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Records Management
Nov 27, 2024

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Filed Via Web Portal

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

Re: Puget Sound Energy's Comments Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act "Use" Rules; Docket UE-210183

Dear Director Killip,

Puget Sound Energy (PSE) respectfully submits these comments in response to the Washington Utilities and Transportation Commission's (Commission) November 4, 2024 Notice of Opportunity to Provide Comments (Notice) on its draft "Use" rules. PSE supports the draft rules issued on November 4 and agrees with the Commission's view that a monthly cap on the use of renewable and nonemitting generation for CETA has the potential to create additional rate pressures on Washington customers at a time when customers are already facing rising costs across all aspects of their energy burden.

In these rules, the Commission has established an organized electricity market framework for determining the use of CETA-eligible renewable and nonemitting generation that can be applied to a utility participating in the existing Western EIM as well as in the future Southwest Power Pool Markets+ or the California Independent System Operator's Extended Day-Ahead Market (EDAM). EDAM has not yet developed a mechanism for assignment of clean energy at a load-serving entity (LSE) level. The Commission's proposed framework should support future and near-term evolution of the markets to a large degree with the acknowledgement that future market developments may necessitate revisiting aspects of accounting or planning. For these reasons, PSE offers a few suggested refinements to the draft language.

With respect to the planning rules, PSE also supports the requirement for a demonstration of how a utility's planned resource acquisition, resource retirement, and continued investment in and operation of existing resources are projected to meet its primary compliance obligation, including an analysis of those resources on an hourly basis.

With respect to the Commission's reporting and compliance draft rules, PSE supports the monthly collection of data with the exception of the requirements for reporting of storage data. At this time, PSE believes more discussion is needed to develop a common understanding of the use of this type of resource and a unified framework for reporting. PSE discusses this further below.

Throughout these rules, PSE also offers a few minor suggestions for clarification.

Organized Electricity Markets

PSE offers the following clarification with respect to the definition of an organized market's "Renewable Attribution Framework." Both Markets+ and EDAM have different methodologies for assigning clean energy to load-serving entities in the market footprint. Both markets have been designed to support states with a GHG pricing program, and only Markets+ has contemplated the assignment of clean energy to states with portfolio emissions reductions caps or goals that do not have a jurisdictional price on carbon. Neither market contemplates the transfer of renewable energy certificates (RECs) or other instruments that convey attributes of the underlying electricity.

Markets+ proposes to assign all renewable or nonemitting generation economically dispatched by the organized market to the LSE that owns or contracts for that generation through an allocation process. Additionally, Markets+ may assign to a GHG zone surplus clean energy in the market that has agreed to be offered into the GHG zone through a process called attribution, defined in Attachment K of the Markets+ tariff. That surplus electricity may be sub-allocated to individual LSEs within that zone.

EDAM has not yet established a framework for attributing owned and contracted resources to LSEs or for allocating surplus clean electricity that has voluntarily offered into a GHG zone to an LSE, but is in the process of discussing proposals that may accomplish this in the future. Among the edits offered here, PSE suggests certain clarifications in rule language regarding the use of electricity transacted in an organized electricity market.

WAC 480-100-605 Definitions

As described above, neither Markets+ or EDAM contemplate the transfer of RECs or other tradeable instruments through the market optimization or attribution process. PSE suggests the following edit to the definition of "Renewable Attribution Framework" to clarify that distinction.

"Renewable Attribution Framework" means, within the context of an organized electricity market, a system or protocol that allows for the attribution to a utility of renewable and nonemitting electric generation that is owned or contracted by that utility, or that has been voluntarily offered for sale into a GHG zone ~~renewable or nonemitting nonpower attributes and that has~~ ~~with~~ protections against double counting.

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

PSE understands staff's intent with respect to the use of RECs or nonpower attributes in an organized market to allow utilities to use the clean attributes of the electric generation for which its customers have paid through ownership or contract to meet CETA's GHG Neutral Standard, while still enabling the market to optimize and dispatch those resources on a least-cost basis for the benefit of the overall market supply and demand balance. As of today, neither market contemplates the transfer of instruments, such as RECs, for surplus electricity that is voluntarily offered into the GHG zone.

Additionally, PSE highlights that unspecified electricity transactions are the default today under standard agreements such as the WSPP Schedule C. Only contracts that identify or specify resources are called out in transactions. In other words, the default for agreements is the absence of language specifying resources, not the presence of language stating it is unspecified electricity. To that end, PSE suggests the following clarifications:

(6) A utility may use RECs or NPAs associated with electricity generated by a renewable or nonemitting resource owned or contracted for by that utility and dispatched in an organized electricity market ~~are eligible to count~~ towards its ~~a utility's~~ primary compliance if the electricity is attributed to the utility by the organized electricity market's renewable attribution framework; or the utility separately acquires the RECs or NPAs associated with the renewable or nonemitting electricity from the resource or system that was acquired in the organized electricity market.

(8) A utility may ~~use~~ ~~retire~~ a REC that has been retired or an 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) any bilateral sale of renewable or nonemitting electricity ~~without~~ its associated RECs or NPAs must include terms stating that the sale is of specified renewable or nonemitting electricity, and in the absence of such terms, the sale is presumed to be unspecified electricity, and
- b) the electricity utility must not be attributed to a jurisdiction with a GHG pricing program as zero-emitting offer for sale in any organized electricity market the electricity 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.~~

WAC 480-100-6XXb Portfolio planning requirements to comply with the greenhouse gas neutral standard.

