

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

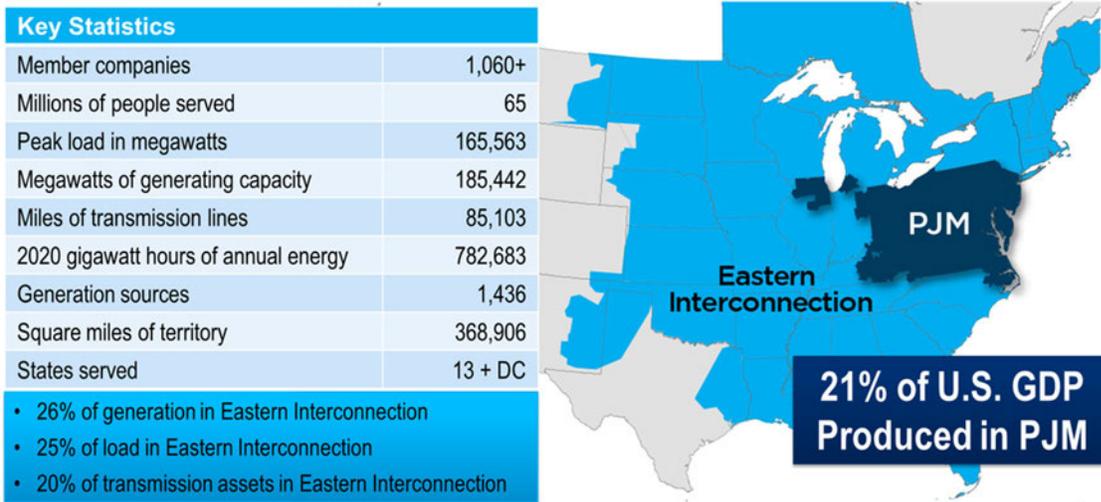
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)	Release Nos.
<i>The Enhancement and Standardization</i>)	33-11042 & 34-94478
<i>of Climate-Related Disclosures for Investors</i>)	File No. S7-10-22
)	

COMMENTS OF PJM INTERCONNECTION, L.L.C.

PJM Interconnection, L.L.C. (“PJM”) submits these comments in response to the Securities and Exchange Commission’s (“SEC”) proposed rule in the above-referenced docket. PJM appreciates the opportunity to participate in this proceeding.

PJM is the independent, federally regulated regional transmission organization (“RTO”) serving 65 million customers in an area spanning all or portions of Illinois, Indiana, Michigan, Kentucky, Tennessee, Ohio, West Virginia, North Carolina, Virginia, Maryland, Delaware, Pennsylvania and New Jersey and the District of Columbia. PJM is interconnected with neighboring systems in the Eastern Interconnection, which geographically covers over two-thirds of the United States and Canada.

PJM as Part of the Eastern Interconnection



As of 2/2022

PJM delivers power from the high-voltage transmission grid to local distribution utilities, who then are responsible for delivery to end-use customers. The states and communities that make up PJM have diverse policies impacting the bulk electric power grid. Many of these policies focus on clean-energy issues, including in-state generation, renewable portfolio standards, zero-emission credits, carbon pricing and offshore wind auctions, in addition to electrification goals.

Without taking any position on the merits in the above-referenced docket, PJM supports¹ the SEC’s flexibility and openness to allowing registrants to include alternative methods for calculating certain greenhouse² gas (“GHG”) emissions for purchased electricity in any new SEC disclosure requirements (the “GHG Emissions Disclosure Requirement”).³ In declining to mandate adherence to any one methodology to determine GHG emissions, the SEC correctly recognizes that eschewing a rigid approach “provide[s] some flexibility to the Commission’s climate-related disclosure regime and enable[s] registrants to follow new and potentially less costly methodologies as they emerge.”⁴

¹ PJM’s comments here relate to questions 115, 124, and 125 in the SEC’s proposed rule regarding the methodology used to calculate emissions. *See* Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors, Securities and Exchange Commission, 87 FR 21334-01 (Apr. 11, 2022) (the “Proposed Rule”).

² The proposed rules would define “greenhouse gases” as carbon dioxide (“CO₂”); methane (“CH₄”); nitrous oxide (“N₂O”); nitrogen trifluoride (“NF₃”); hydrofluorocarbons (“HFCs”); perfluorocarbons (“PFCs”); and sulfur hexafluoride (“SF₆”).

³ Although the SEC recognizes two common methods for calculating Scope 2 emissions for purchased electricity (the market-based method and the location-based method), the door is left open for “another method as long as [the registrant] identifies the method used and its source.” Proposed Rule, at *21387 & accompanying n.522.

⁴ Additionally, the CFTC, in recommending the SEC update their Guidance Regarding Disclosure Related to Climate Change, stated that “[r]egulators should also acknowledge, in any rulemaking, that climate disclosure standards continue to evolve, and it could provide issuers flexibility, where appropriate, to adopt these evolving standards.” COMMODITY FUTURES TRADING COMM’N, MANAGING CLIMATE RISK IN THE U.S. FINANCIAL SYSTEM 133 (Sept. 9, 2020), <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>.

