

Comments
of the Western Power Trading Forum
To the Washington Department of Ecology
On the Informal Draft Amendment to Greenhouse Gas Reporting Rules
July 30, 2021

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The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on the informal draft amendment to the Greenhouse Gas (GHG) reporting rules. WPTF comments below address the general requirements and those specific to electric power entities (EPEs). WPTF will provide detailed textual comments on a future draft of the revised regulation.

Ecology should coordinate with California on multiple aspects of program implementation, even before linkage occurs.

WPTF believes that there are several additional areas, beyond alignment of reporting rules, where coordination with the California Air Resources Board (CARB) would be beneficial for both programs and covered entities that do business in both states.

- Ecology should work with CARB (and any other jurisdiction in the WECC that adopts carbon pricing) to set up arrangements to appropriately provide credit for carbon compliance costs incurred in one jurisdiction reciprocally in the other jurisdiction. Such an arrangement would, for instance, ensure that electricity that originates and incurs a compliance obligation in one program from having to pay these costs again in the other jurisdiction. We recognize that the Climate Commitment Act anticipates such an arrangement once programs are linked. However, similar arrangements would be important to maintain interstate electricity transfers between the two jurisdictions prior to linkage, or if linkage does not occur. Failure to do so could have unintended consequences for both Washington and California.
- WPTF anticipates that electricity from individual specified resources will be imported into both programs at different times within any given calendar year. To ensure that these resources are assigned the same emission factor under both programs, and to avoid duplication of efforts by regulators in the two states, Ecology and CARB should coordinate the registration of specified sources and calculation of emission factors.
- WPTF suggests that Ecology add an explicit provision that would allow EPEs that import into both California and Washington to use single verifier and single verification process each year for both the Washington and California programs. While the two reports will be different, reflecting the different imports to each state, allowing one verifier to check documentation for imports under both programs would reduce administrative costs for EPEs and save time.

Ecology should eliminate the 10,000 metric ton emission threshold for reporting by electricity importers.

WPTF recommends that Ecology eliminate the emission threshold for electricity importers for two reasons. First, given the extremely low threshold, it would have little effect: total

¹ WPTF is a diverse organization of over 90 members comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West.

unspecified imports of approximately 23 MWh annually would trigger reporting. Second, it is inconsistent with California's program, which does not have a reporting threshold for electricity imports. WPTF recognizes that the 10,000 MT threshold is set out in statute, but in our read, this provision does not apply to electricity importers, but rather to local distribution companies.

The reporting and verification deadline for electricity importers should be moved back.

WPTF recommends that the due date for annual GHG reports for electricity importers be moved to June 1st of each year and verification deadline to August 10. Electricity importers will require additional time to compile information necessary to report imports and associated emissions. This include e-tag data, which may need to be pulled from vendors (e.g., Open Access Technology International), and meter data from zero emission resources to support the "lesser of" analyses, which may need to be collected from counterparties. To accommodate these tasks, California has set a reporting date of June 1st for importers and a verification deadline of August 10th. Ecology should do the same. Again, we do not believe that setting a later submission date would conflict with the statute because the statute refers to local distribution companies – not electricity importers.

The section of the regulation applying to EPEs should be restructured.

The Climate Commitment Act's definition of electricity imports and importers distinguishes between four different ways that electricity can enter the state: scheduled via an e-tag into a balancing authority area (BAA) located entirely within the state; via the system of a multi-state utility; via the Bonneville Power Administration's (BPA) system or through the Energy Imbalance Market. These distinctions are important because they will necessitate different arrangements for identifying, tracking and assigning carbon responsibility for imports.

Additionally, we are aware of another category of import that is not reflected in the statute's definition of importer: importers to BPA preference customers that also participate in the wholesale market for the load needs in excess of their BPA purchases. These customers have designated Points of Delivery (PODs) within BPA's system within Washington state. These customers either purchase and schedule electricity to the these points themselves, or other entities do so on the customers' behalf.

WPTF therefore recommends that Ecology reorganize the regulation provisions for EPE's around these categories of imports, as follows.

- **Electricity scheduled to a BAA located entirely within Washington:** The language in the current drafting regarding reporting of imports, exports and wheel-throughs is relevant *only* for electricity that is scheduled into, out of or through a BAA located entirely within Washington. These provisions should be moved under this heading.
- **Electricity scheduled to designated Utility PODs with BPA's system in Washington:** The PSE on physical path at the POD would be the importer. We suggest adding this as a fifth category, as additional provisions may be needed to apportion these imports to

Washington. (For instance, PNGC participates in the wholesale electricity markets on behalf of both Washington and Oregon cooperatives.)

