

***Because That's  
Where the Money Is:  
The FERC,  
Cap-and-Trade, and  
Containing Costs***

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# ***Containing Costs of Cap-and-Trade***

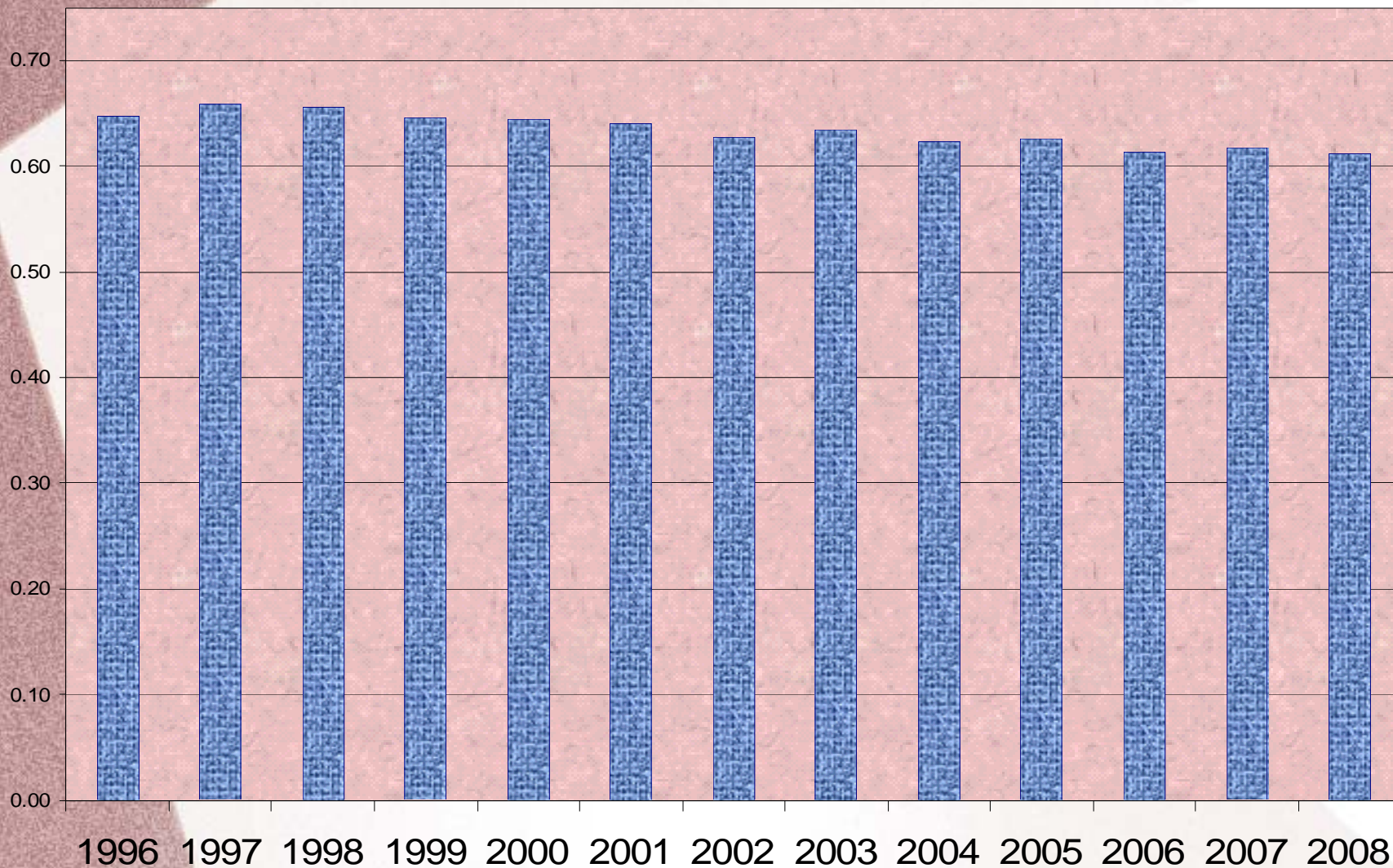
- **“As we contemplate cap and trade, we need to ensure that the cost of carbon permits does not become either excessively high or excessively volatile.”**