PJM agrees. PJM, in collaboration with its stakeholders, continues to develop and refine alternative methodologies for determining emissions that may have a useful place in any final GHG Emissions Disclosure Requirement. In September 2021, PJM commenced the publication of marginal emission rates of carbon dioxide, nitrogen oxides, and sulfur dioxide within PJM's multi-state footprint.⁵ The marginal emissions rate is the weighted emissions rate for the marginal units⁶ at a specific time and location. Marginal units may increase or decrease output in response to an increase or decrease in demand. As such, in some situations, the marginal units, and hence the marginal emission rates, can provide an indication of what would happen based on a change in consumer behavior and therefore potentially provides more actionable information for consumers and investors than simply average emissions data. Marginal emissions rate data is published for each pricing location (node)⁷ in PJM every 5 minutes, thus affording a more granular view into emissions rates over time and in specific locations.⁸

PJM's marginal emission rates data can help interested parties better understand the environmental impact of electricity use. PJM stakeholders have identified potential uses for marginal emission rates to determine the times each day when electricity use can draw on lower-emitting resources. PJM's marginal emissions rate data stream allows for the identification of periods of high emissions by the marginal generating unit. By identifying such high emission time periods, companies have a newfound opportunity to decide, for example, whether to reduce power consumption or use stored energy to reduce emissions in operations.

⁵ *Marginal Emission Rates Added to Data Miner Tool*, PJM INSIDE LINES (Sept. 10, 2021), <https://insidelines.pjm.com/marginal-emission-rates-added-to-data-miner-tool/>.

⁶ A marginal unit in PJM is the unit responsible for providing the next increment of energy at a specific location and time, taking into account transmission system congestion loss costs and energy costs.

⁷ A pricing node in PJM is a single point or subset of points where a physical injection or withdrawal of energy is modeled and for which a locational marginal price (LMP) is calculated and used for financial settlements.

⁸ PJM INSIDE LINES, *supra* note 5.

Although PJM’s marginal emissions rate data continues to be refined and its potential uses explored, stakeholders report potential useful applications of this data to facilitate emissions reductions. By way of example, General Motors Co. (“GM”), in partnership with PJM member TimberRock, announced plans to utilize the PJM marginal emission rates data to help GM reach 100% renewable energy to power its operations by 2025 – five-years earlier than previously announced. GM reports that the initiative is expected to eventually expand to include the carbon emissions associated with customers’ electric vehicles.⁹ PJM anticipates other stakeholders will explore similar uses for PJM’s marginal emissions data stream.¹⁰

PJM recognizes that the publication of marginal emissions rate data is new and evolving in different parts of the country. PJM also respects the interest in comparability of disclosures so that investors can make sound choices among competing investments. To promote the comparability of disclosures, the SEC should make clear in any final rule that methodologies like marginal emissions rates can, at a minimum, be provided in addition to average emissions data. As the availability of marginal emissions rate data grows, investors may find it useful to migrate towards reliance on a marginal emissions rate methodology. This, in turn, would encourage the publication of marginal emissions data across the nation.

⁹ *PJM Emission Data Sparks Innovative Approach to Reduce Carbon Footprint*, PJM INSIDE LINES (Oct. 12, 2021), <https://insidelines.pjm.com/pjm-emission-data-sparks-innovative-approach-to-reduce-carbon-footprint/>.

¹⁰ The Brattle Group and another PJM member, RESurety, Inc., examined the value of locational marginal emissions data, finding that it can improve generation technology selection, siting of generation and load, assessment of energy storage, clean energy procurement, and accounting of carbon footprint. David L. Oates, RESurety, & Kathleen Spees, The Brattle Group, *Locational Marginal Emissions* (May 4, 2021); *see also* RESurety, Inc., *Locational Marginal Emissions Introduction*, presentation to the PJM Emerging Technologies Forum (June 14, 2022), <https://www.pjm.com/-/media/committees-groups/forums/emerging-tech/2022/20220614/item-3---locational-marginal-emissions-introduction.ashx>.

Google, in its efforts to achieve carbon free energy 24/7, expressed the need for marginal emissions accounting. *24/7 Carbon-Free Energy: Methodologies and Metrics*, GOOGLE, 24 (Feb. 2021), <https://www.gstatic.com/gumdrop/sustainability/24x7-carbon-free-energy-methodologies-metrics.pdf> (“While we use average emissions today, novel formulations and methodologies for marginal emissions accounting will be instrumental in driving more effective decisions for day ahead and intraday, shorter-term carbon aware optimizations and dispatch decisions.”)

For the reasons set forth herein, PJM supports the SEC’s proposal to continue to leave the door open for entities to develop and use alternative emissions rate methodologies in addition to those identified in the proposed rule or that are otherwise known in the industry today. Fostering the evolution of enhanced methodologies – like marginal emissions rate data – may not only result in lower production costs, but such enhanced methodologies may also better inform business decisions relating to electricity consumption and emissions.

Respectfully submitted,

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