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**Re: National Grid Comments on Proposed Amendments to 310 CMR 7.70 and
225 CMR 13.00 Implementing the Third RGGI Program Review**

National Grid appreciates the opportunity to provide comments to the Massachusetts Department of Environmental Protection and Massachusetts Department of Energy Resource regarding the proposed amendments to the Massachusetts CO₂ Budget Trading Program and CO₂ Budget Trading Program Auction Regulation, which would implement the reforms adopted by the Regional Greenhouse Gas Initiative (RGGI) states as part of the Third Program Review and updated Model Rule.

National Grid supports the Commonwealth's goals of reducing greenhouse gas emissions and maintaining a reliable transition to a lower-carbon electric grid. However, there is a need for additional scrutiny regarding RGGI's affordability, market function, and customer impacts. Record-high carbon allowance prices, tightening carbon allowance supply, and the growing impact of carbon costs on wholesale electricity prices raise important questions about whether the RGGI program is continuing to deliver optimal value for Massachusetts electric customers.

While RGGI can continue to play a role in the Commonwealth's portfolio of decarbonization strategies, its design and ambition must be informed by customer affordability considerations and economic and practical realities, which have been reflected in Governor Healey's recognition of the need for an "all of the above" approach to meeting the Commonwealth's energy needs. To that end, we offer a suite of recommendations below, followed by additional background and discussion.

Since RGGI's first auction in 2008, New England states have aggressively pursued their climate goals through expansive portfolio standards such as the Renewable Energy Portfolio Standard (RPS), multiple renewable energy contracts, and programs. Through the states' efforts, New England has a cleaner resource mix than it has in prior years. However, with electrification increasing future load, fossil fuel generation will continue to set the real-time marginal prices for most hours in the future. This will continue to result in a large gap (\$432 million in 2025) between the energy costs paid by customers and the benefits that flow to the states in allowance revenue. With increasing RGGI prices and increasing load, this gap, which is a transfer of wealth from New England customers to generators, will increase substantially.

In May 2026 the RGGI participating states released an announcement regarding the current state of the market and rising allowance prices and stated that “a sustained period of elevated auction prices...may require renewed consideration of improvements.”¹ This sentiment regarding recent auction prices was again reiterated in an announcement from the RGGI states following the June 2026 auction, where “the RGGI states intend to begin a scoping process to consider further targeted measures to continue to achieve reliable, clean electricity supply at affordable prices for consumers.”²

Recommendations

- 1. Use RGGI auction revenue to directly reduce customer bills.** As other cost drivers continue to apply pressure on bills, RGGI revenue could provide more immediate and visible relief to Massachusetts electricity customers. Allocating a meaningful share of proceeds to direct bill mitigation would help to balance near-term affordability with long-term decarbonization, supporting customer acceptance and the durability of the clean energy transition.

Other RGGI states – New Hampshire, Maryland, and New Jersey -- direct substantial RGGI auction proceeds to electric bill mitigation.³ These examples demonstrate well-established, meaningful, administrable pathways to deliver immediate rate relief without undermining program integrity. In addition, a recent analysis found that Virginia could reduce customer bills by rebating a portion of allowance revenue directly to customers as it rejoins RGGI.⁴ Massachusetts customers would benefit from a similar approach.

- 2. Prioritize and strengthen cost containment.** While the Company appreciates the addition of a second tier of Cost Containment Reserve allowances in the proposed amendments, this additional release of allowances is unlikely to provide a sufficient upper bound on prices or adequately mitigate volatility given the significant decline in emissions cap that has been established in the Model Rule. A firm price cap or Alternative Compliance Payment (ACP) mechanism would have the benefit of

¹ https://www.rggi.org/sites/default/files/Uploads/Press-Releases/2026_05_08_Market_Activity_Statement.pdf.

² https://www.rggi.org/sites/default/files/Uploads/Auction-Materials/72/PR060526_Auction72.pdf.

³ For example, in 2023, New Hampshire provided 93% of its RGGI funds in direct bill assistance in 2023.

