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Re: Comments of Renewable Northwest regarding issues related to double counting of nonpower attributes and the treatment of storage for compliance with the Clean Energy Transformation Act, Docket UE-210183

I. INTRODUCTION

Renewable Northwest thanks the Washington Utilities and Transportation Commission ("the Commission") and the Department of Commerce ("the Department") (collectively, "the Joint Agencies") for this opportunity to comment in response to the Joint Agencies' November 8, 2021, Request for Comments on Double Counting and Storage Accounting. These comments are our responses to the questions posed in the Notice, in which we generally support the direction the Joint Agencies are taking with regard to implementing some of the most complicated and crucial aspects of the Clean Energy Transformation Act ("CETA"). Still, we would like to emphasize up front that we expect the process of and tools available for greenhouse gas ("GHG") emissions accounting to evolve in the near- to mid-term, which should create an appropriate opportunity to revisit the technical aspects of the compliance framework determined by the Joint Agencies (i.e. use of electricity and double counting of emissions attributes). We also anticipate that these market-level changes will resolve some of the stakeholder concerns with the proposed approach for utilities' compliance demonstration framework. With that, we look forward to further participation in these evolving discussions and appreciate this opportunity to provide comments as the Joint Agencies work to implement Washington's nation-leading clean energy standard.

II. COMMENTS

A. Safeguards to prevent double counting of unbundled RECs

1. *Requirements for obtaining unbundled RECs: The draft rule would require that utilities obtain unbundled RECs only from renewable generating facilities that comply with certain business practices in all transactions, regardless of whether the transaction involves a Washington utility.*

   a. Is it feasible to require renewable generation facilities to register and certify with the state of Washington that all of their transactions comply with the draft rules' business practices?

Renewable Northwest has no concerns at this time but will follow up with supplemental comments as soon as possible should any concerns arise.

b. Should the Joint Agencies consider alternatives to requiring that renewable generation facilities adhere to specific business practices in order to prevent double counting?

Renewable Northwest has no alternatives to offer at this time but will follow up with supplemental comments as soon as possible should any concerns arise with the proposed approach.

c. Should the Joint Agencies consider an alternative in which the business practices identified in subsection (2)(a) through (c) are required only for transactions that result in the transfer of an unbundled REC to a Washington utility?

No, we do not recommend differentiating Washington-based unbundled RECs from out-of-state unbundled RECs in terms of an alternative compliance demonstration. There are benefits to protecting against the double counting of nonpower attributes, within and outside of Washington, and the rules should set a standard for that protection that applies to all transactions for unbundled RECs. As noted in our response to (1)(b) above, the maximum share of a utility's load which can be met by unbundled RECs is twenty percent in 2030, declining toward the 2045

standard of 100% clean electricity, as per RCW 19.405.060.[1] Therefore, a utility should have the capacity to confirm its transactions for unbundled RECs meet certain business practices.

d. Is a transaction-based approach feasible? If feasible, is it necessary to ensure no double counting of non-energy attributes?

Renewable Northwest is not sure whether this question refers to a transaction-based approach to compliance or a transaction-based approach to alternative compliance. If the former, we would support this approach but do worry that it could be 1) overly burdensome for utilities and regulators, and 2) less efficient, as RECs provide an existing tool for zero-emission generation reporting, and the statute's designation of unbundled RECs for alternative compliance suggests that bundled RECs are meant to act as the unit for a primary compliance demonstration.

However, if this question refers to a transaction-based approach to demonstrating alternative compliance, given our previous points on alternative compliance gradually declining in relevance over time, we would support this style of reporting. We do not think the two approaches, transaction-based and REC-based, will be much different in the end, however, due to the requirement that renewable generating facilities meet certain double counting business practices. Both approaches will result in some form of transaction detailing.

e. Would a transaction-based approach be more or less effective and enforceable than the draft rules in preventing double counting?

Renewable Northwest has no comment at this time.

