



Shell
ENERGY

Christa Lim
Regulatory Affairs Manager
Shell Energy North America
4445 Eastgate Mall, Suite 100
San Diego, California 92121
Christa.Lim@shell.com

November 16, 2021

Electronically Submitted

TO: Washington Department of Ecology (Ecology)

RE: WAC 173-441 GHG Reporting Rules Rulemaking

To Ecology Staff:

Shell Energy North America (US), L.P. (“Shell Energy”) appreciates the opportunity to comment on the development of Washington’s Greenhouse Gas (GHG) Reporting Rules (Draft Rules).

Shell Energy markets and trades natural gas, power and environmental products and provides risk management support to its wholesale and retail customers throughout North America.

Shell Energy’s goal is to provide more energy to meet growing demand while providing cleaner energy to reduce carbon emissions while promoting competition. With this objective in mind, Shell Energy shares the following recommendations.

I. Linkage is Paramount

Due to the interconnected nature of electricity markets across the West, many entities that transact wholesale electricity will be subject to both the Climate Commitment Act (CCA) and the Western Climate Initiative (WCI) Cap-and-Trade program. Linkage to existing West GHG reporting frameworks should be a principal priority in the development of the Draft Rules, as it will create a backbone for program transparency and accountability.

As a threshold matter, Shell Energy urges that the reporting contemplated by the Draft Rules be aligned as much as possible with the existing framework in California. In contrast to California’s practice, the Draft Rules contemplate a minimum threshold of MT CO₂e before reporting requirements are triggered; a minimum threshold implies that entities can correctly

assess whether or not they are obligated to report under the rules. It is unclear how Ecology will be able to determine and verify that entities in fact meet the emissions thresholds. Instead, aligning the reporting method with that of California and the WCI ensures that Ecology has a comprehensive view of all imported electricity and that any associated emissions are correctly and accurately reported. This outcome is in the public interest and aligns with the objectives of the CCA.

Additionally, the electric systems of Washington and California are highly linked and interdependent. As such, to prevent possible double-counting of emissions between the CCA and the WCI, Ecology should provide compliance credit for imports under the respective emission trading programs for emissions from resources subject to the WCI Cap-and-Trade program. Without compliance credit, emissions would be subject to being counted twice – for example, once at the generator level in California and again at the import level in Washington, or potentially vice-versa. Shell Energy encourages Ecology to coordinate a compliance credit mechanism with CARB.

II. Modifications of Rules Applying to Electric Power Entities

Shell Energy shares two high-level points regarding the proposed rules applicable to Electric Power Entities. For specific textual changes to the Draft Rules, Shell Energy supports the recommendations provided by Western Power Trading Forum (WPTF), submitted concurrently.

First, Shell Energy is concerned that the Draft Rules around imports, including but not limited to proposed WAC Section 173-441-124, subsection (3), do not sufficiently provide for identifying which electric power entity is responsible for reporting imports, as well as the reporting of transactions and associated emissions that occur from procurements in the wholesale market. In addition, Shell is concerned that the Draft Rules do not consider the nuance that some entities have service territories across multiple states (e.g. Bonneville Power Administration, Avista, PacifiCorp etc. have a multi-state service footprint). The Draft Rules must contemplate that imports associated with these entities may serve load in a non-Washington segment of the entities' systems.

Second, Shell Energy recommends that Ecology adopt certain changes applicable to multi-jurisdictional retail providers, as delineated by WPTF. Ecology should adopt the definition of

“Multistate System Operator”, as suggested by WPTF, to cover multi-jurisdictional retail providers. In addition, such providers should be enabled to consolidate reporting with their responsibilities as an electric importer/exporter. These revisions would simplify the operative text while remaining consistent with CCA directives. Accordingly, as further described below, Shell Energy recommends a consolidated reporting format for Electric Power Entities that are subject to the new reporting requirement in multiple capacities.

III. Reporting: Timeline and Administration

Finally, Shell Energy makes four recommendations regarding reporting timeline and administration. First, at the November 9 stakeholder meeting, Ecology indicated that reporting for new entities would begin in 2023, reflecting 2022 data. This timeline is unreasonable, given that the final Rule will not be adopted until Winter 2022, and other important administrative tasks remain following adoption, such as finalizing a reporting format. Accordingly, entities will not have certainty on what data to track, the sources that will be relevant for any calculations, and the format for presentation. The timeline for reporting for new entities subject to the rule should commence instead in 2024, reflecting 2023 data.

Second, Shell Energy recommends that the March 31 deadline for submitting a preliminary report “based on best available information” be eliminated, in favor of only one annual deadline (June 1) by which entities should submit a final report. Not only would this be consistent with the reporting deadline in California, but it is unclear how two disparate reports (a preliminary report and a final report) are preferable to one report.

Third, Shell Energy recommends that Washington use identical methods and data used by CARB to calculate emissions factors, as this will ease administrative burdens and ensure consistency across entities reporting in both jurisdictions. Having two unaligned emission factor measurements would encumber linkage with WCI as well as create unnecessary seams issues for transactions between the Washington and California programs. Instead, Ecology should work with the CARB to collaborate on measuring emissions factors and utilize the existing methods used by CARB. There is no need to reinvent the wheel here.

Fourth, WAC 173-441-124(1)(“General Requirements”) indicates that reporting of GHG emissions will be submitted “in a format designated by Ecology”. Shell Energy encourages

Ecology to establish the format it plans to use for reporting as expeditiously as possible upon adopting final regulations so that reporters under the rule can reasonably anticipate what will be required. This will allow entities to begin to develop internal data collection and formatting processes before beginning reporting. In addition, as highlighted in point one above, without a settled format for reporting, it makes the 2023 reporting timeline that much more difficult as entities end up scrambling to meet data formatting and sourcing requirements. Shell Energy encourages Ecology staff to adopt an Excel-based form like the ONE reporting workbook¹ used by the CARB. The ONE report was developed over three years and represents an efficient and agreed upon reporting system used by entities transacting in integrated electricity markets and serving retail load.

Shell Energy appreciates Ecology's consideration of these comments and looks forward to continued engagement.

Sincerely,

Christa Lim
Shell Energy North America

¹ ONE – Report workbook for EPE Importers & Exporters (posted April 6, 2021), California Air Resources Board, available at: <https://ccdsupport.com/confluence/download/attachments/112035331/ONE.xlsm>.