BACKGROUND

Over the past nine months, the Majority Members of two Committees of the House as well as a special Committee appointed by the Senate Minority Leader each have issued outlines of their proposed approach to regulating carbon emissions.[1] In each case, the proposals are broad policy outlines rather than actual legislation. And although there is virtually no chance of this legislation being adopted in this Congress, each of these proposals are intended as 'markers' for any future legislation and set the groundwork for potential executive actions should there be a change in control of the White House after the November elections. Each of these proposals is notable in that each of them, to varying degrees, signal a departure from the traditional methods of regulating greenhouse gas emissions.

In the past, the regulatory program for regulating GHGs was centered on either the regulation of an overall cap on carbon emissions as exemplified in the 2009 Waxman Markey legislation (with strong incentives for cap and trade) or the direct regulation of emissions from the power plant as exemplified by the Obama Administration's Clean Power Plan. In marked contrast, the various proposals from the House and Senate Democratic members have focused on the creation of a national Clean Energy Standard (CES) (at very high levels of mandated purchases of renewables) with new federal requirements placed directly on load serving entities to meet those targets through their purchases (with the option of allowance trading).

PJM wishes for the panel to help stakeholders explore the implications of a move to a national CES in lieu of a federally-declared price on carbon. The purpose of this panel is not to debate the question of *whether* Congress should pass such legislation but instead to focus on a discussion of whether such a regulatory program, particularly at very high levels of required clean energy purchases, raise any operational or market issues and *how* those issues can best be addressed in the overall regulatory program should one be crafted by the Congress at a point in the future. As the proposals in Congress have, to date, only been addressed at this broad conceptual level, many of these details of implementation have not yet been fully vetted.

PJM sees this stakeholder panel discussion as helping to focus all parties on identifying what are those implications, if any. Our goal is to help stakeholders, to the extent they are involved in the Congressional debates through their national associations or otherwise, formulate suggestions as to how Congress (or PJM) could ameliorate any adverse impacts to this region (or nationwide) through either direction in legislation or through other details of implementation that would be aided by federal policymaker guidance.

[1] These reports can be accessed at https://energycommerce.house.gov/newsroom/press-releases/ec-leaders-release-framework-of-the-clean-future-act-a-bold-new-plan-to; https://climatecrisis.house.gov/report; and https://www.democrats.senate.gov/newsroom/press-releases/senate-democrats-climate-committee-releases-new-report-on-climate-action-plan-to-build-clean-economy-for-american-people

QUESTIONS FOR CONSIDERATION

1. **Are there any reliability considerations that should be considered as the legislative proposal is being drafted? As a clean energy standard would presumably apply across the nation, how would the panel suggest that those issues be addressed by the drafters of the legislation?**

2. **Without seeking to debate the capacity market in this forum, would a high national CES increase or decrease the importance of the capacity market to provide a revenue stream for back-up generation needed to ensure resource adequacy?**

3. **Some of the legislative proposals place the requirement to purchase clean energy resources on load serving entities, albeit while allowing trading. Would placing this portfolio requirement directly on LSEs (as opposed to adoption of a carbon price) potentially cause challenges for LSEs' compliance with the law as they would continue to be billed for PJM's procurement of ancillary services and resources needed for resource adequacy?**

    a. **Should policymakers at the federal level provide explicit recognition of the need for such procurement of balancing resources when they go to set the national CES mandate on load serving entities?**

    b. **Should consideration be given to placing the CES obligation on the region rather than on the LSE? What are the pros and cons of such an approach?**

4. **Would a national CES level requiring high levels of renewable purchases increase the amount of generation that is purchased through bilateral agreements and self-supply vs. the spot market? What are the implications for the spot market in such a case?**

5. **Are there any issues to consider if the legislation were to set a national CES but allow states to exceed that standard?**

6. **What are the lessons from the recent California experience that would be instructive to consider in crafting an approach based on a national CES?**

7. **Does the fact that the majority of PJM states have unbundled and separated generation from transmission and distribution signify any unique attributes that should be considered as policymakers seek to craft national legislation? Are there other characteristics of the PJM region that deserve unique consideration in the design of a national CES?**