**Senator Jeff Bingaman, 9/15/2009**

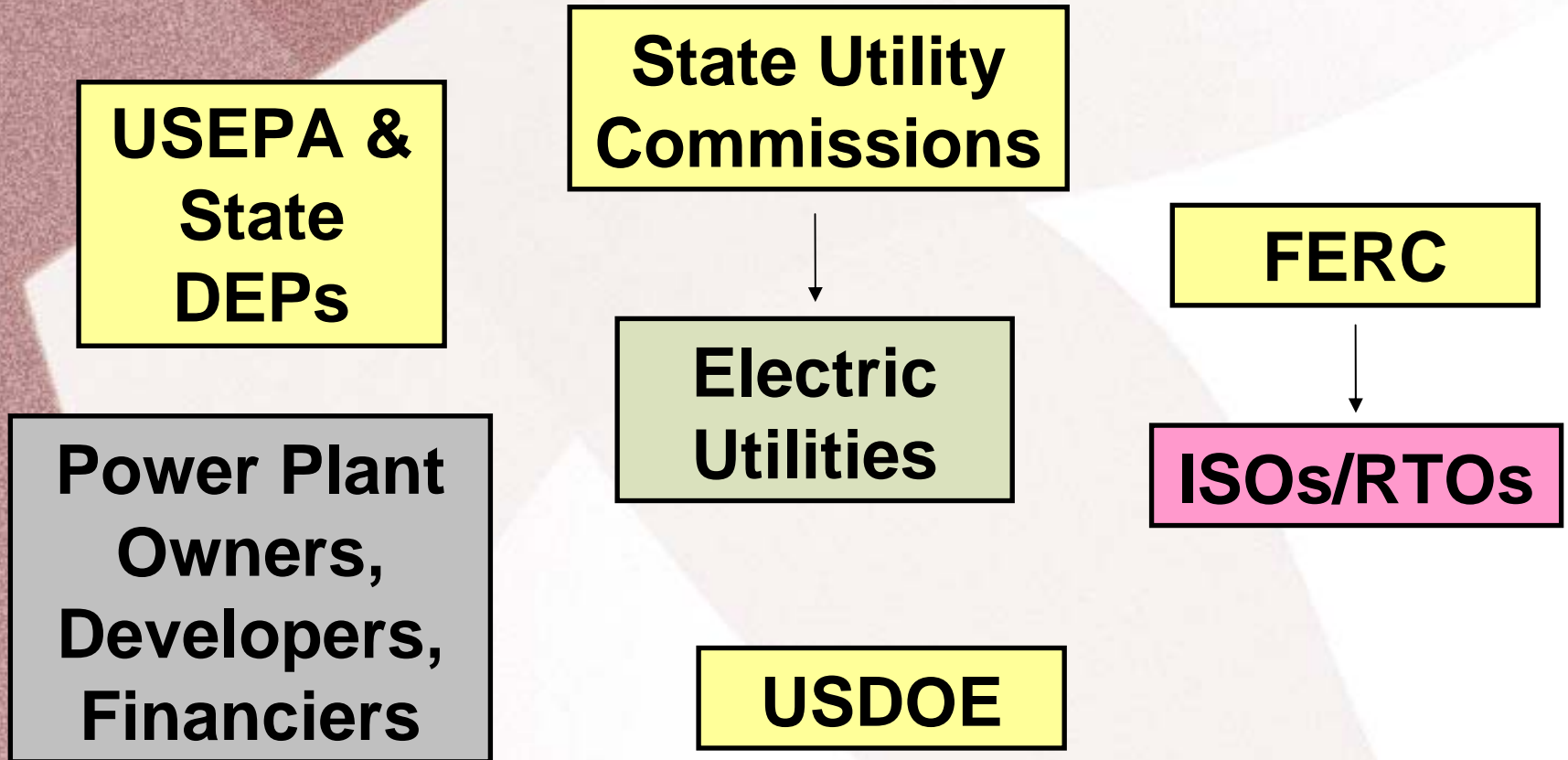
- **“Effectively dealing with . . . cost containment and price volatility in a cap and trade market is clearly essential to any legislation that has a chance of passing.”**

