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Electricity Sector Regulations

310 CMR 7.75: Clean Energy Standard
310 CMR 7.74: Reducing CO_2 Emissions from Electricity Generating Facilities

Overview

On August 11, 2017, the Massachusetts Executive Office of Environmental Affairs and the Massachusetts Department of Environmental Protection published two regulations to reduce CO_2 emissions from power plants in Massachusetts. 310 CMR: 7.75: *Clean Energy Standard* (CES) requires utilities and competitive suppliers of electricity to procure increasing amounts of clean energy in a similar manner to the Massachusetts Renewable Portfolio Standard (RPS). 310 CMR 7.74: *Reducing CO_2 Emissions from Electricity Generating Facilities* sets annually-declining emission limits for 21 in-state fossil fuel-powered power plants to ensure that emissions reductions associated with clean energy programs occur in Massachusetts.

Requirements

310 CMR 7.75:

- Sets a minimum percentage of electricity sales that utilities and competitive suppliers must procure from clean energy sources. Begins at 16% in 2018 and increases 2% annually to 80% in 2050.
    - RPS Class I compliance counts toward the CES (13% in 2018, increasing 1% per year to 45% in 2050).
- Allows for compliance using clean energy credits (CECs) or alternative compliance payments (ACPs).
- Requires eligible clean energy generators to be RPS-eligible or:
    - Demonstrate net lifecycle GHG emissions of at least 50% below those from the most efficient natural gas generator (e.g., hydro, nuclear, etc.);
    - Be located in the ISO-NE control area, or be located in an adjacent control area and utilize new transmission capacity;
    - Have commenced commercial operation after December 31, 2010.
- Includes limited grandfathering of existing contracts between competitive suppliers and customers.
- Allows banking of clean energy credits (CECs) for use after 2020.
- Requires MassDEP to review options in 2017 for addressing existing (pre-2010) resources and municipal utilities, and complete a program review by December 31, 2021.

310 CMR 7.74:

- Establishes an allowance trading program for CO_2 emissions from electricity generation.
- Sets a sector-wide, annually declining limit on aggregate CO_2 emissions from 21 large fossil fuel-fired power plants in Massachusetts, from 8.96 million metric tons of CO_2 in 2018 down to 1.8 million metric tons in 2050.
- Includes allowance auctions beginning in 2019 (with direct allocations for 2018).
- Allows flexibility in the form of limited allowance banking and a “deferred compliance” option to address electricity grid reliability.
- Requires MassDEP to complete a program review every ten years, beginning in 2021.

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This information is available in alternate format by calling our ADA Coordinator at (617) 574-6872.

Changes to the Proposal

In response to public comment on the proposed regulations, the final regulations include the following changes.

310 CMR 7.75:

- The final CES does not include requirements for municipal utilities beyond already-required emissions reporting and the study referenced above. In the proposed rule, they were required to comply beginning in 2021.
- Limited grandfathering of existing contracts between competitive suppliers and customers has been added to accommodate electricity sold under existing contracts in 2018 and 2019.
- For years 2018 – 2020, the ACP rate is being increased to 75% of RPS amount to reflect the importance of achieving reductions by 2020. Beginning in 2021, the ACP rate will be 50% of the RPS amount, as proposed.
- The use of banked CECs is not allowed until 2021.

310 CMR 7.74:

- The final regulation's allowance trading program and the design of an auction system for 2019 replace the system of over-compliance credits contained in the proposal.
- The final regulation includes an "emergency deferred compliance" option in order to ensure grid reliability is not affected by the regulation.
- Banking of allowances is limited, to ensure emissions reductions annually.

Bill Impacts Study

Before finalizing the regulations, MassDEP hired expert consultants to study potential impacts on emissions and electricity prices. The study predicted that:

- Impacts on customer electricity bills are unlikely to exceed 1% to 2%.
- Allowance prices are likely to be low.
- The combined effect of the two regulations is to reduce emissions in Massachusetts and the region.

Additional Information

For more information about both regulations, see the MassDEP Clean Energy Standard web page: http://www.mass.gov/eea/agencies/massdep/climate-energy/climate/ghg/ces.html

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