

**Washington Clean Energy Transformation Act
Carbon and Electricity Markets Stakeholder Work Group
Scoping Document**

March 6, 2020

Introduction

Section 13 of the Washington Clean Energy Transformation Act (CETA) requires the Department of Commerce (Commerce) and the Utilities and Transportation Commission (Commission) to convene a stakeholder work group to examine electricity and carbon market issues related to implementation of CETA.

On November 19, 2020, Commerce and the Commission announced a 20-member markets workgroup (MWG) representing a broad set of stakeholders including environmental and public interest organizations, public and privately owned electric utilities, wholesale generators and electricity market participants, labor groups, and residential and business customers. Those individuals are:

- Charles J. Black, on behalf of Invenergy
- Ryan Bracken, Northwest Natural Gas
- Clare Breidenich, Western Power Trading Forum
- Tom Davis, Bonneville Power Administration
- Bill Drumheller, Washington Department of Ecology
- Lisa Gafken, Public Counsel Unit of Office of the Attorney General's Office
- Wendy Gerlitz, NW Energy Coalition
- Deric Gruen, Front and Centered
- Rex Habner, International Brotherhood of Electrical Workers
- Kelly Hall, Climate Solutions
- Therese Hampton, Public Generating Pool
- Nicole Hughes, Renewable Northwest
- Scott Kinney, Avista Corporation
- Melissa Lyons, Chelan County Public Utility District
- Kate Maracas, Western Grid Group
- Tyler Pepple, Alliance of Western Energy Consumers
- Josh Walter, Seattle City Light
- Paul Wetherbee, Puget Sound Energy
- Mary Wiencke, Pacific Power
- Cameron Yourkowski, EDP Renewables

On January 15, 2020, the MWG held a kickoff meeting where it:

- Heard comments by Glenn Blackmon, Manager of the Energy Policy Office at the Washington Department of Commerce and Commissioner Ann Rendahl of the Washington Utilities and Transportation Commission about the purpose for the MWG
- Had an organizational discussion, including on the topics of a) scope and purpose for the MWG; b) candidate topics for the MWG to address through a series of workshops; and c) selection of MWG co-chairs
- Invited comments from the public
- Received an overview presentation on electricity markets

Under section 13 of CETA, the MWG must examine: a) efficient and consistent integration of CETA and transactions with carbon and electricity markets outside of the state; and b) compatibility of the requirements under CETA relative to a linked cap-and-trade program. Commerce and the Commission are then tasked with the development of specification, verification, and reporting requirements for: a) retail electric load met with market purchases in the EIM or other centralized market; and b) addressing prohibitions on double-counting of non-power attributes. Commerce and the Commission are expected to commence a rulemaking to address these Phase II CETA implementation issues on June 30, 2021.

At the MWG kickoff meeting on January 15, 2020, Commissioner Rendahl and Glenn Blackmon noted that CETA directs the MWG to address integration of carbon and electricity markets. Mr. Blackmon also noted that CETA establishes an explicit purpose for clean energy, including electrification of transportation and buildings, as well as an implicit purpose of achieving the benefits of efficient and well-designed electricity markets.

Below is a proposed structure for setting forth the planned scope of the MWG's activities and its next steps.

Intent of the Markets Work Group

The purpose of the MWG is to help ensure that Washington receives benefits from both a lower-cost, more efficient wholesale energy market as well as a decarbonized energy supply. To accomplish this, the MWG will examine how carbon and electricity markets interface with the implementation of CETA and the transformation of Washington's energy supply. It is the intent of the MWG to conduct this examination and provide constructive input to Commerce and the Commission for Phase II CETA rulemakings expected to commence June 30, 2021.

