or reject each program in the plan. The board must also advise and assist the companies in developing the plan, including by examining opportunities to offer programs that save more than one fuel type and giving preference to projects that reduce federally mandated congestion charges.
3. The board must approve the plan and transmit it to the DEEP commissioner.
4. The DEEP commissioner must hold an uncontested proceeding and may hold a public meeting before approving, modifying, or rejecting the plan.
5. Within 60 days after the commissioner's approval, PURA must ensure that the companies provide revenue required to fund the plan through fully reconciling conservation mechanisms on ratepayer bills.
6. The board must help the companies implement the plan and collaborate with the Connecticut Green Bank to further the plan's goals ([CGS § 16-245m\(d\)](#)).

## ***Plan Contents***

The law explicitly authorizes the following programs in the C&LM plan:

1. C&LM programs, including programs that benefit low-income individuals;
2. research, development, commercialization, and market development for more energy-efficient products or processes;
3. support for energy use assessment, real-time monitoring systems, engineering studies, and services related to new construction or major building renovation;
4. design, manufacture, commercialization, and purchase of energy-efficient appliances and heating, air conditioning, and lighting devices;
5. program planning and evaluation;
6. indoor air quality programs relating to energy conservation;
7. joint fuel conservation initiatives to reduce consumption of more than one fuel;
8. water conservation;
9. public education on conservation; and
10. demand-side technology programs recommended by the C&LM plan.

The law allows support for these programs through direct funding, manufacturers' rebates, sale price and loan subsidies, leases, and promotional and educational activities. The C&LM plan must include the board's costs to retain expert consultants and reasonable administrative costs, but these costs may not exceed 5% of the plan's total costs.

The [current plan](#) applies to calendar years 2019-2021. It was adopted in 2019 and updated in 2021. [According to DEEP](#), the department is currently reviewing [the proposed 2022-2024 C&LM plan](#) submitted by the utilities.

## ***Monitoring and Evaluation***

By law, every five years, the board must consult with the Green Bank and evaluate the performance of programs and activities in the approved C&LM plan and report its findings to the Energy and Technology Committee ([CGS § 16-245m\(f\)](#)). Evaluation reports and related documents are available on [EnergizeCT's website](#).

Additionally, C&LM programs must be screened (presumably by the EEB or the utilities) through cost-effectiveness testing, comparing the value and payback period of program benefits for all

energy savings to program costs. DEEP must review program cost effectiveness annually or otherwise as practicable, incorporating the evaluation reports described above. If DEEP determines that a program fails the cost-effectiveness test, the program must be modified or terminated unless it is integral to other programs that are cost-effective ([CGS § 16-245m\(d\)\(3\)](#)).

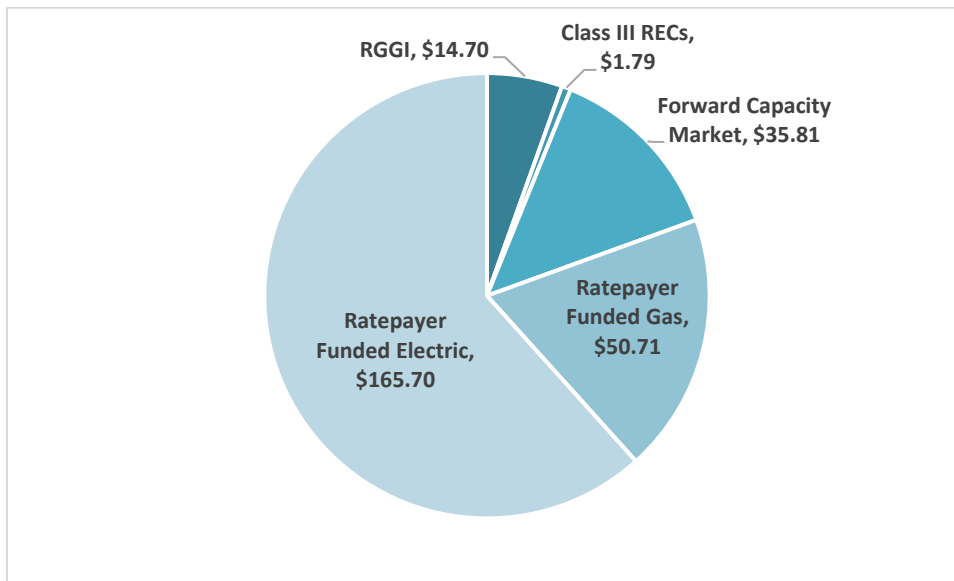
## C&LM Plan Funding

By law, in addition to RGGI proceeds (see above), the C&LM plan is also funded through fully reconciling conservation adjustment mechanisms for electric and natural gas ratepayers. The law limits funding to 0.6 cents per kilowatt-hour for electric ratepayers. For a household using 700 kilowatt-hours per month, this costs \$4.20 per month on the household’s electric bill (included as part of the “Combined Public Benefits Charge”). For natural gas ratepayers, the law limits funding to 4.6 cents per hundred cubic feet ([CGS § 16-245\(d\)\(1\)](#)).

