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March 6, 2006

Sharon Weber
Bureau of Waste Prevention
Department of Environmental Protection
1 Winter Street
Boston, MA 02108

RE: Proposed Amendments to 310 CMR 7.00: Appendix B, *Emission Banking, Trading, and Averaging*, and 310 CMR 7.29, *Emissions Standards for Power Plants*

Dear Ms. Weber:

The New England Power Generators Association (NEPGA) is pleased to submit the following comments concerning the Proposed Amendments to 310 CMR 7.00: Appendix B, *Emission Banking, Trading, and Averaging*, and 310 CMR 7.29, *Emissions Standards for Power Plants*.

NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA's member companies represent over 20,000 megawatts (MW) of generating capacity in the region. The NEPGA organization is focused on supporting the economic health and expansion of the New England region by promoting policies that will further economic development, jobs, and balanced environmental policy. NEPGA endorses sustainable competitive markets as the best means to provide long-term reliable and affordable supplies of electricity for consumers.

These regulations may have a negative impact on the diversity of the fuel-mix used to supply power generation resources in Massachusetts and New England. As you know, a significant amount of the electricity in New England comes from power plants that burn natural gas. Since the facilities affected by these regulations represent almost the entire non-gas power generation fleet in Massachusetts, NEPGA strongly requests that DEP promulgate regulations that will keep the carbon offset market robust, flexible and as inexpensive as possible by ensuring that these offsets are unrestricted as to their location and type. There is nothing to be gained by making offsets narrow and expensive. Any costs added to the cost of electricity produced by these facilities must find its way to consumers.

Reliable electricity is essential to the economic growth of the region. Units subjected to these regulations are base loaded and run almost full-time, and are an extremely reliable source of electricity. Currently, they act as an important price moderator, in that they are less expensive to operate than natural gas fired plants. This allows the large base load units to engage in bilateral contracts with customers that are less expensive than those bid in the spot market (most of the power sold in New England is sold through bilateral contracts). If these units cannot obtain offsets at a manageable price, they will either be forced to raise their prices or choose not to operate, requiring more expensive units to take their place. NEPGA strongly believes the safety valve mechanism as proposed by DEP is essential for these regulations in order to balance reasonable energy and environmental policy.

At the request of Jim Coleman, please find attached a recent report on wholesale power bidding process done by ISO-NE. I hope it is helpful in understanding the impact of base load units on prices. NEPGA appreciates the opportunity to comment on these regulations and we would be happy to provide you with any additional information.

Sincerely,

Angela O'Connor
President