

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

Carbon Pricing in FERC-Jurisdictional	)	
Organized Regional Wholesale Electric Energy	)	Docket No. AD20-14-000
Markets	)	
	)	

**COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 211 of the Commission’s Rules and Regulations,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),<sup>2</sup> submits these comments in support of the filing submitted on April 15, 2020, requesting “that the Commission convene a technical conference or workshop to discuss integrating state, regional, and national carbon pricing in FERC-jurisdictional organized regional wholesale electric energy markets.” The filing parties represent themselves as “a broad cross section of stakeholders, including trade associations representing leading competitive power producers and marketers for traditional, renewable, and advanced energy technologies and some of their individual members; energy policy advocates; environmental advocates; and the trade group for natural gas suppliers.”<sup>3</sup> The Market Monitor agrees that as PJM states and the states in

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<sup>1</sup> 18 CFR § 385.211 (2019).

<sup>2</sup> Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

<sup>3</sup> The filing parties include: Advanced Energy Economy; the American Council on Renewable Energy; the American Wind Energy Association; Brookfield Renewable; Calpine Corporation; Competitive Power Ventures, Inc.; the Electric Power Supply Association; the Independent Power

other organized markets consider how to incorporate carbon pricing into their electric power markets and to better align wholesale power markets with state and regional carbon pricing mechanisms, “the time appears ripe for the Commission to convene a technical conference or workshop on these issues.” We are confident that the omission of market monitors and state public utility commissions from the list of potential contributors to the discussion of carbon pricing was just an oversight and recommend that the views of market monitors and state public utility commissions be included in the technical conference.

We appreciate that the filing parties “are neither asking the Commission to institute a rulemaking proceeding,” nor “suggesting that FERC should direct implementation of a carbon pricing mechanism,” and most importantly that “implementation of a carbon price in organized markets may not necessarily require any formal action by the Commission.”

If the PJM states decide that carbon is a pollutant with a negative value, a market approach to carbon is preferred to an inefficient technology or unit specific subsidy approach or inconsistent RPS rules that in some cases subsidize carbon emitting resources. Implementation of a carbon price is a market approach which would let market participants respond in efficient and innovative ways to the price signal rather than relying on planners to identify specific technologies or resources to be subsidized. Implementation of a carbon price using RGGI or a similar market mechanism by the states would mean that the states control the carbon price and that no FERC approval would be required and no PJM rule changes would be required. The carbon price would become part of the marginal costs of power plants and the impacts on production and consumption decisions would be market based. States would control the resulting revenues. This is the case regardless of the number of PJM states that join RGGI or a similar market.<sup>4</sup>

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Producers of New York, Inc.; LS Power Associates, L.P.; the Natural Gas Supply Association; NextEra Energy, Inc.; PJM Power Providers Group; R Street Institute; and Vistra Energy Corp.

<sup>4</sup> See, e.g., Market Monitor, 2019 State of the Market Report for PJM, Vol. 2 (March 12, 2020) at 1.

The Market Monitor continues to recommend that PJM provide a full analysis of the impact of carbon pricing on PJM generating units and carbon pricing revenues to states in order to permit states to consider the development of a multistate framework: for RECs markets; for potential agreement on carbon pricing including the distribution of carbon revenues; and for coordination with PJM wholesale markets. Hopefully, PJM would contribute such an analysis to the technical conference.<sup>5</sup>

An inclusive and wide ranging discussion of carbon pricing in wholesale power markets is overdue. A technical conference or workshop to facilitate such a discussion would be timely and productive.

The Market Monitor respectfully requests that the Commission grant the request and convene a technical conference or workshop in this proceeding.

Respectfully submitted,



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Dated: April 20, 2020

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<sup>5</sup> See, e.g., *id.* at 52.

## **CERTIFICATE OF SERVICE**

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

Dated at Eagleville, Pennsylvania,  
this 20<sup>th</sup> day of April, 2020.



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