Maryland used about half of its proceeds for customer programs and funds. New Jersey applied \$123 million to residential customers' bills. *See, e.g.:*

https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2023.pdf;

[https://energy.maryland.gov/SiteAssets/Pages/Strategic-Energy-Investment-Fund-\(SEIF\)-](https://energy.maryland.gov/SiteAssets/Pages/Strategic-Energy-Investment-Fund-(SEIF)-)

[/SEIF%20Vol%201%20FY24.pdf](https://energy.maryland.gov/SiteAssets/Pages/Strategic-Energy-Investment-Fund-(SEIF)-/SEIF%20Vol%201%20FY24.pdf), at p. 51; and New Jersey Board of Public Utilities Docket No. Q025070389,

In the Matter of the Establishment of the Residential Universal Bill Credit (“RUBC”), Order dated Aug. 13, 2025, effective Aug. 20, 2025, pp. 3, 5 (ordering over \$123 million of RGGI funds be directed to electric bill assistance for LMI households and noting that across RGGI member states “approximately fifteen percent (15%) of the proceeds of RGGI auctions cumulatively have been spent on direct bill assistance programs for customers. Other states that have used RGGI funds for direct bill assistance include Maine, Maryland, New Hampshire, and Rhode Island” [footnotes omitted]), available at:

<https://www.nj.gov/bpu/pdf/boardorders/2025/20250813/8F%20ORDER%20Residential%20Universal%20Bill%20Credit.pdf>.

⁴ Prest, Brian C. and Dallas Burtraw. “[Virginia’s Upcoming Re-entry into the Regional Greenhouse Gas Initiative Can Reduce Household Electricity Bills.](#)” Resources for the Future (June 22, 2026).

providing a known upper limit on allowance prices. New England and other RGGI states are familiar with the ACP mechanism in the implementation of RPS programs to cap costs for customers.

3. **Conduct comprehensive assessments of the RGGI market, now and in the future,** quantifying and bringing transparency to the impact of recent RGGI allowance price increases on Massachusetts residential, commercial, and industrial electric customers' energy affordability, customer value, and alternative revenue streams. This should include the cumulative cost impacts of RGGI, renewable procurement programs, transmission investments, and other climate-related policies on electric bills, and evaluate whether the growing wholesale electricity costs associated with rising RGGI allowance prices continue to be outweighed by the customer and environmental benefits funded through RGGI proceeds, and whether alternative revenue mechanisms might support similar outcomes at a lower customer cost.
4. **Increase transparency regarding auction participation by non-compliance entities,** including periodic reporting on ownership concentrations, holding patterns, and potential impacts on allowance prices and availability for compliance entities.
5. **Assess the interaction between RGGI costs and wholesale electricity market outcomes,** particularly in ISO-NE where carbon compliance costs are increasingly reflected in market-clearing energy prices.
6. **Beyond RGGI, embed customer affordability into the design of all decarbonization policies.** As the Commonwealth develops policy recommendations in its forthcoming 2035 Clean Energy and Climate Plan, affordability should be an overarching objective in determining level of ambition, the mix of policy measures, and the design of individual policy measures. Honest and rigorous deliberation on the impact of customer energy costs must be at the forefront of these efforts, including a shared understanding of potential adverse impacts on residential, commercial, and industrial customer affordability, adverse impacts on economic development and potential leakage of emissions that result from shifting of economic activity out of state.

Background and Discussion

Rising RGGI Allowance Prices have Increased Costs for Customers

RGGI allowance prices have increased dramatically over the past year -- 78% year-over-year.⁵ The June 2026 auction established a new program record clearing price, while the price increased approximately 40% between the March 2026 and June 2026 auctions alone.⁶ The June 2026 auction clearing price was much lower than the secondary market prices published leading up to the auction. Secondary market prices exceeded \$55 per ton in May 2026 and

⁵ RGGI allowances rose from \$19.63 per allowance in the June 2025 auction to \$35.00 per allowance in the June 2026 auction.

⁶ <https://www.rggi.org/auctions/auction-results>.

market prices since the June 2026 auction have exceeded the \$35 clearing price, indicating a strong possibility that the September 2026 auction clearing price will reach another high.

