

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

**Carbon Pricing in FERC-Jurisdictional)
Organized Regional Wholesale Electric) Docket No. AD20-14-100
Energy Markets)
)**

**JOINT COMMENTS OF THE EIM ENTITIES REGARDING THE TECHNICAL
CONFERENCE OR WORKSHOP REQUESTED BY 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.**

The EIM Entities, collectively Arizona Public Service Company (“APS”), Avista Corporation (“AVA”), Balancing Authority of Northern California (“BANC”), Bonneville Power Administration (“BPA”), Idaho Power Company (“Idaho Power”), The City of Los Angeles, Department of Water and Power (“LADWP”), NV Energy (“NV Energy”); PacifiCorp, Portland General Electric Company (“PGE”); Powerex Corp. (“Powerex”), Public Service Company of New Mexico (“PNM”), Puget Sound Energy, Inc. (“PSE”), Salt River Project (“SRP”), The City of Seattle, acting by and through its City Light Department (“Seattle City Light”), The City of Tacoma, Department of Public Utilities, Light Division (“Tacoma Power”), Tucson Electric Power (“TEP”), Turlock Irrigation District (“TID”); and NorthWestern Corporation d/b/a NorthWestern Energy (“NWE”), hereby respectfully submit the following comments regarding the Request for a Technical Conference or Workshop filed on April 13, 2020 by Advanced Energy Economy, the

Electric Power Suppliers Association, and a diverse group of other stakeholders as identified in the caption to these comments (the “Interested Parties”).

The EIM Entities are active market participants or have executed relevant agreements with the California Independent System Operator (“CAISO”) to participate in the Western Energy Imbalance Market (“EIM”) administered by the CAISO. On the currently planned implementation schedule, by 2022, over three-quarters of the load in the Western Interconnection will be served through the EIM. The EIM Entities are a diverse group that includes both public utilities, public power entities, and a federal power marketing administration. The EIM Entities serve load and also bid a broad array of resources that include emitting and non-emitting resources into the multi-state EIM, which has a variety of clean energy and carbon regulations among the states within the market footprint. This diversity and breadth of experience puts the EIM Entities on the front line of managing market and clean energy pricing issues in the West and gives the EIM Entities a unique perspective on the matters that may be discussed at the technical conference. As explained herein, the EIM Entities do not oppose the Commission’s use of its convening authority to bring together stakeholders involved in regional and state greenhouse gas or carbon pricing policy for the purpose of exchanging ideas. Should the Commission convene a technical conference or workshop, the EIM Entities request the Commission allot due time and consideration to western perspectives, where market participants and stakeholders have been grappling with complex issues involving the interaction between state carbon pricing policies within energy markets for a number of years.

I. INTRODUCTION

The EIM Entities have gained experience with carbon pricing in wholesale energy markets through the implementation of California's cap-and-trade program. Unlike any other carbon pricing program in the United States, the California cap-and-trade program regulates emissions associated with energy imported into the state. California's approach to regulating imports has been to identify and assign the compliance obligation to the entity importing the energy to California and to quantify emissions associated with those imports based on whether an import is from a "specified" or "unspecified" source. This approach has proved challenging to implement with the introduction of the EIM which overlaid an organized market structure across a broad western footprint. Key challenges in implementing California's carbon pricing into the EIM include: (1) how to accurately identify the energy source being imported to serve California load; and (2) how to ensure energy is dispatched with a carbon price when dispatched to serve California load and without a carbon price when serving load outside of California. Because the EIM Entities have participated in extensive stakeholder processes working through these challenges, they have unique perspective and experience associated with carbon pricing within an organized market framework.

The EIM Entities are also part of an on-going stakeholder process being run by the California Independent System Operator ("CAISO") to consider formation of an Extended Day-Ahead Market, or EDAM, that would potentially facilitate day-ahead unit commitment and optimization across the EIM footprint. Consideration of EDAM includes a broad range of market design and policy issues which are essential to deliver the potential efficiencies of the market while respecting state policy prerogatives, including proper dispatch and pricing for states with carbon

pricing policies while also ensuring states who have not adopted carbon pricing policies are not improperly affected.

II. COMMENTS

Based upon their experience with California's cap-and-trade program as exercised in the EIM, and initial thinking on EDAM, the EIM Entities have developed the following principles, which articulate the parameters around which a comprehensive solution may be developed to address a carbon pricing policy:

- 1) To the maximum extent possible, market design should fairly reflect and be consistent with and not undermine state policy objectives;
- 2) Jurisdictions that have not adopted a greenhouse gas or renewable procurement policy should not be improperly affected, directly or indirectly, by policies adopted by other jurisdictions;
- 3) The entity responsible for the output of a resource, as defined by a jurisdiction's policy, should receive the full greenhouse gas or renewable benefit and bear the full greenhouse gas cost of that resource;
- 4) The method for assigning and verifying compliance obligations under a specific greenhouse gas or renewable procurement policy should be consistent with or reconciled to how the market design allocates costs and benefits;
- 5) Renewable and non-emitting resources outside of jurisdictions with greenhouse gas policies should not be unfairly disadvantaged compared to renewable and non-emitting resources inside jurisdictions with greenhouse gas programs.

These principles inform the EIM Entities' engagement with stakeholder processes for EIM as well as EDAM. A multi-faceted approach is likely needed to continue to assess the policy and market design implications described above and develop solutions. To enable the success of expanding organized markets in the West, it is imperative that the market design support the policy objectives of individual states. Similarly, state carbon pricing policies should support market

expansion and increased partnerships in the West that are, in part, aimed at more reliably and affordably integrating increasing amounts of renewable energy.

III. CONCLUSION

For the reasons explained above, the EIM Entities do not oppose the Commission's use of its convening authority to bring together a diverse array of stakeholders involved in regional and state greenhouse gas or carbon pricing policy for the purpose of exchanging ideas on a significant issue facing wholesale electric energy markets today. Should the Commission determine to convene a technical conference or workshop, the EIM Entities urge the Commission to afford due time and consideration to inclusion of western perspectives, including those of the EIM Entities.

Dated: May 21, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing document to be served to the service list established by the Secretary in this proceeding.

Dated at Sacramento, California, this 21st day of May 2020.

/s/Amy Freeman

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