UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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

MOTION TO INTERVENE AND COMMENTS OF POTOMAC ECONOMICS

On April 13, 2020, 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 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. (together, the "Interested Parties") filed a request that the Commission hold a technical conference or workshop to discuss integrating state, regional, and national carbon pricing in FERC-jurisdictional organized regional wholesale electric energy markets.

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission, 18 C.F.R. §§ 385.212 and 214 (2019), Potomac Economics respectfully moves to intervene and submits these comments in the above-captioned proceedings.

I. NOTICE AND COMMUNICATIONS

All correspondence and communications in this matter should be addressed to:

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II. COMMENTS

Many states have adopted ambitious public policy goals for decarbonizing the electricity sector in recent years, and such policy goals often entail support for specific technologies and/or projects. This is partly because the current wholesale markets do not fully price many externalities of electricity generation, including environmental emissions.

Robust market incentives can help states to satisfy these goals at a reasonable cost. Market price signals could help shift investment towards renewable energy projects that are more effective in displacing fossil-fuel generation as well as flexible resources that are more effective in helping to integrate intermittent renewable generation.

Currently, the Minimum Offer Price Rules ("MOPR" also known as Buyer Side Mitigation rules) that exist in several wholesale markets are designed to ensure that subsidized investment does not suppress capacity prices below competitive levels. These rules foster confidence in the market and the competitiveness of future prices. These rules are not intended to deter states from promoting clean energy and other legitimate public policy objectives. However, the BSM rules should strike a reasonable balance between: (a) protecting the integrity of the market by preventing capacity price suppression, and (b) facilitating the state's efforts to shape its resource mix to achieve its policy objectives.

Recognizing the need to harmonize state policies with its markets, some ISOs and RTOs have worked with their stakeholders to integrate the cost of carbon into wholesale electricity markets in a technology-neutral, non-discriminatory manner. The costs of reducing CO_2 emissions varies by technology and location. We support cap-and-trade and other carbon pricing approaches because they are applied to all participants in a transparent and non-discriminatory manner, which should motivate efficient decisions that minimize the costs of satisfying the carbon reduction objective.

We agree with the Interested Parties that a technical conference or workshop could be helpful for promoting mechanisms for harmonizing public policies with wholesale markets to the ultimate benefit of consumers.

Respectfully submitted,

/s/ David B. Patton

David Patton
President
Potomac Economics, Ltd.

May 21, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have this day e-served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 21st day of May 2020 in Fairfax, VA.

/s/ David B. Patton