These rising carbon allowance costs are increasingly impacting wholesale electricity prices across New England. During the winter of 2025-2026, ISO New England's Internal Market Monitor found that higher carbon allowance costs associated with both RGGI and the Massachusetts Electricity Generator Emissions Limit materially increased generator production costs. Specifically, the report estimated that carbon allowance prices added approximately \$11 to \$17/MWh for a typical natural gas combined-cycle facility and approximately \$24 to \$38/MWh for a typical oil-fired generating unit.⁷

Allowance prices in general have been increasing for the last several years. In 2025, ISO-NE estimated that emission costs were 11% of energy costs in 2025 (\$1.1 billion of \$9.9 billion) and 7.3% of total wholesale costs (\$1.1 billion of \$15 billion).⁸ To put these emissions costs in perspective, the capacity costs in 2025 were \$1.2 billion and the Ancillary Services costs were \$280 million. These emission costs are expected to increase in the future with the recent allowance price increases observed in the 2026 auctions and the future changes to the allowance supply.

For Massachusetts customers, these impacts are particularly significant because natural gas generation frequently sets wholesale market prices in ISO-NE and during this past winter oil fired generation set the market price for a significant number of hours.⁹ In 2025, fossil-fuel generators set the real-time marginal price for approximately 82% of load (79% for natural gas-fired generators and 3% for oil-fired generators).¹⁰ As a result, higher RGGI allowance prices are reflected broadly in wholesale market clearing prices and ultimately in basic service rates, competitive supply rates, and retail electric bills paid by households and businesses across the Commonwealth. In 2025, the ISO-NE estimates that the emissions costs included in energy prices were \$1.1 billion, but only \$668 million flowed back to the RGGI states in revenue from allowances.¹¹ The \$432 million difference is a transfer of wealth from New England customers to generators not subject to emissions requirements.

These developments in RGGI have occurred at the same time that our customers are experiencing persistent affordability pressures from multiple sources, including inflationary impacts, system investments required to enable the energy transition, and other policy-related costs. In 2025, an average Massachusetts residential household using 600 kWh per month would have paid approximately \$82 annually attributable to RGGI, based on an average spot allowance price of \$22.85 per ton of CO₂.

Structural Forces are Expected to Increase RGGI Costs

Looking ahead, multiple structural forces seem aligned to continue to drive RGGI prices higher in the coming years. Rapid electric demand growth due to large loads will place

⁷ <https://www.iso-ne.com/static-assets/documents/100037/2026-winter-quarterly-markets-report.pdf>.

⁸ <https://www.iso-ne.com/static-assets/documents/100035/2025-annual-markets-report.pdf>.

⁹ <https://www.iso-ne.com/static-assets/documents/100037/2026-winter-quarterly-markets-report.pdf>.

¹⁰ <https://www.iso-ne.com/static-assets/documents/100035/2025-annual-markets-report.pdf>.

¹¹ <https://www.iso-ne.com/static-assets/documents/100035/2025-annual-markets-report.pdf>.

upward pressure on both electricity and RGGI allowance prices. At the same time, many anticipated clean energy projects have been put on hold or canceled under the current federal administration, further increasing upward pressure on allowance prices that may not have been anticipated at the time of the Model Rule analysis. Additionally, the entry of Virginia, which is experiencing significant load growth, is expected to further tighten supply and drive-up allowance prices.

Recent auction results suggest that RGGI is experiencing increasingly tight supply conditions. In March 2026, all available Cost Containment Reserve (CCR) allowances for the year were exhausted after prices exceeded the program's trigger threshold. Consequently, no CCR allowances were available in the June 2026 auction despite record-high prices.

At the same time, the 2025 RGGI Program Review adopted a more aggressive emissions cap reduction schedule beginning in 2027, further tightening allowance supply over time. While emissions reductions remain an important objective, the combination of declining allowance supply and increasing electricity demand presents a risk of continued upward pressure on allowance prices and customer costs. Additionally, the new CRR trigger prices that will be in effect in 2027 are below the recent market prices and the June 2026 auction clearing price suggesting that the new triggers may already be below the current market fundamentals. Further, the secondary market price spikes that have occurred recently reinforce the limited impact of the CCR approach in mitigating excessive costs and price volatility.

