Department of Energy

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Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket UE-191023, Comments of the Bonneville Power Administration to the UTC's November 5, 2020 Notice of Opportunity for Comment, Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments in response to the Washington Utilities and Transportation Commission's (UTC) November 5th notice. These comments relate to the RCW 19.405.040(1)(a) language that utilities must "use electricity from renewable resources and nonemitting electric generation in an amount equal to one hundred percent of the utility's retail electric loads over each multiyear compliance period."

BPA markets power from 31 federal hydroelectric projects, one nuclear plant, and some other small nonfederal power plants. BPA also owns more than 15,000 circuit miles of high-voltage transmission, which amounts to about 75 percent of the region's high voltage transmission. BPA is statutorily-required to serve over 130 preference customers in the region, 63 of which are consumer-owned utilities in Washington, and sells power to privately-owned utilities as well. Additionally, the Residential Exchange Program, enacted under the Pacific Northwest Electric Power Planning and Conservation Act, provides residential and small farm customers of investor-owned utilities in the region a form of access to low-cost Federal power. BPA understands the interpretation of RCW 19.405.040(1)(a) will have implications for CETA compliance for BPA's preference customers and investor-owned utilities that may purchase power from BPA in Washington, as well as implications for the bulk transmission system.

BPA is providing feedback on questions 4b, 5, 5a, 5b, and 6 presented by the UTC and related to the proposed language in Attachment A (joint recommendations from the Public Generating Pool, Puget Sound Energy, Pacific Power and Avista Corporation) and Attachment B (joint recommendations from Climate Solutions and Northwest Energy Coalition). BPA reads Attachment A as creating a procurement-based standard. BPA reads Attachment B as creating a standard where utilities must match generation and purchases to load – a "delivery" requirement. As BPA stated in its June 29th comments to the UTC on this issue, a delivery requirement: (1) conflicts with the plain language of RCW 19.405.040 (1)(a)(ii) and RCW 19.405.020 (36); (2)

frustrates the intent of the multiyear compliance period; and (3) would create inefficiencies in electricity markets and result in costly overbuilding of renewables and transmission. Such an approach will in turn increase the challenges and costs for decarbonizing the electricity sector and economy. BPA continues to urge the UTC to define the word "use" as a procurement concept, consistent with the proposed language in Attachment A.

UTC Question 4b. How will the suggested rules in Attachment A and B affect long-term portfolio planning and acquisition? Do the suggested rules in Attachment A or B support a long-term resource portfolio plan that matches the production of renewable electricity with the utility's load and has sufficient transmission service between the point of injection of its planned source of renewable electricity and the utility's load to enable the renewable electricity to serve that load?

Regarding question 4(b), the proposed language in Attachment B would likely result in increased demand for firm transmission service rights. This would incentivize the construction of additional transmission lines for the primary purpose of compliance with the delivery requirement rather than serving new loads, improving overall grid reliability, or congestion relief. The construction of new transmission lines is both costly and controversial. It can take 20 plus years to site and build a major transmission line and 5 plus years for even minor upgrades. As the region shifts toward a cleaner electricity system and electrifies loads, renewable resources should first be built in locations that are the most cost-effective, making use of existing available transmission and providing valuable reliability benefits to the grid. The proposed deliverability requirements in Attachment B introduce inefficiencies into the system that do not support this least-cost transition towards decarbonization. BPA expects that the requirements in Attachment B, if implemented, would outpace the ability to build new transmission in order for utilities to meet those requirements.

BPA believes that the proposed procurement-based standard in Attachment A is a more reasonable approach that is consistent with CETA and can achieve the law's carbon-neutral requirements. Long-term procurement commitments are typically the primary support for generation resource investments, rather than projected sub-hourly transactions. If Washington utilities make long-term commitments to clean resources and can participate fully in broad regional markets to optimize dispatch closer to real time, then that directly supports the goal of decarbonizing at lower cost to ratepayers. Under a procurement-based approach, the renewable resources will still be built, but will be injected into the grid in a more cost-effective manner that makes use of existing transmission infrastructure first. Power withdrawals will be balanced with power injections in the grid; there is no technical justification to deliver specific zero carbon power to specific loads unless providing load following capacity. The procurement approach provides time for new transmission to be considered and built where needed for grid reliability as additional renewable resources are built and as additional states or the nation implement greenhouse gas regulations.

UTC Question 5. Could the Energy Imbalance Market (EIM) provide a prorated share of the attributes of the resources that provided energy in a market interval to the loads that received energy in that market interval?

