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Jeff Killip
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 "Use" Rules

Dear Mr. Killip:

The Washington Utilities and Transportation Commission (Commission) issued a Notice of Opportunity to File Written Comments on Draft Rules (Notice) on November 4, 2024.

The Public Generating Pool (PGP) is a trade association representing nine consumer-owned utilities that own and operate their own generating resources in Washington and Oregon. PGP appreciates the multiple opportunities we have had to provide comments to the Commission in various dockets addressing the Clean Energy Transformation Act (CETA). PGP looks forward to continued collaborative discussions with the Commission, the Department of Commerce (Commerce), and other stakeholders on CETA implementation.

General Comments

In keeping with our previous comments in this Docket, PGP is encouraged by and supports the approach to "use" reflected in the Commission's November 4th draft rules. In particular, we support the Commission's decision not to move forward with implementation of a monthly use cap, which would have had the practical effect of limiting the amount of energy an investor-owned utility could claim for primary compliance in each month within a given compliance period. This limitation would have neutralized the primary benefit of CETA's multiyear compliance period, which is the flexibility to "use" variable renewable and nonemitting electric generation and their associated renewable energy credits (RECs) for primary compliance regardless of the point in time at which the electricity was generated within the compliance period. The November 4th draft rules also align with the rules adopted by Commerce for consumer-owned utilities in 2022, thereby creating a consistent regulatory interpretation of "use" across all utilities subject to the requirements of CETA.

However, the Commission's November 4th draft rules do contain proposed provisions relating to the treatment of organized electricity markets that are not currently mirrored in Commerce's rules. PGP has been and continues to be involved in greenhouse gas (GHG) design discussions in the context of the California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM) and Extended Day-Ahead Market (EDAM), as well as the Southwest Power Pool's (SPP) Markets+ initiative. PGP has also been engaged in the Department of Ecology's (Ecology) Electricity Markets Rulemaking under the Climate Commitment Act (CCA). It is critical that any rules relating to organized markets adopted by the Commission (and, perhaps eventually, by Commerce) enable electric utilities to fully participate in either the CAISO or SPP markets without compromising those utilities' ability to comply with CETA. To that end, PGP respectfully offers the following comments on and proposed edits to the November 4th draft rules pertaining to organized markets for the Commission's consideration.

In-Market GHG Attribution Frameworks & Out-of-Market Accounting Approaches

In both the CAISO and SPP contexts, the GHG "attribution" or "deeming" frameworks are designed to facilitate compliance with state programs that impose a price on GHG emissions, such as Washington's Cap-and-Invest Program under the CCA and California's Cap-and-Trade Program. While the details of the GHG designs vary between the markets, in both the SPP and CAISO contexts an out-of-state resource can indicate its willingness to serve demand in (i.e., be "deemed" or "attributed" to) a state with a GHG pricing program (also referred to as a "GHG Regulation Area" or "GHG Pricing Zone") by including a GHG bid adder in its resource offer that reflects the cost of compliance with that pricing program. Under both market contexts, attribution of both internal and external resources to GHG Pricing Zones is not limited to renewable or nonemitting resources, and resources are attributed to the whole Zone or Regulation Area, not to individual load-serving entities (LSEs) or load responsible entities (LREs) within the Zone or Regulation Area.

While the GHG attribution frameworks built into both the CAISO and SPP market designs are narrowly focused on facilitating compliance with GHG pricing programs, both market operators are developing out-of-market accounting and reporting approaches that could facilitate entities' compliance with state programs that mandate reductions in GHG emissions from electricity serving load without pricing those emissions. Recently adopted GHG market protocols for SPP's Markets+ include a process for mapping and allocating an LSE's owned and contracted-for energy resources to that LSE, with the option of designating certain energy as "null power," meaning that the RECs and/or non-power attributes (NPAs) have been separated from the energy and retained by the LSE or sold to a third party.[1] The protocols protect against double-counting of resources by providing that if SPP identifies an instance where more than one entity claims the same energy for the mapping process, SPP will notify the affected entities as soon as practicable, and the mapping will remain unchanged until SPP is notified by the affected entities that the competing claims have been resolved. Any energy not mapped to a particular entity in Markets+, combined with energy

[1] Markets+ GHG Task Force (MGHGTF) Protocols, dated 9/26/2024.

from resources in each LSE's resource portfolio that exceeds the LSE's load within Markets+ in each hourly interval ("excess energy"), then feeds into a whole-market "residual energy" calculation. This residual energy data is then published to enable entities to develop a residual market mix emissions rate as necessary.

A specific issue with respect to development of a market footprint-wide residual emissions rate is how to address the issue of null power—created when a LSE or LRE retains the REC associated with excess energy that is contributed to the residual mix. Excluding null power from the calculation or attaching an emissions rate to null power creates issues associated with transparency and accuracy. Including null power in the calculation by fuel type and as zero-emitting creates concerns with double-counting of the renewable attributes. The Markets+ Protocol includes protections addressing double-counting of these attributes that include: 1) publishing a disclaimer associated with published null power values; 2) data published on a monthly basis with hourly granularity will include null power volumes without underlying fuel type; and 3) data published on a quarterly and annual basis will contain aggregated volumes of null power with underlying fuel type.

