



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

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

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Re: Docket UE-210183, Comments by the Bonneville Power Administration on Electricity Markets and Compliance with the Clean Energy Transformation Act

Bonneville Power Administration (Bonneville) submits these comments in response to the Washington Utilities and Transportation Commission's (Commission) May 17, 2021 notice. Per the Commission's Notice Of Revisions on June 7, 2021, which withdrew the Commission's questions 1-4, Bonneville is submitting responses only to questions 5-10. Specifically, Bonneville is responding to the Commission's question on double counting as it relates to the Clean Energy Transformation Act (CETA) and California's cap-and-trade program, and the Commission's question regarding the Markets Work Group.

I. Prohibition on Double Counting

Commission Question 5. Please comment on whether the following circumstances should be considered double-counting in this context, assuming in each case that the unbundled REC (RCW 19.405.040(1)(b)) is used for compliance with CETA:

Question 5.a. Electricity from a renewable generating facility is delivered to a California entity and treated as a non-emitting resource for purposes of the California cap and trade program.

RESPONSE:

There is a need for greater coordination among states in tracking environmental attribute claims and rectifying what is double counting.

The definition of what resources are eligible to generate a REC varies from state to state. For example, Washington's definition of a REC under CETA will allow for the creation of RECs for all megawatts produced by existing large hydro generators. California does not recognize any RECs created by large hydro for purposes of its RPS, while for purposes of its cap-and-trade

program it considers fuel type of the generating resource unless the resource is also eligible for California's RPS. Accordingly, the scenario posed in Question 5.a. is not double counting from California's perspective if the facility that delivered to California is a large hydro generator - or any other generator which Washington recognizes as creating RECs, but California does not.¹ If California does not recognize the "RECs" that Washington recognizes, then by definition there can be no double counting for California's purposes.² It is less clear what the implications may be for Washington.

Absent greater coordination among states, tracking carbon attribute claims across states on the energy underlying unbundled RECs is unachievable and even with greater coordination could be administratively burdensome. Current practices and accounting systems do not track whether the underlying energy associated with an unbundled REC is used for compliance with another state program. For example, the California Air Resources Board (CARB) and California Independent System Operator (CAISO) track imported energy into the state. CARB coordinates with WREGIS and the California Energy Commission to validate only those RECs that are eligible for the California RPS. CARB assigns emission factors to imported electricity and validates carbon compliance obligations. There is no linkage between California and other states on carbon compliance as it applies to RECs not eligible for the California RPS (like large hydropower).³ NERC e-tags can sometimes track the sale of energy, but do not track claims on environmental attributes associated with that energy.

Moreover, once Bonneville sells power bilaterally into the wholesale market (in other words, not unspecified), it currently has no means to control where the power ultimately is resold or sinks, nor whether other entities make claims on that energy as BPA specified Asset Controlling Supplier (ACS) power. CARB guidance allows a third party to resell into California power that is purchased from BPA's system in a bilateral transaction and claim the specified (ACS) emissions factor for the power.⁴ Bonneville generally has no knowledge or control over whether the power it sells from its system is resold into California and claimed as specified power.

These are a few of many reasons that greater coordination is needed among western states on carbon accounting in the electricity sector. In addition to harmonizing competing understandings of double-counting, coordination is likely to achieve greater greenhouse gas reductions at a lower cost.

¹ See "Electric Power Entity Reporting Requirements Frequently Asked Questions (FAQs) for California's Mandatory GHG Reporting Program" (April 6, 2021) at sections 4.1.1, 4.1.4, 4.1.5, 4.2.4, available at: https://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep-power/epe-faqs-2020.pdf?_ga=2.155298233.380918257.1622775935-2031261033.1609958906

² *Id.* at section 4.1.5.

³ *Id.*

⁴ *Id.* at section 1.4.4.

II. Markets Work Group Report

Commission Question 9. From your prospective as a stakeholder, what information developed by the Markets Work Group informs the Commission and Commerce rulemaking?

RESPONSE:

Bonneville appreciates the work of the Markets Work Group (MWG) and believes the summary report accurately articulates the issues and perspectives of a diverse group of stakeholders. Bonneville shares the concerns of many MWG members that some of the options discussed by the MWG could reduce the effectiveness and efficiencies of markets, potentially impacting reliability, electricity costs, and broader western states' decarbonization efforts.

Bonneville further shares the concern of many MWG members that fundamental differences between states in their accounting practices for resource attributes and emissions could be disruptive to markets. As the MWG points out, even PJM's generation attribute tracking system, which commendably provides tracking of environmental attributes in order to serve reporting and verification requirements to meet the mandates of states in its footprint, does not track the attributes to energy transactions or load service.⁵

Bonneville believes the "characteristics for consideration" developed by the MWG should be carefully considered by the UTC and Commerce in developing rules for CETA, to ensure statutory obligations are met without disrupting the benefits of regional wholesale energy markets.

BPA appreciates the opportunity to continue to provide comments on the implementation of CETA. 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.

Sincerely,



Alisa Kaseweter
Climate Change Specialist
Intergovernmental Affairs
Bonneville Power Administration
alkaseweter@bpa.gov
503.230.4358

⁵ See Washington Clean Energy Transformation Act Carbon and Markets Workgroup Issues & Alternatives List (April 7, 2021), available at: <https://www.commerce.wa.gov/wp-content/uploads/2021/04/WA-MWG-Summary-Report-4.7.21.pdf>