While it may be technically feasible to prorate a share of the attributes of the participating resources dispatched in the EIM to the loads receiving energy in the market, this outcome would require widespread western consensus on a methodology to do so and the ability to track attributes in 5 minute intervals (vs. megawatt hours), and is not necessary to meet the requirements of CETA. The EIM efficiently dispatches resources on a least-cost basis across a vast footprint of loads; the EIM is not able to identify which resources were dispatched for delivery to a specific state or load serving entity. It does not transfer attributes - RECs or otherwise - created by a participating resource to the EIM purchaser. There is currently no consensus across the West as to what constitutes the "attributes" of a resource and how those attributes are transferred.

To elaborate, to pro rate attributes across EIM participants, there would first need to be a consistent definition of attributes across states or a national guidance. Then, utilities, Western states, and other stakeholders would need to agree on an equitable methodology for transferring those attributes based on total EIM generation and total EIM load. This would need to be done as part of a broader solution for addressing clean energy procurement standards like CETA, and cannot be done in isolation by the state of Washington. Introducing this element creates cost and complexity that does not serve the overall goal of least-cost transition to decarbonization.

In contrast, the procurement-based standard in Attachment A allows utilities to "use" renewable and nonemitting resources consistent with CETA while also allowing the utility to fully participate in the EIM without incurring additional compliance costs under CETA. In addition, a key benefit of the EIM is its valuable integration and market benefits for renewables in the marketplace. For the reasons stated above, BPA believes the proposed language in Attachment B would make it harder to achieve these benefits.

UTC Question 5a. If EIM loads were to receive the attributes of the generators providing energy in the market, should constraints in the dynamic transfer capacity be incorporated into the calculation of the distribution of those attributes to load? Is it possible to reflect those constraints in the distribution of attributes to locational loads?

BPA believes it is not possible to make such a distinction. Congestion is linked to price paid for EIM energy but not directly tied to delivery to load.

UTC Question 5b. If EIM loads could receive the attributes of the generators providing energy in the market, is there a means of allocating those attributes by a bid price mechanism?

A price on carbon could be included in the bid price if there was a consistent, WECC-wide price on carbon. However, BPA does not believe this is possible insofar as it relates to CETA. This mechanism works for a regulatory program that places a price on carbon, like cap-and-trade, because the generator incurs a direct, known compliance cost through the program and then passes that cost on to the market through its energy bid. And where multiple jurisdictions within a market are attempting to price the emissions attributable to imports into the jurisdiction, BPA understands that the market needs a single, agreed-upon price across the jurisdictions in order to incorporate that price into the bid price mechanism and therefore attribute the emissions of participating resources between those jurisdictions with a price on carbon and those without. CETA, on the other hand, does not directly price emissions but rather requires a certain type of power or REC-attribute to be used in the state. Therefore, there is no known cost that can be incorporated into the bid price mechanism.

UTC Question 6. Energy serving load in a day-ahead market (DAM) is unspecified. If the DAM bid awards were mostly surplus hydro, would the loads receiving energy from the DAM only receive unspecified energy under the rules in Attachments A and B? Does this mean that a utility that was a net buyer from the DAM at a time of excess hydroelectric generation would only receive unspecified power?

BPA assumes the UTC is referring to the Extended Day Ahead Market (EDAM) in this question. Like the EIM, the EDAM will likely not be able to easily accommodate identifying which resources were dispatched and delivered to a specific state or load serving entity. The market design for accounting for greenhouse gas emissions in the EDAM has not been determined; the CAISO does not expect to start the stakeholder process related to it until 2021. However, BPA believes the constraints for the EIM described in BPA's response to 5b above are likewise applicable to the EDAM. BPA believes the procurement-based standard in Attachment A proposes an approach that, like the EIM, will also allow utilities to "use" renewable and nonemitting resources consistent with CETA while participating in the EDAM. If the UTC is considering an approach that does not provide this flexibility, such as the proposed language in Attachment B, BPA urges the UTC to explore the viability of that approach in relation to the EDAM in conjunction with the CAISO's applicable stakeholder processes related to EDAM market design before rendering a final decision.

In conclusion, BPA continues to urge the UTC to focus on defining the word "use" as procurement. BPA believes the proposed language in Attachment A provides a reasonable procurement-based standard that is consistent with RCW 19.405.040(1)(a), promotes market efficiencies, and avoids unnecessary new resource and transmission builds.

BPA continues to appreciate the hard work and dedication of the UTC staff in developing CETA rulemaking language, and appreciates the opportunity to provide comments during the development of this language. Please feel free to contact me at 503.230.4358 or Liz Klumpp at 360.943.0157 if you have any questions on these comments.

Thank you,

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