PSE supports the Commission’s planning requirements in these rules, including the requirement for the utilities to demonstrate how its planned resource acquisition, resource retirement, and continued investment in and operation of existing resources are projected to meet its primary compliance obligation. We offer a few clarifications in this section to acknowledge this information is a plan and actual conditions may result in deviations from that plan.

(1) When submitting an Integrated Resource Plan, Clean Energy Implementation Plan, Clean Energy Action Plan, or Integrated System Plan required by statute to the commission, a utility must demonstrate how its planned resource acquisition, resource retirement, and continued investment in and operation of existing resources are projected to meet its primary compliance obligation under RCW 19.405.040(1)(a), or other minimum percentage of retail electric load established by the commission through an approved interim target, with renewable or nonemitting electricity in each compliance period beginning January 1, 2030.

Additionally, the Commission’s rules refer to multiple plans including an Integrated Resource Plan, Clean Energy Implementation Plan, Clean Energy Action Plan, or Integrated System Plan. PSE suggests a slight modification to the draft rule language that makes it applicable to all of the aforementioned plans the utility is required to submit – not all of these plans necessarily include a “preferred” portfolio.

(2) Each utility must meet the requirement in subsection (1) of this section through, at a minimum, an hourly analysis of the renewable or nonemitting output of the ~~preferred~~ resource portfolio, and how this is intended to meet its primary compliance obligation under RCW 19.405.040(1)(a), under low and expected renewable output conditions.

WAC 480-100-650 Reporting and compliance

PSE understands and supports the Commission’s desire to examine how storage resources are being used to meet compliance with CETA. The use and modeling of storage is a topic of much recent discussion. At this time, PSE suggests the Commission strike the language in its rules related to reporting of storage – WAC 480-100-650 (3)(1)(iv) and (m). Or, at a minimum, it might be helpful to caveat this information as required “to the extent feasible” until more discussion can be had collectively. PSE believes more discussion is needed to develop a common understanding of the various use cases for storage and to agree upon common terminology and a reporting framework. The use cases for storage become complicated very quickly. One example of this

complexity is how to treat storage located on the customer side of a meter. PSE does not have visibility into what kilowatt-hours are charging a customer battery versus what electricity is serving other onsite loads, or furthermore, what customer-side resources are also charging that battery configuration. PSE encourages more consideration and discussion prior to adopting reporting rules on this topic.

Additionally, PSE currently reports retail sales (before line losses) and total owned and contracted generation on an hourly basis in its Clean Energy Progress Report.¹ PSE request clarification on whether the Commission would also like this information reported on a monthly basis under -650 (4).

(3) Annual clean energy progress reports.

- (l) The following information on at least a monthly basis, in MWh;
 - (i) The amount of renewable or nonemitting energy that the utility counts towards primary compliance, justified by the vintage of the associated RECs or NPAs;
 - (ii) The total load served by the utility before line losses;
 - (iii) The retail load served by the utility; and
 - ~~(iv) The total amount of energy storage resource charging, for resources owned or contracted by the utility, that the utility fulfilled.~~
- ~~(m) The storage efficiency of the resources reported in subsection (l) of this section.~~
- (n) Other information the company agreed to or was ordered to report in the most recently approved CEIP or biennial CEIP update.

Other minor edits:

PSE offers a few additional minor edits and clarifications below.

Definition of “vintage”:

“Vintage” means the month and year in which electricity and its associated RECs or NPAs ~~is~~ are generated.

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

- (1) In order to designate a REC or NPA for primary compliance under RCW 19.405.040(1)(a) or to demonstrate performance towards ~~compared~~ to an interim target established under RCW 19.405.060(1), a utility must comply with the requirements of this

¹ WAC 480-100-650 (4)

section. The requirements of this section apply to all RECs that are retired and NPAs from nonemitting resources that are ~~presented~~ reported to meet primary compliance.

PSE suggests edits to clarify that other tracking systems may be available now – such as MRETS – or in the future, and the authority is granted in statute to the Washington State Department of Commerce to select a renewable energy credit system, and to clarify such tracking system does not register RECs, but rather, creates RECs for resources registered in that system.

- (3) **REC Tracking for Nonemitting Generation**~~WREGIS~~ **registration.** If ~~WREGIS~~ a tracking system identified by the Washington Department of Commerce registers ~~creates~~ RECs for a resource that falls under the definition of nonemitting electric generation in RCW 19.405.020(28), a utility must verify, track, and retire those RECs in the same manner as RECs from renewable resources.

To clarify that NPAs are not a tradeable instrument with a vintage characteristic.

- (4) For resources that do not generate RECs, a utility must demonstrate sole ownership of all NPAs associated with the electricity claimed towards primary compliance. ~~The vintage of the NPAs claimed towards primary compliance~~ must be associated with electricity generated ~~dated~~ within the four-year compliance period that the ~~REC~~ NPAs are being claimed, whether for primary or alternative compliance.

Conclusion

PSE appreciates the opportunity to comment on these draft rules and is committed to the state's clean energy transformation and to making progress toward meeting the 2030 and 2045 long-term CETA standards. PSE also appreciates the Commission's thoughtful engagement in the regional market discussions that have informed these rules. We look forward to working with the Commission on these topics.

Please contact Jessica Zahnow at (971) 200-6026 or jessica.zahnow@pse.com for additional information about this filing. If you have any other questions, please contact me at (425) 462-3051.

Jeff Killip, Executive Director and Secretary

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Sincerely,

/s/ Wendy Gerlitz

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