### 2020 C&LM Plan

The figure below shows 2020 funding for the C&LM plan, which totaled approximately \$269 million. In addition to electric and gas ratepayer funds and RGGI proceeds, funding sources included Class III renewable energy certificates (RECs) and proceeds from the forward capacity market.

**Figure 1: 2020 C&LM Funding Sources (\$ millions)**

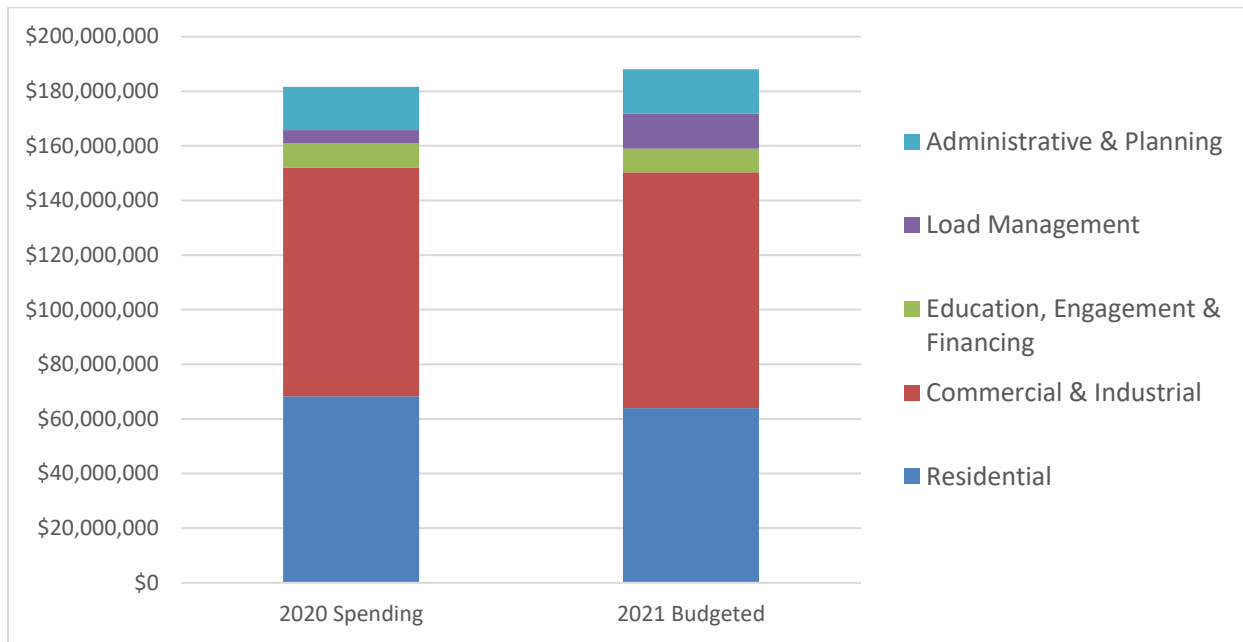


Source: [2020 Annual Legislative Report](#), p. 13

## Expenditures (2020) and Budget (2021)

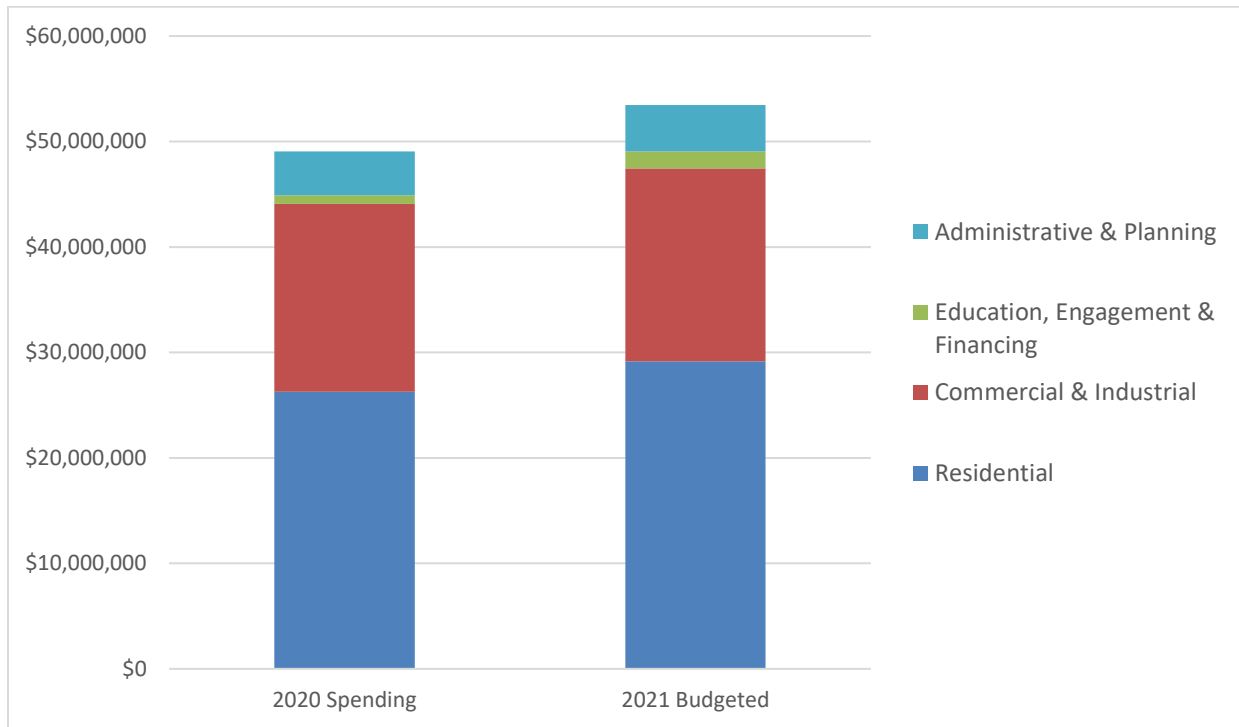
The EEB's 2020 Programs and Operations Report presents C&LM spending in separate categories for electric and natural gas. Figure 2 shows the 2020 spending and 2021 budget for C&LM programs in the electric category. Figure 3 shows the same information for the natural gas category. In 2020, expenditures totaled about \$231 million (approximately \$182 million in the electric category and \$49 million for natural gas). The 2021 budget totals about \$241 million (approximately \$188 million for electric and \$53 million for natural gas).

**Figure 2: 2020 Spending & 2021 Budget (Electric)**



Source: [2020 Annual Legislative Report](#), p. 13

**Figure 3: 2020 Spending & 2021 Budget (Natural Gas)**



Source: [2020 Annual Legislative Report](#), p. 13

C&LM spending is categorized as follows:

1. **residential:** retail products, new construction, Home Energy Solutions, and behavior programs;
2. **commercial and industrial:** [Energy Conscious Blueprint](#), [Energy Opportunities](#), business and energy sustainability programs, and small business programs;
3. **education, engagements, and financing:** customer engagement, education programs, residential loan programs, support for commercial and industrial financing, research, development and demonstration;
4. **load management:** demand response programs (electric only); and
5. **administrative and planning:** marketing, evaluation, measurement, and verification, evaluation administrator, information technology, EEB consultants, audits, and performance management incentives.

Information on current program spending and performance is also available on [the Connecticut Statewide Energy Efficiency Dashboard](#).