- **Multi-Jurisdictional Utilities:** These provisions should address reporting of purchases and sales, as well as emissions for owned assets to calculate an emission factor for the utility system (taking into account any agreed cost allocation methodology), and apportionment of these emissions associated with serving retail load located within Washington state.
- **BPA:** A separate section should be added for imports by BPA on behalf of its Washington preference customers. The provision for calculation of Asset Controlling Supplier (ACS) emission factors is not sufficient: the ACS rate would apply for importers who purchase from BPA but does not address imports by BPA for its utility customers. This section should address the calculation of imports for these customers (essentially Washington load multiplied by BPA's ACS emission rate). It should also contain provisions that would apply in the event that BPA does not opt into the program.
- **Energy Imbalance Market (EIM):** While WPTF supports alignment of rules for EIM imports with those of California, Washington cannot adopt such rules without coordination with the California Independent System Operator, due to the changes that would be needed within the EIM market software. WPTF therefore recommends that Ecology include a place holder in the regulation for these imports, and hold at least one workshop on this topic, involving the CAISO.

Provisions for EIM Outstanding Emissions are premature.

The provisions in the California GHG reporting rule for calculation of EIM outstanding emissions enable CARB to retire allowances associated with the so-called "secondary dispatch" within the EIM. While CARB may consider similar provisions important to ensure the environmental integrity of the Washington program to enable program linkage, it is premature to include these in the reporting requirements. These requirements should be conditional upon a determination regarding any retirement of allowances to account for EIM secondary dispatch in the main Climate Commitment Act rulemaking.

Provisions for registration of specified sources should be modified.

WPTF recommends that Ecology layout the procedures for registration of specified sources under a separate heading to more clearly distinguish between the information that importers must provide for registration of a specified source, from information that must be reported in annual GHG reports.

Additionally, Ecology should eliminate the requirement for importers to collect and report GHG information from specified sources. Provision by an importer of facility identifying information is sufficient to enable Ecology to calculate an emission factor for each resource, using either information reported for that resource to the Environmental Protection Agency, or data collected by the Energy Information Agency. This approach is used by CARB.

Ecology should eliminate provisions that are not needed for implementation.

The draft rules include two elements from the California GHG reporting rules that are not relevant for Washington's program implementation: reporting of Renewable Energy Credits (RECs) and reporting by retail providers of high-emission resources.

With respect to RECs, WPTF notes that the only material impact of these being reported under the California program is to support verification of the Renewable Portfolio Standard (RPS) Adjustment. RECs are included in the regulation for the purpose of transparency at the outset of the regulation (although it is unclear if CARB has made any use of this information) and do not play a role in claims of specified sources. Since Washington's program does not contain an RPS adjustment and thus there is no material value in the REC reporting requirement, the Department should consider removing this section.

Regarding high-emission resources, these provisions in the California regulation are from the early days of the program when CARB was concerned about the potential for utilities to 'resource-shuffle' their high emission resources for cleaner resources. Because 2019's passage of the Clean Energy Transformation Act requires divestment of all coal resources by 2025, this provision is unnecessary for Washington.

Intercontinental Exchange Transactions at the Mid-Columbia trading Hub will likely evolve to accommodate the Climate Commitment Act.

Under the program's definition of electricity importer, electricity offered on the Intercontinental Exchange trading platform (ICE exchange) at the Mid-Columbia (Mid-C) and ultimately consumed or sunk within Washington State boundaries would result in a compliance obligation for the electricity seller. Because the seller will not know at the time of offer whether the electricity will ultimately sink in Washington or consumed elsewhere, the entity cannot know whether to price anticipated carbon compliance costs into its market offer. There are well-founded concerns among wholesale market participants that this uncertainty will reduce liquidity on the exchange at the Mid-C hub. As a result of these concerns, possible solutions are being discussed; of which, include developing additional product offering options for a WA Climate Commitment Act-compliant product or for normal unspecified sources of generation. This differentiation would allow entities to better manage risks and appropriately price offers. WPTF encourages Ecology to remain open to consider how these transactions will be treated under the program.