Interim target: Some commenters supported EPA’s request for comment on an interim target (“option B”) under the main BSER option and asks EPA to restore it in the current version.

RE building block: Some commenters appreciate EPA’s addition of the alternate RE generation building block to support the BSER based on technical and economic potential, but are concerned that the specific methodology proposed by EPA may not be the most appropriate to use. They recommend EPA delete the new discussion on pages 215-218 of the preamble and replace it with the following, which will give both EPA and public commenters more freedom to develop an alternative methodology before the final rule next June.

Additionally, EPA is soliciting comment on an alternative approach to quantification of renewable generation to support BSER. Unlike the proposed RE scenario described above that relies on a regional application of state RPS commitments, an alternative methodology could rely on a state-by-state assessment of RE technical and economic potential. One such possible approach would compare the estimated cost of new renewable energy to the avoided cost of energy from implementing the clean energy generation, by comparing the total cost of generation for each renewable energy technology by region to the estimated fuel, operating, and capital costs avoided by adding that generation. This calculation can be carried out at a high level of granularity when data is available, and then aggregated to the state or regional level.

This general economic potential approach can be summarized in three steps:

Step 1: Use best available regional information (with areas excluded due to physical features and other exclusions) and data on current technology costs and regional construction cost differences to estimate a total cost of clean energy for each location. Note this can include an adder for potential new transmission or pipeline needs. The result of this is a clean energy supply curve at many locations, with the cost and available generation for that region.

Step 2: Estimate the avoided energy cost. This is calculated based on the particular generation mix by region, providing information about the generation that would be displaced by the clean energy technology. This is composed of avoided fuel and operating costs, avoided capital costs, and a range of costs for avoided environmental externalities.

Step 3: For each resource area, compare the cost of new clean generation (found in step 1) to the avoided costs (found in step 2). If the costs are lower than avoided cost, include the generation and capacity available in this region in the “cost-effective potential”. Sum the supply curve for each state and region to estimate cost-effective potential at those scales.

EPA can use this method to calculate BSER for renewable energy generation by state, while limiting BSER to renewable energy penetration levels of leading states. EPA may wish to take comment on this approach as well as other suggested approaches to building the renewable energy building block that rely on economic and/or technical renewable energy potential by region.
If EPA rejects this recommendation and wishes to keep its current language, the commenters recommend that language be added to indicate that the methodology proposed by EPA is one possible methodology relying on technical and economic renewable energy potential, and that EPA wishes to take comment on this or any other recommended techno-economic approach to developing the RE building block.

Other comments:
1. Executive Summary Page 4, IPM is first mentioned but the Integrated Planning Model (IPM) acronym is introduced on page 8.
2. Table ES-1 contains a note “Also, as noted above, EPA is not proposing . . . “ but there is no such discussion in the preceding text.
3. Page 9, the italics for the ancillary cost support document appear to extend past the title of the document (the text starting “henceforth referred to as…”)
5. Page 2-20 and page 2-24: Sources for Figures 2-5 and 2-6 are incorrect
   o Figure 2-5 cites EIA, Annual Energy Outlook 2013 but this chart does not appear in that publication. These may have been pulled from the Annual Energy Review, however all of the prices are presented in 2011$. The AER presents the information in nominal terms, so EPA must have performed some calculations (and should be clear modification were made in the table reference). The AEO2013 should not be the source.
   o For figure 2-6 neither of the two listed sources (U.S. Energy Information Administration, Annual Energy Review – Electricity Section, Table 4, September 27, 2012 or EIA Annual Energy Outlook, 2012a is correct. The source actually seems to be Table 4 from the 2011 Electric Sales and Revenue Report. The individual state level prices match, as does the national price 9.90 cents/kWh.
6. Page 2-28, latest EIA data on demand side peak load reduction shows 33.4 GW in 2010 (the current RIA text has 33.3), 38.4 GW in 2011, and 42.1 GW in 2012. See Table 10.1, Electric Power Annual 2012.
7. Page 3-1, last full paragraph. This paragraph appears to be using the costs in Table 3-7, which appears to exclude monitoring, reporting, and recordkeeping (MR&R) costs. On the other hand, Table 3-26 appears to include MR&R costs. Which costs should this paragraph be using? (Note that it appears that entries in Table 3-26 generally are used in discussions of the compliance costs associated with this proposed rule (see, e.g., preamble at pages 55-62.).)
8. Table 3-7 and Table 3-26. With respect to the discussion of Table 3-7, suggest adding text indicating that the table does not include MR&R costs (which appears to be the case), and adding a cross-reference to Table 3-26 as the table that includes such costs.
9. Section 3, page 6-7, it would be extremely useful to provide IPM-projected Base Case state emission rates in tabular form similar to Table 3-1. Base case years 2025 and 2030 should both be included.
10. Page 3-15, second paragraph of Section 3.6.2, missing a word such as ‘of’ ‘to’ or ‘for’ in the text reading “the additional cost [to/for/of] the end-user purchasing a more energy efficient technology (known as the participant costs).” Also in that paragraph, extra word ‘a’ before “1.0%” in last sentence.
11. Section 3 page numbering appears to reset after the full page chart on page 3-25.
12. Page 3-5 (after page numbering change), Section 3.7.7, extra ‘s’ in the word “Productions” in the section heading (Projected Coal Productions . . . )
13. Page 3-14, text on implicit representation of continued EE policies/investments in EIA’s AEO Reference case (and therefore EPA’s Base Case) states that “To some degree the implicit representation of state policies in the EPA’s base case alters the impacts assessment, but the direction of change is not known with certainty. This issue is discussed in more detail in the Greenhouse Gas Abatement Measures TSD.” This text flags the issue but does not provide the directional factors that are currently known: to the extent that EE is present in the baseline, incremental targets set by the BSER EE building block are that much more stringent. Conversely, state policies that are not included in the baseline (because they cause new and/or discontinuous jumps in investment) lessen the relative stringency of the BSER EE building block targets.

14. Page 3-15, missing an ‘s’ in “average retail electricity price are expected . . . “

15. Page 3-15, end of second paragraph in Section 3.11, the words “please note” seem out of place in this document.