RGGI's ability to Transform Electricity Supply is Limited

While RGGI has provided a mechanism for incorporating a price signal around the externality created by carbon dioxide emissions into ISO-NE's energy market, the practical reality is that RGGI's impact on the generation mix is limited, and unlikely to be material given expectations that marginal generation will continue to be from gas, or at times, oil-fired generation for at least the coming decade. To date, the new large-scale renewable generation resources that have come online in the region have been built through long-term contracting efforts and other state-sponsored clean energy programs that are not connected with RGGI. Meanwhile, the customer programs driving distributed solar adoption that reduce demand for wholesale market electricity are funded elsewhere on customer bills. Massachusetts customers experience a complex layering of renewable energy supporting programs on both the supply and delivery portions of their bills, including RGGI, various portfolio standards such as the RPS and Clean Peak Energy Standard, net metering, SMART, and long-term clean energy contracts, all of which continue to trend upward in cost.

In the absence of market power transformation that directly reduces emissions, RGGI serves primarily a revenue source – contributing funding to state programs aligned with RGGI objectives, but also fundamentally increasing the cost of nearly every kWh consumed by our customers. Moreover, high electricity prices increase the risk of leakage of both emissions and the associated economic activity, putting at a risk the Commonwealth's economic development objectives while shifting, rather than reducing, emissions. Research conducted before the recent allowance price spikes found some evidence of emissions leakage from the

RGGI region.¹² The current price trajectory serves only to elevate the likelihood of emissions shifting to generators outside the region.

RGGI Program Rules do not Sufficiently Support Affordability under Expected Market Conditions

The Cost Containment Reserve does not provide adequate price assurance

As noted above, the CCR trigger prices for 2027 are already below observed June 2026 auction prices. In addition, while the CCP provides for additional allowances at auction, this mechanism has not prevented significant price spikes and sustained high prices in the secondary market for allowances.

A High Non-Compliance Penalty Adds Additional Cost Challenges

RGGI requires that, if a generator has not purchased allowances by the end of a compliance period, in the next period it will have to buy those allowances plus 3-times the amount of the generator's deficit. Without a ceiling price and with declining allowances available in the future, this requirement will only increase allowance prices from current levels, resulting in higher costs for electric customers. This non-compliance penalty should be reexamined and an ACP mechanism should be considered to cap costs for customers.

Market Participation by Non-Compliance Entities May Increase Compliance Costs

Recent RGGI auction results for June 2026 show that only 58% of allowances are being purchased by compliance entities, meaning a substantial portion of auction volumes continue to be acquired by investors and other non-compliance participants.

While market participation by entities without compliance obligations improves liquidity, the growing role of non-compliance entities raises legitimate questions regarding whether their participation may be amplifying price volatility and increasing compliance costs borne by electricity consumers. At a minimum, a review should be conducted regarding the role and impact of non-compliance entities participation in the RGGI auctions for the benefit stakeholders and policymakers.

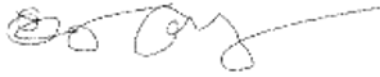
Conclusion

The current affordability challenges facing electric customers in Massachusetts must inform the path forward on decarbonization. National Grid believes that RGGI can continue to play a role in the Commonwealth's portfolio of decarbonization strategies, but its design and ambition must prioritize affordability for the program to remain sustainable and successful.

¹² For example, a 2023 study conducted by Resources for the Future estimated an emissions leakage rate of 12%-22% under scenarios where PA joins the program, at much lower allowance prices than today's levels. See Burtraw, Pachon, and Domeshek, 2023. "The Prospects for Pennsylvania as a RGGI Member." Report 23-04. May 2023. A more significant price differential between in-and-out of region fossil generation, as well as a policy trend toward relaxing federal power plant emissions regulations, would be expected to drive up emissions leakage.

We respectfully encourage DEP and DOER to take these comments into consideration as the Commonwealth evaluates implementation of the updated RGGI framework and future program reviews.

Very truly yours,



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