

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Carbon Pricing in FERC-Jurisdictional  
Organized Regional Wholesale Electric  
Energy Markets**                    )

**Docket No. AD20-14-000**

**COMMENTS OF PUBLIC INTEREST ORGANIZATIONS**

Pursuant to Rule 211 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”),<sup>1</sup> and the Commission’s Notice dated April 21, 2020, the Sustainable FERC Project, Acadia Center, Environmental Defense Fund, Environmental Law & Policy Center, Natural Resources Defense Council, Sierra Club, Southern Environmental Law Center, and Western Resource Advocates, (collectively, “Public Interest Organizations” or “PIOs”) offer the following comments on the April 13, 2020 *Request for Technical Conference or Workshop of Advanced Energy Economy, American Council on Renewable Energy, American Wind Energy Association, Brookfield Renewable, Calpine Corporation, Competitive Power Ventures, Inc., Electric Power Supply Association, Independent Power Producers of New York, Inc., LS Power Associates, L.P., Natural Gas Supply Association, NextEra Energy Inc., PJM Power Providers Group, R Street Institute, and Vistra Energy Corp.*, submitted in the above-captioned proceeding (the “Interested Parties” and the “Petition”). The Petition requests the Commission convene a technical conference or workshop to discuss integrating state, regional, and national carbon pricing into FERC-jurisdictional markets.<sup>2</sup>

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<sup>1</sup> 18 C.F.R. § 385.211 (2019)

<sup>2</sup> Petition at 1.

## I. COMMENTS

Public Interest Organizations are non-profit environmental organizations. Individual PIOs take varying positions on carbon pricing, but all share a keen interest in finding cost-effective and equitable approaches to reducing greenhouse gas (“GHG”) emissions.<sup>3</sup> Several PIO staff members have considerable expertise on carbon pricing<sup>4</sup>, while collectively, PIOs have been involved in the development of nearly every emissions market in the United States, including the Regional Greenhouse Gas Initiative (RGGI), California’s Cap and Trade program, and earlier emissions trading programs dating back at least to the Clean Air Act of 1990.<sup>5</sup>

Currently, PIOs are active in discussions on carbon pricing policy issues and related GHG accounting and tracking issues in ISO-NE, NYISO, PJM,<sup>6</sup> and the CAISO Energy Imbalance Market, as well as twelve states.

Carbon pricing is not a panacea, and should not be considered an adequate substitute for a full array of climate policy options. Nor should it be considered in isolation from reforms to Commission-jurisdictional electricity markets that are necessary to restore just and reasonable prices.<sup>7</sup>

Nonetheless, PIOs agree with Interested Parties that it is important to explore how wholesale power markets can be better aligned with state and regional policy objectives. Well-designed integration of emissions pricing with organized wholesale markets has the potential to

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<sup>3</sup> Although the Petition is specific to carbon pricing, the market design issues under discussion may be equally applicable to possible future markets in other emissions.

<sup>4</sup> See, e.g., *Environment Defense Fund: The World’s Carbon Markets*, available at <https://www.edf.org/worlds-carbon-markets>; *Acadia Center: The Regional Greenhouse Gas Initiative: 10 Years in Review*, available at [https://acadiacenter.org/wp-content/uploads/2019/09/Acadia-Center\\_RGGI\\_10-Years-in-Review\\_2019-09-17.pdf](https://acadiacenter.org/wp-content/uploads/2019/09/Acadia-Center_RGGI_10-Years-in-Review_2019-09-17.pdf).

<sup>5</sup> See, e.g., Richard Conniff, *The Political History of Cap and Trade*. Smithsonian Magazine (August 2009). Available at <https://www.smithsonianmag.com/science-nature/the-political-history-of-cap-and-trade-34711212/>

<sup>6</sup> See, e.g., <https://www.pjm.com/-/media/committees-groups/task-forces/cpstf/20191024/20191024-item-06-carbon-pricing-modeling.ashx>

<sup>7</sup> See, e.g., Petition for Review, *Environmental Defense Fund et al. v. FERC*, (No. 20-1131). To date, at least 13 petitions for review of the Commission’s December 2019 Order have been filed.

decrease the cost of reaching GHG reduction goals while assuring just and reasonable rates and increasing the effectiveness of emissions pricing approaches, as well as other market outcomes. In this light, we respectfully request the Commission grant the Petition and convene a technical conference or workshop.

