UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Carbon Pricing in Organized Wholesale Electricity Markets) Docket No. AD20-14-000

OPENING REMARKS

Good afternoon. My name is Michael Mager, and I am counsel to Multiple Intervenors, an association of approximately 60 of New York's largest industrial, commercial, and institutional energy consumers. Multiple Intervenors participates in the NYISO's stakeholder process, and has been very active in the examination of carbon pricing issues therein.

Initially, large energy consumers generally are very supportive of efforts to reduce carbon emissions. Many of Multiple Intervenors members, for instance, are expending substantial resources to reduce their own carbon footprints. Multiple Intervenors recognizes some of the potential advantages of carbon pricing. At a high level, it is preferable to have the cost of carbon reflected in competitive market outcomes, as compared to through a series of policies dependent upon out-of-market payments of differing magnitudes. That noted, the development of a draft carbon pricing proposal within the NYISO stakeholder process revealed a number of areas of concern for large energy consumers that warrant consideration.

The first set of concerns relates to the appropriate scope of a carbon pricing program. The NYISO is a single-state ISO. Multiple Intervenors members have concerns that the possible implementation of carbon pricing would raise wholesale energy prices in New York, possibly materially. If New York is the only state, or one of only a few states, to implement carbon pricing, the resulting higher prices could place energy-intensive consumers operating in New York at a competitive disadvantage vis-à-vis consumers located in other states. Relatedly, there are

concerns about singling out the electric power sector for carbon pricing. In New York, for example, the transportation, residential building, and commercial building sectors each are responsible for greater carbon emissions than the electric power sector.

The second set of concerns relates to how the social cost of carbon would be calculated and updated from time to time. Should setting the social cost of carbon – which would be a major input into wholesale energy prices – be delegated to individual states? If so, what are the standards, if any, for ensuring that the social cost of carbon utilized results in just and reasonable prices? Why should carbon cost more in one state than another, and how would carbon pricing impact imports and exports of electricity? Once set, would the social cost of carbon be adjusted periodically in a manner transparent to the market, or could states simply increase or decrease the social cost of carbon whenever they want, and to whatever value they want?

The third set of concerns relates to the treatment of carbon revenues. The draft carbon pricing proposal developed in the NYISO stakeholder process – which has yet to be voted upon by stakeholders or endorsed by the State – relies on assessing a carbon charge to emitting resources. Such charge would produce certain carbon revenues. Pursuant to the draft proposal, carbon revenues would be returned to load-serving entities via the settlement process. There are concerns, however, about whether carbon revenues would be used solely to mitigate the price impacts of carbon pricing, or if, alternatively, the State or other entities would seek to usurp those funds for other purposes. From the perspective of large energy consumers, if carbon pricing is implemented and results in higher prices on a per MWh basis, all offsetting carbon revenues should be used to moderate those impacts on the same per MWh basis. There also are a myriad of issues related to how carbon revenues should be allocated within an ISO. The NYISO has 11 different load zones, and regions within New York have markedly-different wholesale energy price levels

and carbon intensities. The approach utilized to allocate carbon revenues can have material and potentially-disparate impacts on consumers within particular regions.

The fourth set of concerns – and the last I'll mention now – relates to whether carbon pricing can be implemented in a manner that protects consumers from double payments. In New York, consumers already are obligated to fund a large number of existing, fixed-price REC contracts. These out-of-market payments to renewable generation owners are intended to incentivize emission-free generation. If carbon pricing were to be implemented in New York, holders of those contracts – most of which are in the early stages of 20-year terms – would receive double payments for the same emission-free attributes: once via fixed-price REC payments and a second time via higher wholesale energy prices due to carbon pricing.

In conclusion, the debate about the pros and cons of carbon pricing cannot be divorced from the numerous underlying, implementation-type issues, the resolution of which may have significant impacts on consumers. As the saying goes, "the devil is in the details."

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