
310 CMR 7.74 Auction Design Stakeholder Meeting

October 31, 2017



Auction Design Stakeholder Process Schedule

First Comment Deadline:

October 16, 2017

(Comments posted at:

<https://www.mass.gov/guides/electricity-generator-emissions-limits-310-cmr-774>)

Stakeholder Meeting:

10:00 AM on Tuesday, October 31, 2017

at MassDEP's Boston Office

Second Comment Deadline:

November 15, 2017



310 CMR 7.74 Requirements (from fact sheet)

- Establishes an allowance trading program for CO₂ emissions from electricity generation.
- Sets a sector-wide, annually declining limit on aggregate CO₂ emissions from 21 large fossil fuel-fired power plants in the Commonwealth, from 8.96 million metric tons of CO₂ 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 electric grid reliability.
- Requires MassDEP to complete a program review every ten years, beginning in 2021.



7.74 Changes from Proposal (from fact sheet)

- The final regulation's allowance trading program and the design of the 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.



Key Implementation Steps

- 2017
 - Develop 310 CMR 7.74 compliance forms
 - Complete allowance tracking system procurement
 - Solicit stakeholder input on auction design parameters such as:
 - Auction timing, reserve price, eligibility
 - Initiate procurements for:
 - auction platform provider, market monitor
- 2018
 - Test and deploy allowance tracking system (early 2018)
 - Complete auction procurements
 - Create auction documents including:
 - Bidder requirements and instructions, auction notice
 - Propose and finalize amendments to 310 CMR 7.74 as necessary



Rulemaking Comments on Auctions

Benefits

- Ease of administration
- Efficiency – allocates allowances to participants that value them most
- Promotes efficient and accurate price discovery
- Provides timely allocation of allowances – before or simultaneous with incurred compliance obligations
- Facilitates transparent integration of compliance costs into energy markets
- Provides level playing field between new and existing facilities

Issues

- Need to complete auction design with stakeholder input
- Market is small compared to RGGI



Auctions – Key Questions

- Are there additional special considerations that should be taken into account for an auction of this type occurring in a single state?
- When and how often should auctions occur?
- Other than regulated power plants, should any other entities be allowed to purchase allowances?
- Should there be a minimum reserve price?
- If there is a minimum reserve price, what should it be?
- What limits should there be on the number of allowances that can be purchased by a single bidder?
- Is there a need to protect certain information about bids or results from public release?
- Are there any particular design elements that should be considered because of the number of regulated facilities and facility owners?



Information posted at:

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