UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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

TESTIMONY OF JOSEPH WADSWORTH ON BEHALF OF THE ENERGY TRADING INSTITUTE

My name is Joseph Wadsworth; I am speaking on behalf of the Energy Trading Institute. Our members are active in nearly all facets of the wholesale markets, including development of and risk hedging for clean energy resources. We rely on healthy market design and transparent price signals to compete. The LMP construct in energy markets is a two-decade success story of providing transparent price signals, driving efficient dispatch of resources, and creating competition that has benefited consumers. Integrating carbon pricing into this powerful market mechanism will lead to the same success story for meeting state-jurisdictional clean energy goals while preserving the integrity of the FERC-jurisdictional energy markets and providing competitive benefits to consumers.

If a sustainable, robust carbon price is implemented in the energy markets, the spot market will reflect this value in LMP, prioritize clean energy resources for dispatch, and reward those resources for their clean output. The transparent, locational price signal will alert market participants of a clean energy opportunity by producing the most carbon-intensive price at nodes with high-emitting resources, exactly the reason for utilizing LMP.

Similarly, bilateral markets will incorporate the carbon price into forward energy prices, sending a signal to market participants to deploy capital into clean energy resources, which aligns with state policy goals. The carbon price signal bolsters revenue opportunities in the forward bilateral markets, creating an in-the-

market incentive for resource entry. By moving more revenue to the energy market, these resources need less revenue from other sources such as capacity markets, renewable energy certificate markets, subsidies, and outside-the-market contracts. In addition, investors and developers have an established set of trading partners providing healthy dynamic competition for project financing, hedging forward revenue and operational risk, and boosting project viability. This, combined with a clear carbon price signal, enables the market to work to develop clean energy resources where they're needed and, in the long run, drive down prices with low cost, clean power.

Incorporating a carbon price in the energy market to meet policy goals largely shields consumers from bearing cost risk associated with subsidies and outside-the-market contracts. Rather, market participants will bear the resource performance and transaction risk and will be subject to competitive pressure, as it should be. Furthermore, while it likely depends upon policy at the state level to determine the allocation, ETI strongly believes the net revenues collected through a carbon price must flow back to consumers in some manner; consumers must be the ultimate beneficiaries.

Incorporating carbon pricing in the energy markets requires a supporting suite of well-functioning market products and attributes, including:

- Financial transmission rights, both short and long term, to provide nodal hedging instruments and forward nodal price transparency to facilitate resource entry,
- Leakage pricing,
- Ancillary services and reliability products to accommodate distributed resources and intermittency,
- Scarcity pricing, and
- Virtual transactions at the nodal level for day-ahead and real-time market convergence.

Finally, we encourage the Commission to pursue a Notice Of Inquiry following this technical conference to further advance the record on this topic. I look forward to our panel's discussion. Thank you.