



UE-210183

December 10, 2021

Amanda Maxwell
Executive Director and Secretary
State of Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
Lacey, Washington 98503

Received
Records Management
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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

RE: DOCKET UE-210183. SUPPLEMENTAL COMMENTS OF CENTER FOR RESOURCE SOLUTIONS (CRS) IN RESPONSE TO THE DECEMBER 6, 2021 JOINT RULEMAKING WORKSHOP ON “USE” AND CLARIFYING WRITTEN COMMENTS SUBMITTED ON NOVEMBER 12, 2021 AND DECEMBER 6, 2021

Dear Ms. Maxwell:

This letter provides clarification on two points of discussion at the December 6, 2021 joint workshop on the draft rules issued by the Commission on October 12, 2021 (“December 6 Workshop”) and that were raised in our written comments dated November 12, 2021 and December 6, 2021 on draft rules issued by the Commission on October 12, 2021 and November 10, 2021, respectively.

Retained and Unbundled Renewable Energy Credits (RECs) associated with Western Energy Imbalance Market (EIM) Transfers

November 10 draft rules, in subsection (b) of both the section on accounting for unbundled RECs (WAC 194-40-XXX / WAC 480-100-XXX (2)) and the section on accounting for retained RECs (WAC 194-40-ZZZ / WAC 480-100-ZZZ (1)), say that “the contract or transaction records [must identify] that the electricity source is unspecified and is sold without any representation or warranty of the fuel source or other nonpower attributes of the electricity.”

At the December 6 Workshop and in our December 6 comments, we commented that there may be sales of electricity without the RECs where the source of electricity is not specified at all, as either renewable or unspecified, including potentially sales of electricity into wholesale electricity markets where there might not be a contract or transaction record specifying that the source is unspecified. We have recommended that therefore other documentation and evidence besides “the contract or transaction records” may be needed in that case, including market rules that prevent sources from

being specified or emissions from the market from being attributed to particular load or states, or if there is a generation or greenhouse gas (GHG) attribution mechanism, proof that the electricity in question was not counted or allocated to a GHG compliance area outside of Washington. We also suggested using attestations from the generator, transacting parties, and/or market operator stating that the electricity is transacted as unspecified, that the environmental attributes have not and cannot be transacted in any other way, and that the generation and emissions associated with the generation have not been allocated to a GHG compliance area outside of Washington.

We have since received new information about EIM transfers. We understand that in the EIM there is source-specific attribution for all transfers. Transfer records include information about the participating resource supporting the transfer. As a result, everything is “attributed” in the EIM and it may be difficult to show that EIM sales are “unspecified” as required per draft rules for unbundled and retained RECs.

It is worth noting that the EIM’s source attribution methodology is construct of economics and may not be equivalent to a “specified” sale. The market makes a determination about source attribution. The seller, e.g. a Washington utility in this case, does not control attribution and may not intend to bilaterally transact the attributes, for example. It is attribution and allocation with source information, but it may not represent source specificity per se. Nevertheless, where power from a renewable resource is sold into the EIM and the RECs are retained by a Washington utility, that renewable source gets attributed by the market to a market transfer. Based on that attribution, it could be claimed as a renewable purchase by an entity where permitted by programs that do not require the REC. As a result, it may be difficult to argue that this scenario represents an “unspecified” sale and to use transaction records to demonstrate that the sale was “unspecified.”

This applies to a scenario in which the GHG bid adder for California is not used. Where the GHG bid adder is used, this identifies transactions from the resource to the California GHG compliance area. RECs associated with these sales should not be permitted for use under CETA, either as retained RECs for primary compliance or unbundled RECs for alternative compliance. If, in the future, the California cap-and-trade and Washington Climate Commitment Act (CCA) programs are linked to form a combined WA-CA GHG compliance area, then RECs associated with EIM transactions where the GHG bid adder was used to identify transactions to the combined GHG compliance area could be permitted under CETA, provided there is no other attribution of the renewable source by the market.

In the market design process that has just begun, stakeholders will consider whether to continue with source-specified attribution in the Extended Day-ahead Market (EDAM). Outside of the EIM, transactions in other markets may be “unspecified” in that there is no resource information associated with the transaction. Per our previous comments, the state may need rules for a scenario in which contracts and transaction records for the sale of electricity associated with a retained REC do not show either a specified or unspecified transaction.

Unbundled and Retained RECs associated with Unspecified Sales to California

At the December 6 Workshop and in our November 12 comments, we stated that California's accounting policy for the emissions associated with imported electricity under the Mandatory Reporting Regulation (MRR) assigns the emissions factor of the renewable resource to power imported from renewable resources without the RECs regardless of whether the transaction contractually specifies the generation source and even in the case that the power is explicitly sold as unspecified power. We cited Sec. 94511(a)(4) of the MRR: "Imported Electricity from Specified Facilities or Units. The electric power entity must report all direct delivery of electricity as from a specified source for facilities or units in which they are a generation providing entity (GPE) or have a written power contract to procure electricity."

At the December 6 Workshop, other stakeholders responded that this interpretation of the MRR is incorrect and the opportunities for imports from renewable resources to be counted or assigned the emissions attributes of the renewable resource without the REC when the transaction is not specified renewable or when the source is not specified or reported as unspecified are limited only to when the California reporting entity is the GPE.

Since the workshop, we have clarified MRR rules and calculations with California Air Resources Board (CARB) staff and we would like to amend our previous comments. CARB staff confirmed that the MRR does not assign the emissions of a renewable resource to an import if the power is sold as unspecified or in fact if the source (meaning the facility name) is not identified explicitly in the contract unless the reporting entity is the GPE. If the reporting entity is the GPE, meaning it owns or operates the generating facility, the import is treated as specified regardless and in all cases.

Therefore, to verify that RECs associated with power that is imported to California and assigned the emissions of the renewable generator are not used for compliance under CETA, it appears that Washington can verify that the power was not sold into California as specified, using contract and transaction records, and, for EIM imports, that the GHG bid adder was not used. Given conversation under Agenda Item 5 at the December 6 Workshop regarding how and whether utilities must show "acquisition of the electricity through ownership, control, or contracted agreement," if there can be a circumstance where the entity reporting the import in California is the GPE and a Washington utility can nevertheless retain the REC and sell the power to California, the associated RECs should not be used for CETA, even where the source is not specified or reported as unspecified in the contract.

This clarification does not change our primary comment that RECs associated with energy sold into California and assigned the emissions of the renewable resource without the REC should not be

available to be counted toward CETA. We are glad to see that there now appears to be general agreement among stakeholders on this.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,

_____/s/____

Todd Jones

Director, Policy