Interested Parties emphasize that they are not requesting the Commission institute a rulemaking, nor suggesting a FERC-jurisdictional carbon price.<sup>8</sup> PIOs agree with these limitations on scope, and respectfully suggest that the Commission limit its role to advancing technical discussion of market design, GHG pricing, and potential consequences for ratepayers. In particular, nothing arising from this proceeding should impinge on States' authority to implement GHG pricing or adopt other measures to address GHG emissions, nor should the conference explore use of FERC jurisdictional markets to neutralize state emissions pricing efforts. A proactive statement by the Commission foreswearing "MOPRing energy markets" would also ease concerns of overreach and allow a technical conference to focus on productive discussion of market design issues.

The Petition includes a suggested agenda for the technical conference.<sup>9</sup> PIO's offer comments on several of the Petition's specific suggestions:

- Session I, the Interested Parties suggest a focus on whether border charges would mitigate leakage. We suggest broadening the discussion beyond border charges as a leakage mitigation solution. For example, California's cap-and-trade program mitigates leakage from imports not covered under a carbon program by putting imports under the cap/allowance holding obligation on imports.

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<sup>8</sup> Petition at 3.

<sup>9</sup> Petition, Appendix A

- In Session II, Interested Parties suggest ISOs/RTOs opine on policy issues such as “What should the roles of states be in implementing carbon pricing?” We believe that this panel is more appropriately focused on implementation questions of “What can ISOs/RTOs do to support state GHG policy choices?” and “How can they best do it?” rather than attempting to develop policy recommendations. Carbon pricing is already integrated into organized wholesale electricity markets through existing state and regional carbon programs such as RGGI and California’s cap-and-trade program. Therefore, a primary set of questions and issues the Commission could address involve how the cost of GHG emissions are already incorporated into wholesale markets, what potential challenges could arise as the policies grow, and how ISOs/RTOs could facilitate implementation of these policies. Issues arising from emissions policies in the context of multi-state RTOs where states have various pricing programs are of particular interest.
- The role of emissions pricing on transmission planning and investment is an underexplored issue. The ISO/RTO discussion of incentives created by GHG pricing might extend to transmission, and the participants could be invited to include a discussion of how carbon pricing may be incorporated into, or might affect, transmission planning.

Possible questions include:

- Can emissions pricing drive investment in transmission from areas with abundant low-carbon energy supply? What changes to planning processes could encourage this?
- Do existing transmission planning processes adequately consider benefits of reduced emissions costs? If not, what changes could facilitate this?

- Is it appropriate to include avoided emissions as a benefit in evaluating rate-based transmission investments? What cost allocation issues would this raise?
- How might emissions pricing be reflected in the consideration and participation of non-transmission alternatives in planning?
- PIOs believe it is important to evaluate the possible effects, positive and negative, of carbon pricing on consumers. We suggest that Session III and/or IV include consumer representatives, and those sessions include the prompt “How might RTO/ISO carbon pricing affect consumers? How are these impacts shaped by RTO/ISO designs?”
- Suggested agenda item IV.D raises important issues of ISO/RTO governance and state relations, but appears narrowly tailored towards a particular approach. We suggest it be broadened to include:
  - What, if any, elements of GHG pricing should be addressed in an RTO/ISO tariff? What changes in RTO/ISO governance might be necessary to ensure proper state authority in crafting and implementing these provisions?
  - How can RTOs best incorporate emission pricing signals into their forecasts, analyses, market operations, and decision making? Do RTO analyses of current tariffs and proposed tariff changes adequately consider emissions prices?
- The conference should avoid becoming a forum for critique of state jurisdictional energy or climate policy. In particular, suggested questions I.B, III.C, IV.B, and IV.C could easily stray into review of state policy issues that, though fascinating, are best discussed in other forums.

## II. CONCLUSION

WHEREFORE, for the foregoing reasons, PIOs respectfully request the Commission to convene the requested technical conference or workshop, considering the modifications to the agenda discussed above.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day or the next served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at this 21<sup>st</sup> day of May, 2020.

*/s/ Ashley Leung*  
Natural Resources Defense Council