

Comments
of the Western Power Trading Forum
To the Washington Department of Ecology
On the Partial Draft Program Rules under the Climate Commitment Act
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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 partial draft program rules under the Climate Commitment Act (CCA) contained in Chapter 173-446 WAC.

WPTF general comments on the draft rules are provided below. In addition, we urge the Department of Ecology to establish contracts now for the operation of a compliance instrument tracking system, and for services related to allowance auctions. In the interest of expediency, and eventual linkage to California, Ecology should contract with the same organizations that provide these software platforms and services for the Western Climate Initiative.

With respect to allowance auctions, WPTF emphasizes the need to hold the first allowance auction in late 2022. Electricity market participants are already engaging in contracts for the delivery of electricity into Washington in 2023. Until the first auction occurs, the price of Washington allowances will not be known. As a result, independent power producers, electricity marketers and other entities covered by the program that will not receive free allocation of allowances will not be able to accurately factor program compliance costs into these forward transactions. Ecology should work to ensure that the first auction takes place before January 2023 to provide allowance price discovery.

If Ecology has not already done so, we urge staff to reach out to the California Air Resources Board (CARB) to initiate formal consultations. CARB experiences in designing and implementing its program over the past decade could be extremely helpful to Ecology and can help to ensure that program rules are sufficiently aligned to support eventual program linkage. Ecology should also explore the possibility of establishing a reciprocity agreement with California (and other jurisdictions with carbon pricing for the electricity sector) so that emissions that are regulated under one program are not additionally subject to compliance obligations under the other program. Such a provision would be important until linkage can occur.

Our comments on the partial draft rule follow.

Applicability and Covered Emissions

Section WAC 173-446-030 states that “All covered emissions from all covered entities are subject to Washington’s Cap-and Invest Program.” WAC 173-446-040 further states that “Covered emissions are GHG emissions reported under WAC 173-441 except as modified in subsections (2) through (4) of this section.” WPTF does not consider these sections to provide sufficient regulatory certainty for electricity importer as to which emissions are subject to a compliance obligation under the CCA, due to the lack of clarity in Ecology’s proposed amendments to WAC 173-441. In our separate comments on those proposed amendments, WPTF provided detailed textual edits intended to clarify which entity has reporting responsibility for emissions associated with various import transactions, and how covered emissions are be calculated for electric power entities that engage in different types of import transactions. With our proposed changes to WAC 173-441, the language on Applicability and Covered Emissions is sufficient. However, if Ecology does not include language and equations in WAC 173-441 for the calculation of covered emissions by electricity importers, then such provisions need to be added here.

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.

Program Account Requirements and Compliance Instrument Transactions

WPTF generally supports the provisions for program accounts and compliance instrument transactions. However, we have several comments:

- Several additional account types will be needed to implement the program. These include individual consignment accounts for entities that receive directly allocated allowances and wish (or are required) to consign these allowances to auction, and an auction holding account for allowances that will be offered at each auction. Additionally, Ecology should establish a single account to hold compliance instruments that are retired by individual entities; such retirement would occur by moving instruments from individual entity compliance accounts to the Ecology administered retirement account.
- Information published by Ecology on compliance instruments in holding accounts must be aggregated across entities to protect the confidentiality of this information. Ecology should not publish information on holdings by individual entities.
- Ecology should make clear in the rule that rules for transfers of compliance instruments between accounts, including accounts registered to different entities, will be effectuated within a compliance instrument tracking system. The ability of such a tracking system to manage compliance instrument transfers in accordance with program rules eliminates the need for several of the proposed rule provisions. For instance, the tracking system can prohibit transactions that would result in a violation of the holding limits. Thus, it is not necessary to require that entities explain any violation of holding limits or divest of allowances in excess of the holding limits.
- Holding limit restrictions should apply only to allowances in holding accounts and should exclude allowances in those accounts that are needed to cover emissions for previous and current years of the compliance period. Holding limit restrictions are not needed for allowances in compliance accounts, since these allowances cannot be further transferred (except to a central retirement account). The calculation of allowances needed to cover compliance period emissions to date should take into account allowances in compliance accounts.