2. *Business practices for transactions involving electricity delivered or claimed under greenhouse gas cap programs:*

a. Sec. -XXX(2)(c) applies to transactions involving GHG cap programs outside Washington. Is it reasonable to distinguish between GHG cap programs outside Washington and Washington's own GHG cap program, the Climate Commitment Act (CCA)? Is it relevant in making this decision that the electricity and the unbundled REC are used in the same jurisdiction?

[1] RCW 19.405.060(1)(a)(iii) requires that a utility "[i]dentify specific actions to be taken by the investor-owned utility over the next four years, consistent with the utility's long-range integrated resource plan and resource adequacy requirements, that **demonstrate progress toward meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and the interim targets proposed under (a)(i) of this subsection.**"

Yes. A Washington utility would not be double counting its nonpower attributes by assigning them to compliance demonstrations for multiple in-state programs. The double counting issue arises when the nonpower attributes for clean generation are counted toward two *different entities'* compliance demonstrations, for different or similar programs.

And addressing the final question, whether the electricity and the unbundled REC must be used in the same jurisdiction, the answer is two-fold: 1) no, if the unbundled REC is used for compliance in Washington and the electricity sold as unspecified is consumed outside of California; 2) yes, if the unbundled REC is used for compliance in Washington and the electricity is consumed in California, as there are double counting concerns.

> *b. Sec. -XXX(2)(c) uses the term "GHG cap program," and the workshop discussion focused primarily on California's cap and trade program. How should the term "GHG cap program" be defined? Should the rule identify specific programs? If so, please provide an alternative term and definition.*

We recommend the "GHG cap program" in Draft -XXX (2)(c) be revised to "GHG program," because there is a mix of GHG programs in the region, not all of them cap-and-trade, and perhaps more to come. For instance, Oregon's HB 2021 requires utilities to reduce GHG emissions considerably by 2030, but the policy, currently in the implementation phase, will track emissions reductions differently than the way California's cap and trade program operates by conducting auctions for a diminishing portion of emissions allowances. Therefore, it should be clear in Draft WAC 194-40-XXX / WAC 480-100-XXX that zero-emission generation cannot be double claimed for compliance with CETA and any other of the region's GHG reduction programs.

Further, we recommend that Draft -XXX (2)(c) be expanded to cover more than just zero-emission resources which generate RECs, including biomass and certain types of geothermal. Both of these recommendations are encompassed in the following:

> "Any REC associated with electricity delivered, reported, or claimed as a ~~zero-emission~~ specified source or assigned the emissions or emissions rate of the renewable generation facility under a GHG ~~cap~~ program outside Washington must be…."

Renewable Northwest also recommends that Draft Sect. -XXX(2)(c) be revised to consider not only state-specific GHG programs, but also a wholesale electricity market (e.g., the Western

Energy Imbalance Market or an Extended Day-Ahead Market). Because electricity that is sold into a wholesale electricity market may be sold as a specified source or may be assigned the emissions rate of a generation facility serving a GHG program outside of Washington, a wholesale electricity market presents another opportunity for the nonpower attributes associated with zero-emissions generation to be double counted. We recommend that the Draft rules also prohibit RECs associated with specified market imports, or imports that have been assigned the emissions rate of the renewable generating facility, to any entity complying with a GHG program outside of Washington.

Finally, we recommend that the Joint Agencies consider potential differences in REC retirement requirements in other states when detailing the purpose for REC retirement in draft -XXX2(c)(ii). Because the rules prohibit "[a]ny REC associated with electricity delivered, reported, or claimed as a zero-emission specified source under a GHG cap program outside Washington…," there may not need to be a specification of retirement purpose, as the REC cannot be used for compliance with CETA.

