

June 14, 2021

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

RE: Docket UE-210183: Comments of the Western Power Trading on Double Counting

The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the Washington Department of Commerce and Utilities and Transportation Commission on the issues raised in the May 17th Notice of Opportunity to Provide Written Comment.

Prohibition on double counting

5. RCW 19.405.040(1)(b)(ii) allows utilities to use unbundled RECs as an alternative compliance option “provided that there is no double counting of any nonpower attributes associated with renewable energy credits within Washington or programs in other jurisdictions.” 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:

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.

The CETA defines unbundled RECs as those that are “*sold, delivered, or purchased* separately from electricity.” California’s cap and trade program attributes emissions to electricity imports based on the source of the delivered electricity, not on retirement of RECs. In contrast, alternative compliance under RCW 19.405.040(1)(b)(ii) relies on retirement of RECs, not delivery of electricity. Because the CETA is not an emission standard, but a renewable procurement standard, California’s assignment of the actual emission rate of the resource to imported electricity does not result in double counting of the REC nor the emission attribute of the resource. Similarly, unbundled RECs generated by California renewable resources should be eligible for CETA compliance even though the actual emission attributes of those resources are accounted under the California cap and trade program.

b. Electricity from a renewable generating facility is used by a load serving entity in a jurisdiction with no clean electricity standard, and the entity communicates to its customers or investors that its electricity is from a renewable source.

¹ WPTF is a diverse organization of over 90 members comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West.

A load serving entity in another jurisdiction has a legitimate claim to renewal electricity *only* if it has acquired and retired the RECs associated with renewable electricity. This fundamental principle is recognized in both mandatory RPS programs and voluntary renewable markets. The use of WREGIS to track RECs would prevent multiple claims to RECs issued and tracked within its system. This hypothetical is therefore highly unlikely to occur and would potentially require fraud on the part of another party.

c. Electricity from a renewable generating facility is allocated to load serving entities by an independent system operator or regional transmission operator outside the Western Interconnection. The renewable generation is incorporated in aggregated power source information published by the system operator.

Within organized markets, generation from specific facilities is not allocated to specific load. Rather, all resources are economically dispatched to meet load across the entire market footprint. The sole exception to this is the Western Energy Imbalance Market (WEIM), which allocates specific generation to the state of California based on a dispatch algorithm that also considers generator carbon costs. The WEIM does not, however, allocate generation to individual load-serving entities. This hypothetical situation would not occur.

d. Electricity from a renewable generating facility is used by a Washington utility during a compliance period under the Climate Commitment Act to offset generation that it would otherwise obtain from a natural gas-fired generating facility or imports of unspecified power.

This question seems to assume that the Climate Commitment Act will allow RECs to be paired with fossil/unspecified electricity to effectively reduce the emissions associated with that electricity. As a general rule, cap and trade programs that regulate electricity do not allow RECs to be paired with other electricity to reduce emissions nor to be used as offset credits for program compliance. Under the California program, there is a narrow exception called the “RPS adjustment” that reduces the compliance obligation for firmed and shaped imports associated with utility renewable procurement costs that were not fully addressed in the allowance allocation mechanism. Because the RECs in question must be retired by the purchasing California load serving entity, there is no possibility of double counting of the RECs.

There is no similar provision in the Climate Commitment Act; RECs could not be used to reduce emissions of electricity imported into Washington.

e. If unbundled RECs are separated from the underlying electricity from a renewable generating facility and used for compliance with CETA, are there any other circumstances in which the underlying electricity might be double counted?

Not to our knowledge.

6. How might the implementation of the Climate Commitment Act affect market purchases and their treatment under CETA?

Implementation of the Climate Commitment Act will result in the incorporation of anticipated carbon allowance costs into the offer price of in-state fossil generation and imports of unspecified electricity into the state. These carbon costs will make fossil and unspecified electricity less economically competitive relative to nonemitting generation and imports than it is today. Implementation of the Climate Commitment Act will therefore make it less likely that Washington utilities will purchase fossil and unspecified electricity and thus will facilitate their compliance with CETA.

7. For any circumstance described above that is identified as resulting in double-counting, please provide a recommended approach by which the operator of the renewable generating facility could demonstrate that the nonpower attributes associated with the unbundled REC are not double-counted.

None of the scenarios above raise valid double-counting concerns for use of unbundled RECs under the CETA.

8. For any circumstance described above that is identified as resulting in double-counting, please provide a recommended approach by which the utility using the unbundled REC could demonstrate that the nonpower attributes associated with that REC are not double-counted.

Again, WPTF does not believe this question has merit.

Markets Work Group Report

The Commission and Commerce convened the Markets Work Group under RCW 19.405.130(1)&(2). After conducting multiple presentations and workshops the Markets Work Group filed its report in Docket UE-190760 and this docket on May X, 2021. The Commission and Commerce seek stakeholder input on how the work of the Markets Work Group best informs our rulemaking processes.

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

The information developed by the Market Workgroup on the wholesale electricity market context and characteristics, including evolving organized markets, and their role in supporting the integration of clean resources and supporting the provision of reliable, affordable energy is most important. The discussions emphasized that rules for CETA compliance must work within the context of these electricity markets and enable Washington utilities and ratepayers to benefit from participation of utilities in centralized markets.

Impact of the Washington Climate Commitment Act

The Washington Legislature in 2021 passed the Climate Commitment Act (E2SSB 5126), which includes provisions affecting electric utilities. Section 10(1)(c) requires that the Department of Ecology adopt rules by October 1, 2026, specifying a methodology for addressing imported electricity associated with a centralized electricity market.

10. Are there provisions in the Climate Commitment Act that should be considered in this rulemaking as the Commission and Commerce develop rules defining requirements, including appropriate specification, verification, and reporting requirements, for the following: (a) Retail electric load met with market purchases and the western energy imbalance market or other centralized market administered by a market operator for the purposes of RCW 19.405.030 through 19.405.050; and (b) to address the prohibition on double counting of nonpower attributes under RCW 19.405.040(1) that could occur under other programs?

The effectiveness of the Climate Commitment Act in mitigating electricity sector emission leakage and in incenting the import of non-emitting electricity will depend on the development of rules under that Act for the accurate attribution of emissions to imported electricity, including electricity imported through centralized electricity markets. While there will likely need to be modifications to how the WEIM algorithm deals with carbon costs, particularly if Washington's program does not link to that of California, we anticipate that the WEIM approach will continue to rely on GHG bid adders for resources located out of state and factor these costs into the allocation of electricity to Washington state. We do not anticipate that any future approach within the WEIM or other centralized market will allocate generation of specific resources to specific utility load, as this would fundamentally undermine the efficiency and benefits of a centralized market – it would essentially become a bilateral market. Thus, with respect to question (a), the agencies should not propose CETA rules that would apportion renewable and nonemitting electricity dispatched by a centralized market to Washington utilities based on allocation by the market algorithm or on prorating of utility load as a percentage of load within the market footprint. Instead, procurement and retirement of RECs should be the basis for demonstrating CETA compliance for resources dispatched by centralized markets, just as with electricity transacted bilaterally. Utility contracts with those resources could be used to document that RECs were bundled, i.e. purchased with the underlying electricity.

In response to question (b), utilities should be required to demonstrate for bundled RECs that the electricity associated with the renewable generation was not allocated to California, or any other jurisdiction that adopts a cap and trade program. The utility could achieve this through a contract provision requiring that the generator does not allow the output of the resource to be allocated ('deemed delivered') to California. Generator settlement reports could be provided from the resource operator to the utility to document that the electricity has not been allocated to another jurisdiction. No additional provisions would be needed for unbundled RECs.