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COMMISSION

February 9, 2022

Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket UE-210183: Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act

Dear Ms. Maxwell,

The Western Power Trading Forum¹ (WPTF) provide these comments to the Washington Utilities and Transportation Commission (the Commission) on the second draft rules relating to use, double-counting and energy storage under the Clean Energy Transformation Act (CETA).

Use of electricity

WPTF understands the proposed use rules as allowing electricity sourced from a renewable resource located in California to be used for compliance with both the CETA's 2030 Greenhouse Gas Neutral Standard and the 2045 100% Clean Standard as long as the electricity and the associated RECs have been sold to a Washington utility. We further understand that the fact that California cap and trade program recognizes the direct emissions of the resource under that program does not render the associated RECs ineligible for CETA compliance, provided the RECs and energy have been contracted to a Washington Utility. Lastly, if the resource is dispatched via the Energy Imbalance Market (EIM) or future organized market, the dispatch of that resource based on its energy bids by the market operator would NOT be considered a transfer of ownership nor a transaction that would render the associated RECs ineligible for CETA compliance.

If this is correct, WPTF supports the proposed rule. If WPTF's understanding is not correct, we request that the Commission provide further clarification.

Double-Counting

UTC's proposed rules would prohibit unbundled RECs for alternative compliance under CETA if the associated electricity was "delivered, reported, or claimed as a zero emission specified source or assigned the emission rate of the renewable generating facility under a GHG Program." A "GHG Program" is defined as "any governmental program outside of Washington that caps or limits greenhouse gas emissions or requires the purchase, surrender, or retirement of greenhouse gas allowances, if the scope of the greenhouse gas program includes electricity imported from outside the governmental jurisdiction and does not require the retirement of RECs for such imported electricity."

WPTF agrees that renewable and non-emitting electricity should not be doubly transacted as zero emission electricity, but as we have consistently argued in this rule-making, there is no conflict from an environmental accounting perspective nor from a legal contractual perspective

between the attribution of the actual emissions or emission rate of a resource under a cap and trade program and a claim to the unbundled REC under the CETA.

In the case of renewable resources that is subject to the California cap and trade program, either because the resource is located within California, or because the electricity from that resource is imported by the resource *owner* into California, where the RECs associated with electricity from that resource are sold to a Washington utility, there is no double counting provided that the electricity from that resource has not been sold as specified to another utility or end-user. This is factually and conceptually different from the scenario where the renewable resource owner has sold unbundled RECs to one utility and the associated electricity to another utility (or corporate entity) as zero emission. The double-counting rules should expressly prohibit the latter scenario. In the case where the resource owner has not sold electricity as specified to another entity, the attribution of the emission rate to that resource by a regulator under a cap and trade program should not be considered double counting. This would be consistent with the rules proposed for ‘use of electricity’.

WPTF therefore recommends that UTC modify the proposed rules under paragraph 2(b) of section WAC 194-40-XXX / WAC 480-100-XXX “Safeguards to prevent double counting of unbundled RECs” as follows.

(2) Except as provided in subsection (4), a utility may use an unbundled REC for alternative compliance only if the utility demonstrates:

(a) The associated electricity was sold, delivered, or transferred without fuel sources or nonpower attributes and under a contract or transaction term expressly stating the fuel source or nonpower attributes are not included; and

(b) The associated electricity was not ~~delivered, reported, or claimed~~ sold or ownership otherwise transferred as a zero-emission specified source or assigned the emissions rate of the renewable generating facility under a GHG program.

Data and Contract Reporting

The Commission’s proposed rules would require each utility to in each annual Clean Energy Progress report hourly data related to electricity provided to the utility from the energy imbalance market, listed by each generation source and any interchange amounts used in the calculation of the utility’s imbalance energy. There are two problems with this proposal. First, neither the current energy imbalance market, nor potential designs currently being contemplated for an extended day-ahead market, attribute resources to individual utility loads. If the Washington Department of Ecology, in consultation with CAISO and California, adopts an approach under the Climate Commitment Act that would assign any electricity dispatched from these markets to Washington state on a resource-specific basis, that would still only result in attribution to the state – not attribution to individual utilities. Second, to the extent that these markets make resource-specific attribution to the state, this data is, and should be, kept confidential by the market operator. It will not be accessible to individual utilities.

For these reasons, WPTF recommends that utilities simply report on the quantity of load served by the energy imbalance market, and that the utility and UTC use emissions information reported by the market operator for electricity imported into the state under the Climate Commitment Act, if a

resource-specific attribution is adopted by Ecology, or emission information for the entire market footprint, if a resource specific approach is not adopted by Ecology. Utilities could also be required to report the quantity of RECs associated with electricity dispatched by renewable and non-emitting electricity in an imbalance market. However, because RES are issued on a monthly basis, it will not be possible for utilities to match dispatched energy to RECs on an hourly basis. Paragraph 6(a)(vi) of this section should be modified as follows.

(vi) All electricity used to calculate the utility's imbalance energy in a centralized energy imbalance market, aggregated into hourly amounts and multiplied by the emission rate determined by the market operator for, as applicable, transfers into the state or the entire market footprint. -listed by each generation source and any interchange amounts used in the calculation of the utilities imbalance energy.

(vi bis) All electricity associated with dispatch of a renewable or nonemitting resource in a centralized energy imbalance market aggregated into monthly amounts, associated with non-power attributes used for CETA compliance.

WPTF is also concerned with proposed paragraph 6(b)(iv) of this section, which addresses electricity sourced from coal. As WPTF has previously commented, much of the power transacted in the northwest is at the Mid-C trading hub via the Intercontinental Exchange (ICE) or through brokers. Either way, these transactions are effectively 'blind' in that the counterparties are not known until matched, and the resource not known until the electricity is delivered. In all cases, the power is undifferentiated, firm energy. While we consider it highly unlikely that electricity sourced from coal will be transacted at Mid-C after the shut-down of the Centralia and many other coal facilities, utilities should not be expected to ensure that power purchased as unspecified is not sourced from a coal resource. Such a requirement would undermine the value of the Mid-C hub for Washington utilities. We therefore recommend a modification to 6(b)(iv):

(iv) Beginning January 1, 2026, all existing or new purchase contracts longer than one month with documentation that the electricity has been purchased as unspecified from an exchange or broker or that none of the electricity delivered is sourced from coal fueled generation.