As a starting point, the MWG will host a series of workshops on electricity markets, greenhouse gas policies, existing and proposed carbon markets, and other related topics to set a base of understanding among MWG members that will inform its examination of the issues. The workshops will be designed to provide relevant information on a range of topics including: transmission and system operations, existing bilateral electricity markets, existing and proposed

centralized markets such as the energy imbalance market (EIM) and the extended day ahead market (EDAM), greenhouse gas policy implementation, and compatibility of the CETA with a cap-and-trade program such as that of California. For each workshop, the MWG will develop a set of key takeaways that will inform its ultimate examination of the issues. Following the series of workshops, the MWG will focus on the development of an issues list for consideration in the CETA rulemaking process as it relates to carbon and electricity markets. The issues list will also provide a set of potential alternative approaches for resolving the issues.

Schedule & Timing

It is expected that Commerce and the Commission will commence Phase II CETA rulemakings on June 30, 2021. Accordingly, the MWG intends to develop the issues list and proposed alternatives in a timely manner that allows Commerce and the Commission to consider the issues and alternatives in the development of the rulemaking scope. To provide this timely input, the MWG intends to provide a final issues list to Commerce and the Commission by no later than March 31, 2021.

The MWG will host a series of workshops approximately every six weeks beginning in mid-April 2020 through September 2020. Following the workshops, the MWG will conduct a series of work sessions to discuss the takeaways from the workshops and define the scope of the issues. During the period of time from October – December 2020, it also anticipated that individual MWG members may have specific work product that is being circulated and finalized among the group or in identified sub-committees. Workshops will be moderated by MWG members with specific subject matter expertise. Workshop speakers will be subject matter experts drawn from consultants, utilities, government agencies, advocacy organizations, and MWG members.

A draft timeline is provided below:

Workshop Series

Session 1 – Week of April 20, 2020

Session 2 – Week of May 18, 2020

Session 3 – Week of June 15, 2020

Session 4 – Week of September 7, 2020 (if needed)

MWG Public Work Session – Week of October 12, 2020

MWG Public Work Session – Week of November 2, 2020

MWG Public Work Session – Week of December 7, 2020

Following the December workshop, the MWG will confer and determine whether additional works sessions are needed to finalize any identified work products by March 31, 2021.

Workshop Series

The MWG will host four, or potentially five, workshops on a series of relevant topics. The workshops will be hosted in different locations in Washington including at least one session in Vancouver, WA and one session in Lacey, WA at the Commission's offices. The workshops will be scheduled from 10am-3pm to allow for travel before and after each workshop. Lunch will be arranged for but will not be paid for by the MWG. The workshops will include a variety of qualified and diverse presenters or panelists with the objective of ensuring the provision of balanced and relevant information to the MWG.

Workshop 1: Western Energy Systems 101—Transmission, System Operations, and Energy Markets

The workshop will provide a high-level overview of the transmission system, scheduling, grid operation and reliability with a view to understanding how more efficient operations and geographic diversity of resources can be helpful to integrate growing amounts of variable renewable energy. This workshop will also provide a basic overview of energy markets from existing bilateral markets to the EIM and contrast existing structures with a potential EDAM and/or full centralized market.

Workshop 2: Clean Energy, Carbon and other Policy Drivers and Considerations

This workshop will provide an overview of clean energy and carbon policies in the western states, including existing renewable/clean energy standards, emission performance standards and cap and trade. The workshop will also focus specifically on requirements in CETA to consider the social cost of carbon, energy efficiency and demand response. Finally, the workshop will explore equity in energy markets to ensure that all customers benefit from the transition to renewable energy and non-emitting resources.

Workshop 3: Accounting for Fuel Type, Emissions, and Renewable Energy

This workshop will cover and compare accounting of energy, emissions, and renewable attributes under various regulatory and voluntary programs, including renewable portfolio standards, fuel mix/power source disclosure, cap and trade, and voluntary renewable and green programs. The workshop will also explore how the accounting approaches interact with existing and potential future energy market frameworks, including the EIM and EDAM.

Workshop 4: CETA & Carbon & Energy Markets

This is a workshop that is reserved to address topics that may not have been adequately addressed in the first three workshops. This workshop also will synthesize information and discussions from the previous three workshops, with a view to identifying issues to be discussed in the Public Work Sessions.