

September 11, 2020

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket UE-191023: Comments of the Western Power Trading Forum Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act

Dear Mr. Johnson,

The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the Washington Utilities and Transportation Commission on Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act (CETA). WPTF comments address issues raised under Section 480-100-650 (Reporting and Compliance) of the Revised Draft rule.

Paragraph 3 under this section, which pertains to Annual Clean Energy Progress Reports, would require each utility to provide an attestation that an executive or third party “has reviewed all e-tag data for the prior calendar year and verified that no electricity from coal-fired resources was included in market purchases and therefore no such electricity was included in retail customer rates.” WPTF strongly opposes this provision for the reasons we explain below. We urge UTC to modify the draft to require only that each utility attest that it did not intentionally procure power from coal resources when purchasing unspecified electricity. If UTC is unwilling to make this change at this time, we request that the issue be referred to the the Carbon and Electricity Markets Workgroup, and that UTC not propose any requirements until the Workgroup has had an opportunity to consider the issues.

Unspecified contracts are an important supply component that help ensure reliability in the west.

Most of the physical electricity sold in the west, including that offered on the Intercontinental Exchange (ICE) for delivery at the Mid-Columbia trading hub, is sold using the standardized Western States Power Pool (WSPP) “Schedule C” Agreement². Schedule C enables the parties to

¹ WPTF is a diverse organization of over 90 members comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West.

² The general exceptions are contracts for renewable energy and “specified source” contracts for low-emission electricity intended for import into California. The advent of carbon pricing in California under the cap and trade program prompted the development of specified contract terms (called the WSPP Schedule C Specified Source Exhibit) to facilitate compliance with California’s rules. Because these specified source contracts are not

the contract to determine a delivery point, duration, volume and price, but does not require differentiation of the source. The existence of such contracts creates a commoditized energy product (unlike specified contracts) which play an important role in wholesale electricity markets by supporting increased market liquidity and the availability of a firm supply of electricity. This increased liquidity available from unspecified contracts provides an important means for utilities to hedge market risk by allowing utilities to procure energy well in advance of when it is needed and sell any excess to meet real time load conditions.

Buyers cannot control the generating source when procuring unspecified electricity

As noted above, Schedule C contracts do not typically identify a particular generating source. The resource that ultimately provides the electricity for a particular contract is determined in real-time by market economics (e.g. generator prices), delivery point and grid conditions, such as congestion and outages. While the source of power may be identifiable (but not always) after delivery by examining the NERC tag used to schedule transmission, neither the purchasing utility nor the counter party will know the generating source, let alone be able to control it, at the time that they enter into the contract for power. Additionally, electricity is frequently bought and sold by intermediaries between the generation owner and the ultimate buyer - the utility, or through an exchange such as ICE where anonymous buyers and seller are matched.

The only way that a utility could ensure that it complies by the requirement in the draft would be to purchase electricity solely through specified contracts.

Because of these common market practices, there is no way that a utility that purchases unspecified electricity can absolutely ensure that the electricity that is ultimately delivered is not sourced from a coal resource. Thus, the only means that a utility would have to meet such a restrictive requirement and avoid non-compliance penalties would be by entering into specified contracts only. This would greatly impair the utilities ability to serve customer load reliably and cost-effectively.

The omission of an exemption for longer-term market purchases in the definition of a coal-fired resource does not mean that such purchases cannot be exempted.

WPTF recognizes that the definition of a coal-fired resource in the CETA explicitly exempts unspecified electricity purchased under terms of less than one month from the elimination of coal requirement. However, the fact that contracts of terms less than one month are exempted does not mean that contracts of longer than one month must be covered by the elimination of coal requirement. Rather, at best, it suggests that further consideration of this issue is warranted.

standardized, they are used only for direct, bilaterally negotiated transactions and therefore are not offered on ICE.

UTC should revise the rule to require attestation by each utility that it has not contracted for coal-sourced electricity.

Given these facts, it would be unreasonable to hold a utility responsible for the presence of coal in market purchases when that utility intentionally contracted for unspecified power. A utility can only reasonably attest that it did not intentionally purchase electricity sourced from a coal-fired resource when it purchased unspecified power. WPTF urges UTC to modify the rule to reflect this.

If UTC is unwilling to make this modification, then the issue should be deferred to the Carbon and Electricity Markets Workgroup. Section 13 of the CETA, which mandates the Workgroup, explicitly calls for consideration of retail load met through market purchases. Utility purchase of unspecified electricity clearly falls within this remit.