**Senator Lisa Murkowski, 9/15/2009**

# ***CO2 Emissions per MWh 1996-2008***



# *Where's the leverage?*



# ***Build? Keep? Retire?***

## **Expected revenues**

- **Energy**
- **Capacity**
- **Ancillary services**

**Enough to cover costs, earn a return?**

# ***FERC Authority***

## **Wholesale electricity markets**

- Energy**
- Capacity**
- Ancillary services**

## **Transmission**

- Access to markets**

# ***FERC's Mission***

**Reliable, efficient and sustainable energy services at a reasonable cost.**

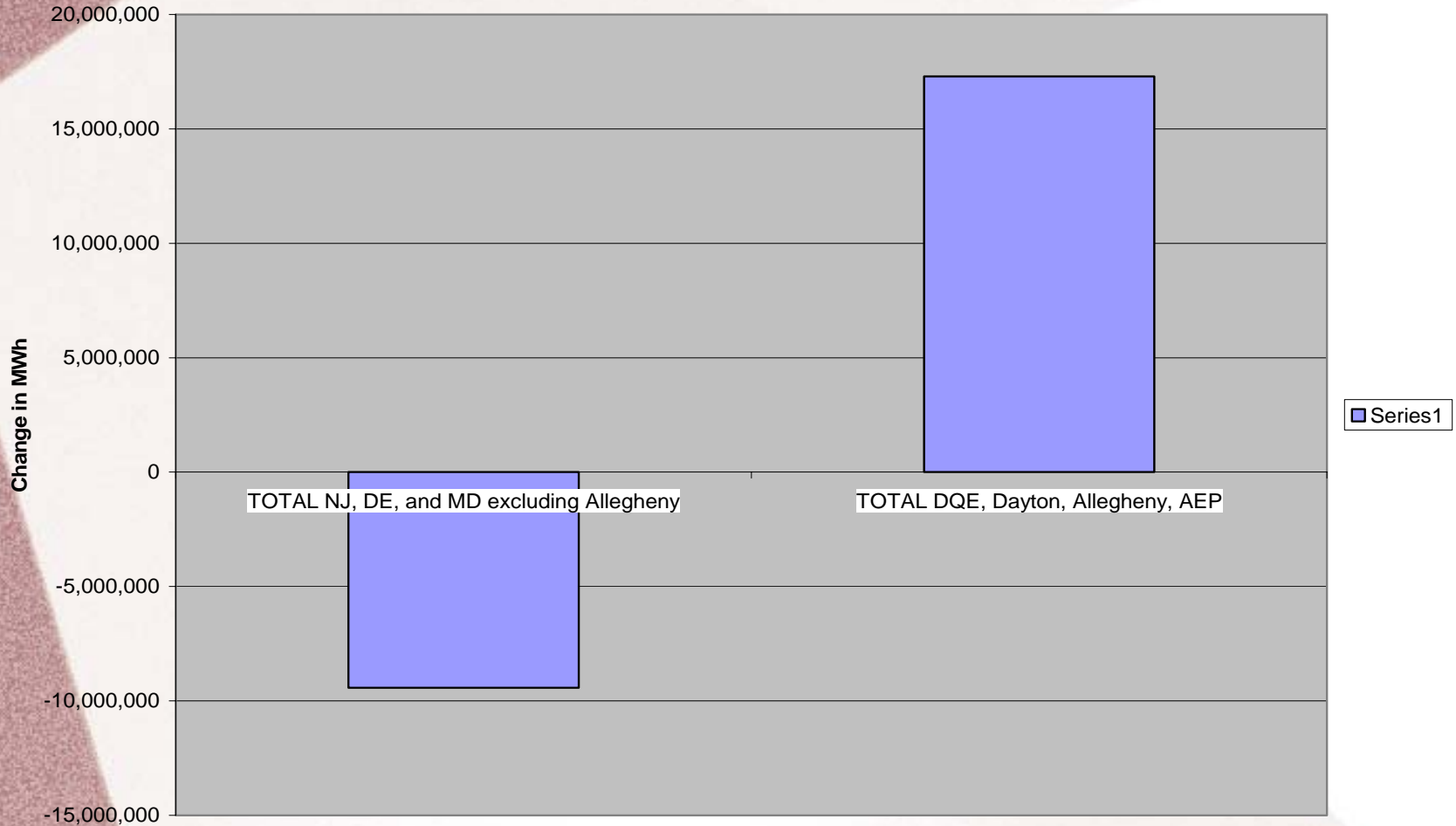
- **Just, reasonable rates - not unduly discriminatory or preferential.**
- **Promote development of safe, reliable and efficient energy infrastructure that serves public interest.**

# ***Market Designs - Outcomes***

- **Nuclear retention/uprates**
- **Fossil retrofits – air pollution controls**
- **Retirements forestalled/canceled**
- **Few new builds**
- **Lowest capital costs/fastest time to market**

# Transmission - Outcomes

Figure 1. Effect of 2012 RTEP on Net Generation



# ***A Modest Proposal***

- **Consider CO2 impacts**
  - **Wholesale market design**
  - **Transmission planning**
- **Legislation**