3. *Identification of RECs associated with specified source electricity sales: Sec. -XXX(2)(a) requires the inclusion of RECs in sales of specified source electricity and requires that the RECs be from the same generating facility and have the same month/year vintage. Is this matching of RECs with electricity reasonable or is a more precise matching of RECs with electricity necessary and feasible for compliance?*

Renewable Northwest recommends a greater level of detail in the matching requirements for RECs with their associated generation. A REC created under the Western Renewable Energy Generation Information System ("WREGIS") is assigned multiple identifiers, including the WREGIS generating unit ID, the fuel type, the REC serial number, and the e-tag information. We see value in the added transparency of matching these attributes and perhaps others with specified source electricity sales.

4. *Double counting safeguards for retained RECs: The statutory prohibition on double counting applies to unbundled RECs retired for alternative compliance obligations. The draft rules on "use" allow retained RECs to be used in addition to electricity from renewable generation resources for primary compliance. Should the business practices preventing double counting be applied to retained RECs? If so, does draft section -ZZZ do this effectively?*

Renewable Northwest supports the compliance framework proposed by the Joint Agencies which includes the use of retained RECs for primary compliance, with the caveat that we submitted comments detailing additional protections we see as necessary to safeguarding the clean energy standards mandated by CETA, should this compliance framework be adopted.[2] At this time we think the protections against double counting outlined in these draft rules are sufficient also for retained RECs, especially if the Joint Agencies agree to require utilities to use bundled RECs as the main tool for primary compliance and retained RECs as an as-necessary supplemental tool. However, if the Joint Agencies' compliance rules leave room for a bigger role for retained RECs, then we may find that greater protections must be in place given the more significant and long-term relevance of retained RECs to the integrity of the policy.

B. Accounting for electricity from storage resources

Renewable Northwest appreciates the Joint Agencies' efforts to add clarity on how storage load and round-trip losses may and may not affect CETA compliance, depending on circumstances. We generally support Draft WAC 194-40-YYY. Draft YYY(1) is important to ensuring that the RECs associated with hybrid resources are not devalued, inadvertently creating a disincentive for this increasingly important class of capacity resources in a utility's planning and procurement efforts. Draft YYY(3) is similarly important because the retail load that utilities serve realistically will include load associated with distributed storage resources including those resources' round-trip losses.

We write separately on Draft YYY(2) to support the rule for now but highlight that it is possible the rule will need to be revisited in the future. Excluding storage charging from retail electric load is sensible, as long as the RECs or other emission attributes associated with charging the storage resource remain associated with the electricity that is discharged from the storage resource. Excluding storage round-trip losses from retail electric load is a bit more complicated and likely requires active monitoring by the Joint Agencies. As more storage resources come online in the region, efficiency losses could create a compliance gap that allows Washington utilities to use GHG-intensive generation to meet load. To take a hypothetical example, if in a given hour a utility charges 1 GW of storage resources using eligible renewable resources, but the storage resources operate with an 80% round-trip efficiency, then the utility will end up with 1000 RECs but only 800 MWh of electricity discharged from storage; this would leave a gap of 200 MWh for which the utility holds CETA-eligible RECS but could in practice be using generation from fossil resources. At the same time, however, storage resources appear

[2] Renewable Northwest comments on "use" (Nov. 12, 2021), *available here* https://apiproxy.utc.wa.gov/cases/GetDocument?docID=587&year=2021&docketNumber=210183.

increasingly important for meeting the region's capacity needs as we decarbonize, and in this time of transition we want to take care to avoid perverse incentives in the name of perfect accounting. For these reasons, Renewable Northwest supports Draft YYY(2) as part of the Joint Agencies' initial CETA rules, but we recommend the Joint Agencies track the potential compliance gap that may result and consider revising these rules in the future as necessary to ensure a zero-emission grid in Washington.

III. CONCLUSION

Renewable Northwest again thanks the Joint Agencies for their responsiveness on the issues of double counting and energy storage with regard to compliance with CETA. We look forward to continued engagement in the CETA-implementation processes.

Sincerely,

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