A similar, though not identical, out-of-market accounting and reporting approach is in the early phases of development under the CAISO's GHG Coordination Working Group initiative.[2]

However, neither the in-market GHG attribution frameworks nor the out-of-market accounting and reporting approaches would provide for the contractual conveyance of RECs or NPAs associated with energy dispatched in either the CAISO or SPP markets. It is also the case that neither market context currently provides for nor contemplates enabling the sub-allocation of resources dispatched to a GHG Pricing Zone that are not already owned or contracted for by individual LSEs. This may change as market designs and accounting and reporting frameworks evolve.

The Commission's November 4th Draft Rules

PGP believes that any rules relating to organized markets adopted by the Commission should enable electric utilities to fully participate in either the CAISO or SPP markets without compromising those utilities' ability to comply with CETA. The rules should affirm that RECs associated with energy from a utility's owned or contracted-for resources, whether internal or external to Washington, can be used for primary compliance even if the energy is dispatched in an organized market, provided that the energy is not attributed to a pricing zone as a renewable or nonemitting specified source and that the market operator has adopted a framework for addressing double-counting. Specifically, it should be clarified that the energy must actually be attributed to a pricing zone to render the RECs and NPAs unusable for CETA compliance. If an entity offers energy

[2] Information and materials pertaining the CAISO's GHG Coordination Working Group initiative can be accessed here: https://stakeholdercenter.caiso.com/StakeholderInitiatives/Greenhouse-gas-coordination-working-group.

to the market as zero-emitting but it is not attributed to the pricing zone, the associated RECs or NPAs should still be eligible for CETA primary compliance.

While PGP believes it was the Commission's intent to achieve this aim with its November 4th draft rules, we find the language itself to be unclear. PGP therefore offers the following comments on and proposed edits to the Commission's draft rules:

Definitions to be added to WAC 480-100-605:

- "Organized electricity market" – PGP recommends that the Commission use the term "centralized electricity market," as proposed to be defined by Ecology in its amendments to Ch. 173-441 WAC (GHG Reporting Rule) under its Electricity Markets Rulemaking[3], instead of "organized electricity market." Such alignment would promote regulatory consistency across CETA and the CCA.
- "Renewable attribution framework" – As commented above, the GHG attribution frameworks built into the CAISO and SPP markets are not limited to renewable and nonemitting resources, and neither the in-market GHG attribution frameworks nor the out-of-market accounting and reporting approaches would provide for the contractual conveyance of RECs or NPAs associated with energy dispatched in either market context. It is also not currently possible to sub-allocate resources dispatched to a GHG Pricing Zone that are not already owned or contracted for by individual LSEs or LREs within that Zone or Regulation Area. For these reasons, PGP recommends deleting the definition for and references to a "renewable attribution framework," and substituting it with the following definitions:
    - "Greenhouse gas attribution framework" means a system by which the electricity from a resource that is successfully offered into a centralized electricity market is assigned, designated, deemed, or attributed to be serving Washington electric load or electric load within another jurisdiction with a greenhouse gas pricing program by the methodologies, processes, or decision algorithms that are put in place by the market operator of that centralized electricity market.[4]
    - "Energy and emissions accounting protocol" means, within the context of a centralized electricity market, an out-of-market process for mapping, assigning, or allocating to individual market participants all owned and contracted for energy resources with protections against double counting.

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[3] Ecology's proposed rule language would define "centralized electricity market" to mean "an electricity market organized and operated by a market operator and approved by the Federal Energy Regulatory Commission to provide wholesale electricity to market participants through a system of bidding and generation resource offers that are used to determine the dispatch of electricity from market participants. Examples of existing and proposed centralized electricity markets include the Energy Imbalance Market and Extended Day Ahead Market operated by the California Independent System Operator, and the Markets+ market operated by the Southwest Power Pool."

[4] This definition aligns with Ecology's proposed 'deemed market importer' definition.

WAC 480-100-6XXa Use of RECs or NPAs other than unbundled RECs to comply with the greenhouse gas neutral standard:

PGP recommends the following edits to subsections (6) and (8) in order to affirm that RECs associated with energy from a utility's owned or contracted-for resources, whether internal or external to Washington, can be used for primary compliance even if the energy is dispatched in an organized market, provided that the energy is not dispatched as a renewable or nonemitting specified source and that the market operator has adopted a framework for addressing double-counting:

(6) RECS or NPAs associated with electricity generated by a renewable or nonemitting resource where the electricity is dispatched in a~~n~~ ~~organized electricity market~~ centralized electricity market are eligible to count toward a utility's primary compliance.

(8) A utility may retire a REC or NPA for primary compliance only if the utility demonstrates that there is no double counting of that REC, NPA, or the associated clean energy within another load-based program in Washington or other jurisdictions. At a minimum, this requires that: (a) For bilateral markets, any ~~bilateral~~ sale of electricity without its associated RECs or NPAs must include terms stating that the sale is of unspecified electricity; and (b) for centralized electricity markets, the ~~utility must not offer for sale in any organized electricity market the~~ energy must not be attributed to a jurisdiction with a GHG pricing program as zero-emitting ~~ectricity without its~~ where the associated RECs or NPAs have been retained by the utility or sold to a third-party ~~characterized as a zero or non-GHG resource~~.

PGP recommends aligning the provisions of WAC 480-100-6XXc to address use of RECs and NPAs to comply with the 100 percent renewable or non-emitting standard with the proposed changes to subsections 6XXa (6) and (8) above.

Conclusion

PGP appreciates the opportunity to comment. We look forward to participating in future discussions about the implementation of CETA, particularly as it pertains to organized electricity markets.

Sincerely,

/s/ Mary Wiencke

Mary Wiencke
Executive Director
Public Generating Pool