
FERC Opens Pandora's Box

In mid-October, the Federal Energy Regulatory Commission (FERC) issued a [“Proposed Policy Statement](#) on Carbon Pricing In Organized Wholesale Electricity Markets.”¹ (Carbon pricing could refer to either a carbon tax or a cap-and-trade system.) The proposal has generated a fair amount of controversy.

The Commission says that it issued the proposal for two reasons. The first is to explain that it has jurisdiction over grid operator rules that incorporate a carbon price. That part does not seem very controversial and, therefore, has caused some, including now-Commission Chairman Danly, to challenge why the explanation was necessary. The second reason is to “encourage efforts to incorporate a state-determined carbon price” (emphasis added) in grid operator market rules. So far, only one of the nation’s seven grid operators (the California Independent System Operator) has adopted a carbon price. In addition, 39 states do not have a carbon price, although many of them have taken other steps to reduce carbon emissions.

More than 70 parties, including America’s Power, submitted Initial Comments with the Commission in response to the proposal. Our [Initial Comments](#) filed in mid-November urged the Commission to withdraw its proposal because it could be misconstrued as pressuring states and grid operators to price carbon, which would raise electricity prices and cause more coal retirements. Also, that would exceed FERC’s legal authority under the Federal Power Act.

After reviewing the Initial Comments filed by other parties, we again urged the Commission to withdraw its proposal. Our [Reply Comments](#) catalogued more than 20 different concerns that were raised in other comments, which indicated to us that the Commission had opened a Pandora’s Box² without considering what the Biden administration might do about carbon. To be clear, FERC has very talented staff who are accustomed to difficult issues, but carbon pricing is one they don’t need to tackle right now. So our Reply Comments recommended that the Commission:

- Withdraw the proposal, as we urged initially;
- Wait to see what steps the incoming Biden Administration takes to address carbon emissions;
- Then decide what FERC actions or policies might be necessary in light of the new Administration’s policies; and
- In the meantime, seek more feedback from stakeholders, especially states and electricity consumers.

We look forward to working with all five Commissioners, including newly-confirmed Commissioners Clements and Christie, to seek their support for our recommendation.

¹ United States Federal Energy Regulatory Commission, “Carbon Pricing in Wholesale Electricity Markets, Docket AD20-14-000, Issued October 15, 2020.”

² According to Wikipedia, Pandora’s Box has come to mean “any source of great and unexpected troubles,” or, alternatively, “a present which seems valuable but which in reality is a curse.”