## EEB Membership

Table 1 below lists the EEB's current membership. The DEEP commissioner appoints and convenes the board (which is referred to in statute as the "Energy Conservation Management Board"). The board's voting members elect its chairperson.

**Table 1: EEB Requirements and Current Membership**

Requirement	Current Member
DEEP commissioner or designee	Katie Dykes (Michael Li, designee)
Consumer counsel or designee	John Viglione
Attorney general or designee	William Tong (John Wright, designee)
Environmental group knowledgeable in energy conservation program collaboratives	Amy McLean, Acadia Center
EDCs (nonvoting)	Steve Bruno, Eversource Elizabeth Murphy, United Illuminating
A chamber of commerce	Bruce McDermott, Greater New Haven Chamber of Commerce
A statewide business association	Eric Brown, Connecticut Business and Industry Association
A statewide retail organization	Neil W. Beup, Connecticut Retail Merchants Association
A statewide farm association	Amanda Fargo-Johnson, Connecticut Farm Energy Program
A municipal electric energy cooperative (nonvoting)	Scott Whittier, Connecticut Municipal Electric Energy Cooperative (CMEEC)
Residential customers	See below for additional members
Gas companies (nonvoting)	Joel Kopylec, Connecticut Natural Gas and Southern Connecticut Gas Ronald J. Araujo, Eversource

Source: [CGS § 16-245m\(c\)](#); [EnergizeCT.com](#)

The board also currently includes representatives from Wallingford Electric Division (Walter Szymanski), an industrial electrical and motor repair service company (Jack Traver), and Operation Fuel (Brenda Watson).

## Resources

Energy Efficiency Board, ["2020 Programs and Operations Report,"](#) March 1, 2021.

Eversource Energy, United Illuminating, Connecticut Natural Gas Corporation, and Southern Connecticut Gas, "[2021 Plan Update to the 2019-2021 Conservation & Load Management Plan](#)," March 1, 2021.

Eversource Energy, United Illuminating, Connecticut Natural Gas Corporation, and Southern Connecticut Gas, "[2022-2024 Conservation & Load Management Plan](#)," (as proposed by the utilities) November 1, 2021

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