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Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

RE: Docket UE-210183, Comments of the Western Power Trading Forum Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act

Dear Mr. Killip,

The Western Power Trading Forum¹ (WPTF) provides these responses to the Washington Utilities and Transportation Commission (the Commission) questions relating to treatment of ‘retained nonpower attributes’ under the Clean Energy Transformation Act (CETA). While the issues raised in these questions have been previously commented on by many stakeholders, including WPTF, we understand and support the Commission’s interest in revisiting these issues to provide a clear record, particularly for new staff who did not have the benefit of participating in previous stakeholder discussions on this matter.

In providing these comments, WPTF would like to specifically respond to the comments provided by Renewable Northwest, the NW Energy Coalition, and Climate Solutions to the October 25th draft rules. Those stakeholders argue that the Commission should revert to previous version of the draft rules in large part because “Steve Johnson, the then Senior Policy Advisor leading the rulemaking on electricity markets and compliance with CETA since its inception with the filing of the CR-101 on May 3, 2021, urged the approval of the draft rules without modification...” With all due respect to Steve Johnson, the fact that he supported a previous version of the draft rules is not a valid reason to revert to those rules, given that the Commissioners clearly determined that additional consideration of appropriate rules was needed.

While WPTF did not submit comments on the October 25th draft, we support the approach taken to nonpower attributes in that draft because it is consistent with the operation, principles and practices of wholesale electricity markets, including centralized markets, while the previous version of the draft rules was not.

1. Should retained nonpower attributes be allowed to be used toward the 80 percent compliance option?

The Commission defines a retained nonpower attribute as ‘any environmentally related characteristic of energy generation (most notably, a renewable energy credit), exclusive of electrical power service attributes, that is associated with electricity generated by a utility and is retained by that utility after the utility separately sells the associated electricity.’

The CETA statute’s four-year compliance periods for the GHG Neutral standard through 2044 is clearly intended to provide temporal flexibility for utilities to manage their compliance by accounting across four year periods. Specifically, the intent of this flexibility is to allow utilities count renewable and non-emitting generation in excess of retail load in any period to cover a shortfall in another period within each four year compliance period. The fact that numerous renewable portfolio standard programs across the West

provide similar temporal flexibility supports this interpretation. Thus, as a starting point, WPTF does not believe that the concept of non-power attributes is required by, nor even envisaged by the statute.

If the Commission determines that the concept of retained non power attributes is important to provide regulatory clarity, then the Commission's rules must align with the letter and intent of the statute and allow non power attributes to be used by utilities for 80% compliance. To do otherwise would render the CETA's four-year compliance periods null and void.

Further, utilities must have the ability to sell electricity from their systems in excess of load needs at all time to appropriately ensure that they can reliably serve retail load and hedge costs. During periods when non-emitting generation is plentiful, some portion of this excess electricity may have been generated from non-emitting resources. The fact that the utility sells excess electricity, sourced in some part from non-emitting resources, should not prevent the utility from using retained nonpower attributes for compliance with the 80% standard. A narrow interpretation of the word "use" that would prohibit the ability of a utility to retire retained RECs toward the 80% standard will require overbuild of renewable resources, devalue electricity of individual renewable resources and increase costs for Washington electricity customers. Additionally, recent analysis by Energy and Environmental Economics suggests that requiring utilities to match clean generation to load on an hourly basis would actually increase emissions relative to a more flexible approach!¹ The same analysis point out that clean energy developers already have an incentive to invest in projects that can operate during times when the grid is not already saturated with clean energy, because these are the periods when clean resources capture the highest energy prices. The same goes for energy storage, which also captures the highest value from discharging when energy prices (and emissions) are high. Thus the argument that the Commission must prevent use of retained nonpower attributes to incent development of these resources is fundamentally flawed.

Lastly, as discussed in our response to question #5 below, A decision by the Commission to prohibit use of retained non power attributes would prevent utilities from participating in centralized electricity markets.

4. How would a restriction on retained nonpower attributes interact with utility requirements under the Climate Commitment Act (CCA)?

Because the CETA is a procurement program that regulates utilities, and the CCA is an emission-based program that regulates generators and imports, the metric for CETA compliance, including with respect to the concept of retained nonpower attributes, does not directly impact CCA compliance requirements. In other words, the two laws have different measures of performance and regulate different entities.

However, the two laws do have operational and planning impacts for utilities and inevitable interactions. A retained nonpower attribute approach from a CETA perspective may create misalignment with utility operations intended to reduce emissions and mitigate costs of the CCA for customers through the utility's use of no-cost allowances. WPTF encourages the commission to consult with the utilities on the interactions between these laws.

5. If a utility engages in a day-ahead market, such as SPP's Markets+ or CAISO's Extended Day-Ahead Market, how would a restriction on retained nonpower attributes affect market participation?

Utilities that engage in day-ahead electricity markets are required to offer energy from their resources to the market. Electricity generated by all resources within the market are injected into the market and, in the

¹ <https://www.utilitydive.com/news/hourly-matching-clean-electricity-renewable-energy-purchases-e3/692099/>

absence of transmission congestion, essentially serve the entire market footprint. Utilities then bid to purchase energy from the market in accordance with their load needs in each scheduling interval. Thus, the mere fact of participation in an organized markets will result in “retained” nonpower attributes; in other words, electricity from all renewable and non-emitting resources must be sold into the market², even though the utility retains the associated nonpower attributes/RECs.

Further, we note that the adopted rules under WAC 480-100-650 (Reporting and compliance), subparagraph 1(D)(c)(ii), electricity is considered delivered to a utility if the electricity is provided by a generator within a centralized organized market in which that utility participates. Thus, WPTF asserts that the Commission has already clearly established that utilities may use nonpower attributes/RECs associated with energy dispatched within organized markets.

² Non-emitting generation need not be offered as specified electricity.