

Staff Briefing Papers

Meeting Date	November 12, 2020	Agenda Item 3
Company		
Docket No.	In the Matter of the Federal Energy Regulatory Commission (FERC) Proposed Policy Statement on State-Determined Carbon Pricing in Wholesale Markets, FERC Docket No. AD20-14-000	
Issues	Should the Minnesota Public Utilities Commission (MPUC) intervene in FERC Docket No. AD20-14?	
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 Relevant Documents	Date
FERC Policy Statement	October 15, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issues

Should the MPUC intervene in FERC Docket No. AD20-14?

II. Background

After convening the September 30, 2020 technical conference on state-determined carbon pricing in organized wholesale electricity markets operated by regional transmission organizations (RTOs) and independent system operators (ISOs), the Federal Energy Regulatory Commission (FERC), on October 15, 2020, issued a Notice of Proposed Policy Statement to clarify its jurisdiction over RTO/ISO market rules that incorporate a state-determined carbon price and to encourage RTO/ISO efforts to explore and consider the benefits of potential Federal Power Act (FPA) section 205 filings to establish such rules.

FERC seeks comment on whether the questions set out below are the appropriate information and considerations FERC should take into account when evaluating whether FPA Section 205 proposals to incorporate a state-determined carbon price in RTO/ISO markets are just, reasonable and not unduly discriminatory or preferential or whether different or additional considerations should be taken into account.

- a. How, if at all, do the relevant market design considerations change depending on the manner in which the state or states determine the carbon price (e.g., price-based or quantity-based methods)? How will that price be updated?
- b. How does the FPA section 205 proposal ensure price transparency and enhance price formation?
- c. How will the carbon price or prices be reflected in LMP?
- d. How will the incorporation of the state-determined carbon price into the RTO/ISO market affect dispatch? Will the state-determined carbon price affect how the RTO/ISO co-optimizes energy and ancillary services? Are any reforms to the co-optimization rules necessary in light of the state-determined carbon price?
- e. Does the proposal result in economic or environmental leakage? How does the proposal address any such leakage?

Initial comments are due by November 16, 2020 and reply comments are due by December 1, 2020.

III. Staff Analysis

Under Rule 214 of the FERC's Rules of Practice and Procedure, 18 C.F.R. § 385.214, the Commission can become a party to FERC docket by submitting the notice of intervention. It is a common practice to file a doc-less intervention notice to maintain party status and to protect the legal right to participate in the proceeding without filing comments at this time.

IV. Decision Options

A. The MPUC could:

1. File a doc-less notice of intervention in FERC Docket No. AD20-14.
2. Take no action.

Staff recommendation: 1