Department of Energy

Bonneville Power Administration
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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, Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act "Use" Rules

Dear Mr. Killip:

The Bonneville Power Administration (BPA) submits these comments in response to the UTC's clarification on the "monthly cap" contained in the UTC's May 30, 2024 request for analysis.

In BPA's May 10, 2024 comments to the UTC, it described concerns with the UTC's draft rule language specific to the monthly requirement proposed by the UTC. BPA's comments were based on its understanding of how the UTC intended that monthly requirement to work. Based on the description of the "monthly cap" in the UTC's May 30, 2024 request for analysis, BPA requests to update its prior comments. Specifically, BPA clarifies that its concerns that a monthly requirement would exacerbate transmission planning challenges are in some ways alleviated given it does not appear that a monthly cap includes a requirement for a *minimum* amount of renewable and nonemitting generation. However, the UTC's clarification does not alleviate the other concerns BPA raised in its May 10, 2024 comments. The proposed monthly cap will still lead to inefficient build-out of transmission and renewable resources compared to the four-year compliance standard created by RCW 19.405. UTC staff have recently requested BPA expand on that concern. BPA provides the following in response.

Hydropower amounts to over 60% of the energy generated today in the Pacific Northwest.[1] Hydropower generation is dependent on water conditions that result from a number of factors and can vary by day, season, and year. A Washington utility may plan to meet CETA based on an assumption about hydropower generation levels and then invest in additional renewable resources necessary to meet CETA's requirement based on that hydropower assumption. The four-year compliance period in RCW 19.405 allows hydropower variability – and thus the amount of renewable resources that need to be built – to be smoothed out over a four-year compliance period. BPA assumes that hydropower variability was a significant component of the legislature's intent in creating the four-year compliance requirement.

[1] See Hydropower Impact - Bonneville Power Administration (bpa.gov).

The monthly cap proposed by the UTC would drive the development of renewable resources by either independent power producers or the utilities necessary to meet CETA on a month-to-month basis, and in turn drive the need for additional transmission facilities to interconnect those resources. The proposed monthly cap will result in greater costs to ratepayers than the four-year compliance requirement envisioned by CETA, and there are barriers due to technology and lead times for transmission upgrades that make this difficult if not impossible to achieve by the early 2030s. The proposed monthly cap places a monthly limitation on how much renewable and nonemitting resources can be used to meet the four-year compliance requirement. In contrast to the four-year compliance requirement, the monthly cap eliminates the ability of utilities to use RECs generated in months with surplus renewable and nonemitting generation to offset fossil fuel generation that will be necessary to meet load in other times of the year.

The capacity factors of solar and wind resources are low. Fossil fuel generation is relied upon to help maintain a reliable power supply, particularly during peak winter and summer loads. Because the proposed monthly cap does not allow RECs from surplus generation in another month to help offset that fossil fuel generation, utilities would need to plan to minimize use of fossil fuel resources on a month-by-month basis. The utilities would then need to look to out-of-region resources to fill monthly resource gaps, but access to these out-of-region resources will be limited by available transmission. In addition, utilities are also very likely to overbuild in-region renewable resources in order to meet loads on a month-by-month basis. However, this newly built renewable generation would be unlikely to fully meet regional peak loads due to their low capacity factor, but will exceed loads at other times and would need to be marketed to other areas or curtailed. This will increase costs to ratepayers because market prices are generally low at times of surplus renewable generation and the utilities may not be able to recover their contracted-for rate for the renewable generation. This overbuild of renewables in the region will also result in the need for additional transmission to integrate these resources into the regional grid and send them to other markets where the surplus output can be utilized (and avoid curtailment).

In the long-term, transmission builds in other regions could help send that renewable output to other markets. However, as BPA has previously noted, even minor transmission upgrades take several years to complete and major new transmission can take 20 or more years to plan and build. Unless a transmission project is currently in advanced stages of development, it would not be completed by the early 2030s. Finally, none of this will alleviate the need for fossil fuel generation to run at times to meet peak loads and maintain reliability. Long-duration storage with days or weeks of capacity could help mitigate the need to run these fossil fuel resources, but this kind of storage is not expected to be commercially viable in this region at the amounts that would be needed by 2030. Conversely, the four-year compliance requirement allows surplus renewable generation in many months to offset fossil fuel use in peak load months, providing for more efficient and cost-effective transition towards CETA's 2045 goals.

BPA wishes to echo support for some of the concerns raised in the June 21, 2024 comments submitted by PGP and the Joint Commenters regarding the monthly cap going beyond what is required by the plain language of RCW 19.405. BPA has expressed this concern to the UTC before, including in its May 10, 2024 comments, and, as described in the scenario above, is concerned with the impacts of imposition of a CETA requirement (like a monthly cap) that goes beyond the plain language of the statute.

We appreciate UTC staff reaching out to explain the intent of the draft rules and better understand BPA's comments. Please contact me at 503.230.4358 or Melissa Skelton at mdskelton@bpa.gov if you have additional questions.

Sincerely,

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