

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

**Carbon Pricing in Organized
Wholesale Electricity Markets**)
)

Docket No. AD20-14-000

**COMMENTS OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits these comments in the above-captioned proceeding.

On October 15, 2020 the Commission issued a Notice of Proposed Policy Statement on Carbon Pricing in Organized Wholesale Electricity Markets. In its notice, the Commission indicated its intent to issue a policy statement “to encourage efforts to incorporate a state-determined carbon price in organized wholesale electricity markets”.¹ DMM supports the direction of the Commission’s Proposed Policy Statement to encourage RTOs/ISOs, states, market participants and consumers to explore incorporating state-determined carbon pricing into wholesale energy markets.

The Commission sought comment on the “information and considerations” that the Commission proposes to consider when evaluating section 205 filings to incorporate carbon pricing in wholesale electricity markets.² The considerations that the Commission lists have been evaluated by the Commission in CAISO tariff filings to enhance its greenhouse gas

¹ *Notice of Proposed Policy Statement re Carbon Pricing in Organized Wholesale Electricity Markets under AD20-14*, Docket No. AD14-20-000, October 15, 2020. (“Proposed Policy Statement”)

² *Proposed Policy Statement*, p. 13.

pricing design to address impacts of the Western Energy Imbalance Market. DMM thinks the information and considerations listed seem reasonable.

The Commission's Proposed Policy Statement states:

Accordingly, we propose to make it the policy of this Commission to encourage efforts by RTOs/ISOs and their stakeholders—including States, market participants, and consumers—to explore establishing wholesale market rules that incorporate state-determined carbon prices in RTO/ISO markets.³

DMM supports the Commission's proposed direction to encourage collaboration among RTOs/ISOs and states to integrate state-determined carbon policies into wholesale markets. As the CAISO has indicated, the CAISO and its stakeholders, including state entities, continue to work together to refine its greenhouse gas pricing design as the Western Energy Imbalance Market expands to include entities in states with their own carbon emission reduction programs, and states without carbon emission reduction programs.⁴

As more entities in states across the West join the Energy Imbalance Market, continued coordination among the CAISO, stakeholders, and state entities to determine how various state policies can be reflected in the CAISO market will remain important. While integrating several different carbon pricing regimes in a single ISO market may prove challenging, ongoing discussion among RTOs/ISOs and states is imperative to both

³ *Proposed Policy Statement*, p.12.

⁴ *Motion to Intervene and Comments of the California Independent System Operator Corporation*, Docket No. AD14-20-000, May 19, 2020, pp. 3-4: http://www.aiso.com/Documents/May19-2020-Intervention-Comments_CarbonPricingFERCJurisdictionalOrganizedRegionalWholesaleElectricEnergyMarkets-AD20-14.pdf

preserve state authority over development of carbon emission reduction policies and ensure that state-determined carbon pricing can be efficiently integrated in ISO markets.

Respectfully submitted,

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Independent Market Monitor for the California
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Dated: November 16, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 16th day of November, 2020.

/s/ Candace McCown
Candace McCown