

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

Inquiry Regarding the Commission’s Proposed Policy on State Determined Carbon Pricing in Wholesale Markets)))))	Docket No. AD20-14-000
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**INITIAL COMMENTS OF THE
BUSINESS COUNCIL FOR SUSTAINABLE ENERGY**

In accordance with the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) request for comments in the subject proceeding, the Business Council for Sustainable Energy (“BCSE” or “Coalition”) respectfully submits the following comments in response to the notice of proposed policy to encourage efforts to incorporate a state-determined carbon price in organized wholesale electricity markets.

I. INTRODUCTION

BCSE is a coalition of companies and trade associations from the energy efficiency, natural gas, and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, public power, industrial manufacturers, commercial end-users, and energy and environmental service companies. BCSE was founded in 1992, and advocates for policies at state, national and international levels that increase the use of commercially-available clean energy technologies, products and services. The coalition’s diverse business membership is united around the revitalization of the U.S. economy and the creation of a secure and sustainable energy future for the country.¹ As BCSE is a diverse coalition, not all BCSE members endorse or take positions on the issues included in these comments. The comments

¹ More information about BCSE is available at: www.bcse.org.

contained in this filing represent the position of BCSE as an organization, but not necessarily the view of any particular member with respect to any specific issue.

II. SUMMARY

BCSE agrees with the Proposed Policy Statement's support of FERC's jurisdiction to consider a state-determined carbon price in wholesale electricity markets. Further, BCSE agrees with the Commission's proposal to carefully consider how carbon pricing would function in wholesale markets, and its intent to review essential elements in advance of any actual proposal. Carbon pricing presents complex questions for wholesale markets, and the Commission's September 30 Technical Conference² provided a strong initial foundation for RTOs/ISOs, states, and the Commission to build upon. The considerations identified by the Commission in the Proposed Policy Statement would generally ensure that RTO/ISO rules incorporating a state-initiated carbon pricing proposal result in wholesale rates that are just, reasonable, and not unduly discriminatory or preferential.

BCSE understands that many important details must be addressed by RTOs/ISOs, stakeholders, and the Commission when considering whether and how to integrate a carbon price into any wholesale electricity markets in the eventual context of considering a specific RTO/ISO proposal under Section 205 of the Federal Power Act ("FPA"). BCSE looks forward to working with states, RTOs/ISOs and other stakeholders as they consider these issues and welcomes further guidance from the Commission.

² FERC Technical Conference regarding Carbon Pricing in Wholesale Electricity Markets, Docket AD20-14-000 (Sep. 30, 2020), <https://www.ferc.gov/news-events/events/technical-conference-regarding-carbon-pricing-organized-wholesale-electricity> ("Technical Conference").

III. BACKGROUND

On September 30th, 2020, the Commission hosted a “Technical Conference Regarding Carbon Pricing in Organized Wholesale Electricity Markets.”³ The overriding goals of the Conference were to gather information on how FERC could effectively incorporate state-initiated carbon prices into wholesale electricity market prices, and analyze whether FERC has the legal authority to do so. The Technical Conference included four panels that discussed different aspects of carbon pricing, including; Legal Considerations for State-Adopted Carbon Pricing and RTO/ISO Markets; Overview of Carbon Pricing Mechanisms and Interactions with RTO/ISO Markets; Considerations for Market Design; and a Closing Roundtable Discussion. At the Technical Conference, numerous stakeholders indicated that the Commission has jurisdiction to consider and approve carbon pricing proposals driven by states and implemented in RTO/ISO markets.⁴

Following the successful conference, on October 15, 2020, the Commission issued the Proposed Policy Statement, in which it proposed a policy encouraging “efforts to incorporate a state-determined carbon price in organized energy markets.”⁵ Importantly, the Commission clarified that it “has the jurisdiction over RTO/ISO market rules that incorporate a state-determined carbon price in those markets.”⁶ The Commission also acknowledged the numerous benefits of a state-determined carbon price identified by panelists,⁷ and agreed that “a state-

³ FERC Technical Conference regarding Carbon Pricing in Wholesale Electricity Markets, Docket AD20-14-000(Sep. 30, 2020).

⁴ [Cite] *See e.g.*, Pre-conference Filing of Air Peskoe, at 1, Pre-conference Filing of Matthew Price, at 8, Pre-conference Filing of Jim Rossi, at 4; *see also*, 73 FERC ¶ 61,602, ¶7.

⁵ 173 FERC ¶ 61,602.

⁶ Proposed Policy Statement at P 7.

⁷ 73 FERC ¶ 61,602, ¶14.

determined carbon price in RTO/ISO markets could, if properly designed and implemented, significantly improve the efficiency of those markets.”⁸

The Proposed Policy Statement included specific questions identifying “information and considerations” which the Commission may use in the future to evaluate any RTO/ISO’s state-implemented carbon price proposal to ensure that such proposal result in rates that are just, reasonable, and are not unduly discriminatory or preferential.

IV. RESPONSES TO SPECIFIC QUESTIONS

Although any FPA Section 205 filing must be reviewed based on the specific facts and circumstances presented in each proceeding, BCSE appreciates the Commission’s willingness to allow interested parties to explore approaches that will incorporate a state-determined carbon price in RTO/ISO markets.⁹

As a diverse coalition with many market participants and stakeholders, a number of BCSE members will be responding to the specific questions posed by the Commission and we respectfully request thoughtful consideration of their input.

V. CONCLUSION

BCSE thanks the Commission for its consideration of this important set of issues, for organizing the September Technical Conference and for releasing the Proposed Policy Statement. The Proposed Policy Statement supports FERC’s jurisdiction to consider a state-determined carbon price in wholesale electricity markets and encourages RTOs/ISOs to bring such proposals to FERC for consideration.

⁸ 73 FERC ¶ 61,602, ¶15.

⁹ 73 FERC ¶ 61,602, ¶15.

Further, the release of the Proposed Policy Statement recognizes the leading role that states are taking to address climate change and shows FERC's interest in working with RTOs/ISOs to incorporate state carbon pricing into the wholesale energy markets. BCSE agrees that it is appropriate for FERC to consider these types of carbon pricing mechanisms and urges the Commission to confirm that it has the authority to review and evaluate RTO/ISO proposed carbon pricing mechanisms.

Finally, BCSE appreciates FERC's measured approach as expressed in the Proposed Policy Statement. As such, pursuant to Section 205 of the FPA, FERC will review future cases based on the circumstances specific to each proposal and characteristics of that market.

Respectfully submitted,



/s/ _____

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