CETA Demonstration of Compliance Concept
Multi-Year Compliance Period with Annual Surplus Accounting
For Discussion Purposes Only[1]

Core concept:

- The goal of this proposal is to integrate elements of NWEC's and Climate Solutions' financial accounting proposal with the joint utilities' proposal to reach a compromise.
- This proposal builds on the utilities' previous proposals by adding an accounting mechanism where a utility's eligible qualifying generation used to serve customers is capped at an amount equal to a utility's retail load in a given year.
- Final compliance is determined by totaling the annual calculation of eligible qualifying generation over the multi-year compliance period.

Key elements included:

- **The utilities' proposal requires a nexus between energy production and energy used for retail load service.**
    - Eligible electricity and nonpower attributes must be generated or purchased from a facility in the same period (unless used as alternative compliance), and any associated RECs are retired for compliance.
    - CETA-compliant resources must meet location requirements or utilize delivery points capable of delivery to customers in Washington state to establish a physical connection between energy production and energy used to serve retail load, as follows:
        - Location is within the utility's service area or balancing authority area, or
        - Point of delivery is the transmission or distribution system of an electric utility, transmission system of BPA, transmission system of a participating entity in an organized market in the Western Interconnection, or another delivery point designated by the utility.

- **The utilities' proposal includes strong double counting provisions.**
    - Any renewable or nonemitting electricity sold as a specified source contract cannot be claimed for any Washington compliance requirement, including alternative compliance.
    - Unbundled RECs used for alternative compliance will be procured under a contract that conveys all attributes with the purchase of the REC.

- **To demonstrate "use" of clean energy, this proposal caps a utility's renewable and nonemitting energy used for "primary" compliance[2] at a utility's annual retail load in any given year.**
    - Utilities demonstrate use of renewable/nonemitting energy by limiting qualifying generation on an annual basis to an amount no greater than 100% of a utility's retail load in a given year within the compliance period.
    - Any eligible annual generation in excess of a utility's annual retail load would <u>not</u> be eligible as renewable or nonemitting generation used for "primary" CETA compliance.

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[1] This draft and proposal are for discussion purposes only and do not cede any party's interpretation of the law or applicable statutes. This proposal is not intended to inform 2045 compliance.

[2] This paper is using the phrase "primary" compliance to describe resources eligible for compliance with RCW 19.405.040(1)(a)(ii).

- **Electricity exceeding annual load is eligible for alternative compliance**
  - CETA-compliant generation exceeding the utility's retail load in a given year is available for use as alternative compliance for the multi-year compliance period (consistent with RCW 19.405.040(1)(b)(ii)) provided that electricity was not sold in a specified sale.
  - This provides customers with compliance value for their portfolio of clean resources.

- **Commitment to regional coordination.**
  - In response to stakeholder interests to enhanced tracking systems, utilities commit to engage in regional discussions on the interaction of state policies with the continued efficient bilateral and organized markets and prevent double counting.

- **The utilities' proposal uses retail load as the basis for compliance.**
  - The statute's compliance obligation is based on retail electric load, which does not include transmission and distribution line and energy storage losses.
  - This approach aligns with other western clean energy requirements, and the creation of RECs based on generation at the source.

- **The utilities' proposal allows for continued participation and development of markets in the West.**
  - Allows utilities to continue to participate in energy and capacity markets that transact unspecified power.
  - Still holds utilities responsible for using deliverable renewable or non-emitting resources.
  - Preserves the environmental and economic value of non-dispatchable renewable resources and promotes their operational integration.

Example 1

Year	**Load**	**CETA-Compliant Generation**	**Eligibility for Primary Compliance**	**Eligibility for Alternative Compliance**
Year 1	100 MWhs	120 MWhs	100 MWhs	20 MWhs
Year 2	100 MWhs	110 MWhs	100 MWhs	10 MWhs
Year 3	100 MWhs	72 MWhs	72 MWhs	N/A
Year 4	100 MWhs	98 MWhs	98 MWhs	N/A
Compliance Position	400 MWhs		**370 MWh (92.5%)**	**30 MWhs (7.5%)**

Example 2

Year	**Load**	**CETA-Compliant Generation**	**Eligibility for Primary Compliance**	**Eligibility for Alternative Compliance**
Year 1	100 MWhs	70 MWhs	70 MWhs	N/A
Year 2	100 MWhs	60 MWhs	60 MWhs	N/A
Year 3	100 MWhs	125 MWhs	100 MWhs	25 MWhs
Year 4	100 MWhs	90 MWhs	90 MWhs	N/A
Compliance Position	400 MWhs		**320 MWhs (80%)**	**25 MWhs (6.25%)***

*55MWh of additional alternative compliance needed

Example 3

Year	**Load**	**CETA-Compliant Generation**	**Eligibility for Primary Compliance**	**Eligibility for Alternative Compliance**
Year 1	100 MWhs	150 MWhs	100 MWhs	50 MWhs
Year 2	100 MWhs	50 MWhs	50 MWhs	N/A
Year 3	100 MWhs	150 MWhs	100 MWhs	50 MWhs
Year 4	100 MWhs	50 MWhs	50 MWhs	N/A
Compliance Position	400 MWhs		**300 MWh (75%)***	**80 MWh (of 100 MWh total) is eligible (80 MWh = 20% of the utility's compliance obligation)**

*Utility would be 5% short of CETA compliance because it has not achieved the 80% threshold.