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Please find attached comments of the Western Power Trading Forum.

Comments of the Western Power Trading Forum to the Washington Department of Ecology on No Cost Allocation to Electric Utilities

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The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on issues discussed at the June 22nd workshop on no-cost allocation of allowances to electric utilities.

WPTF supports the public policy principle of providing allowance value electric utilities to mitigate the impact of the Climate Commitment Act (CCA) on electricity ratepayers. We offer no comment on the method for determining allocations to the electric utilities, nor the number of allowances freely allocated. However, we wish to ensure that the allocation of allowance for ratepayer benefit is done in a way that maintains the competitiveness of wholesale electricity markets. Because allocation of allowances can affect the compliance costs of Washington generating resources and electricity imports under the program, if not done carefully, it will alter the competitiveness of entities that receive free allocation of allowances (utilities) vis-à-vis their competitors who do not (independent power producers and importers).

To address this concern, the California Air Resource Board (CARB) has, since inception of that state's cap and trade program, required investor-owned utilities (IOUs) to consign 100% of their allocated allowances to auction.¹ CARB and the California Public Utilities Commission also provide guidance and oversight respectively to ensure that utilities use revenue from the auction of consigned allowances solely for rate-payer benefit.

Given Ecology's strong interest in linking the cap and invest program to those of California and Quebec, and the fact that California and Washington share a common wholesale electricity market, WPTF believes that it behooves Washington to adopt rules that align with California's.

For these reasons, WPTF recommends that Ecology require all utilities who own generation resources and offer energy into the wholesale electricity market to consign 100% of their no - cost allowances to auction.

¹ When the California cap and trade program went into effect, only the IOUs participated in the California Independent System Operator (CAISO) centralized electricity market. Since the Energy Imbalance Market was launched, a number of California publicly-owned utilities (POUs) have begun participating in that market. Many of these POUs are also expected to join CAISO's Extended Day-Ahead Market. As a result, CARB is expected to modify its regulation to also require those entities to also consign allowances to auction.