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Seattle City Light Comments: Cap-and-Invest Program Updates and Linkage Rulemaking CR-102

Seattle City Light respectfully submits the following comments in response to the Washington State Department of Ecology's (Ecology) June 1, 2026, Notice of Proposed Rule Making, amending chapters of the Climate Commitment Act (CCA) to improve the implementation of the Cap-and-Invest Program, facilitate the linkage of Washington's carbon market with the California-Québec carbon market, and make other necessary updates consistent with amendments to the CCA.

City Light supports and appreciates Ecology's work to facilitate linkage with California and Quebec, and to provide electric power entities with greater clarity regarding our reporting and compliance obligations. These efforts have provided greater certainty, which helps City Light and other utilities to plan for how we can best serve our customers at least cost.

City Light is generally supportive of the proposed rules, however, there are several areas that we believe would benefit from additional clarity. City Light respectfully requests additional discussion of the details of these proposals, in order to ensure that there is clarity regarding the proposals and their potential implications for future allocations and obligations. Additionally, City Light is a member of the Public Generating Pool (PGP) and supports its detailed comments and responses to Ecology's questions.

Mandatory Consignment Requirements

City Light does not oppose mandatory consignment requirements so long as the consignment framework is clear in how it will be interpreted and implemented and preserves utilities' statutory right under RCW 70A.65.120 to retain no-cost allowances for direct compliance. City Light appreciates the greater detail included in the proposed rules regarding the terms of required consignment. However, while the proposed rules provide additional insight into how the compliance obligation might work, we believe additional detail is necessary to provide the necessary clarity on how the consignment requirement will be calculated and executed, and to ensure the requirement is administrable. We offer three suggestions below.

1. *Ecology should inform utilities if they have a mandatory consignment obligation*

As drafted, the consignment requirement calculation is complex, and upon internal review, City Light staff had varying interpretations of what the language was intended to convey. Based on this experience, City Light is concerned that it is possible that our interpretation of the rule might vary from Ecology's intention and expectation. In an effort to assure that utilities have clarity on their obligation, and to eliminate the potential for dueling estimations of the mandatory consignment obligation, City Light recommends that Ecology amend the rule to indicate that it will issue each electric utility a written determination of (a) whether the utility is required to consign allowances, based on the proposed exemption framework, (b) the quantity that needs to be consigned, and (c) the data inputs used to calculate the consignment requirement.[1]

By providing the calculated consignment requirement, Ecology can provide utilities with certainty that we understand our obligations, and a process by which we can work with Ecology to ensure we comply with the agency's expectations.

2. *Ecology should revise the timeline for mandatory consignment*

City Light is concerned that the proposal to require consignment in the year following the emissions year is unnecessarily short. More specifically, under the proposed rules, for any single emissions year *t,*:

- Emissions and electricity data for year *t* are reported in spring of year *t+1*;
- Third-party verification typically concludes in August of year *t+1*;
- Ecology updates entities' obligations in CITSS in October of year *t+1*; and
- Mandatory consignment must be completed by December 31st of year *t+1*, subject to a 75-day advance notice requirement.

Assuming that CITTS obligations are updated on October 1, even if a utility was able to immediately provide notice of its intent to consign allowances, the earliest auction it could participate in would be December 15. As a result, a utility has, at most, a single auction window in which to satisfy its mandatory consignment obligation.

City Light is concerned that with this limited window of opportunity to act, a utility might miss the only chance to execute the consignment to auction. Even if an auction was held on December 31, we would need to provide notice for that auction by October 17. But we believe that timeline could be difficult to meet if verification runs long or a utility requires clarification on Ecology's October CITSS update, which will confirm the figures needed to calculate the potential consignment requirement. Further, any utility required to consign allowances will need to follow their necessary internal risk and compliance reviews; a short decision window of a few weeks may not accommodate these processes which exist to protect our customers and ensure we are acting responsibly on their behalf.

Further, City Light is concerned that this limited window could systemically harm the market and ratepayers. The proposed timeline would concentrate every consigning utility's volume into the same December auction each year, creating avoidable supply lumpiness and depressing the settlement price in the auction where the proceeds are realized from the required consignment.

Instead, City Light recommends that Ecology extends the mandatory consignment deadline until December 31 of year *t+2*. This would allow utilities additional time to review their compliance

[1] City Light recognizes there is sensitivity related to consignment and the potential impact to auctions, but we believe that Ecology could provide this information to utilities in a manner that is consistent with the market-sensitive information protections of RCW 70A.65.100 and WAC 173-446-317.

obligations, and to integrate these allowances into the utilities overall auction and consignment strategy. Under an extended timeline, Ecology would also have additional time to provide utilities with information about their potential consignment requirement or exemption. If Ecology opts to adopt both recommendations (providing written guidance and extending the timeline for mandatory consignment) City Light asks Ecology to its guidance on consignment requirement/exemption by December of year *t+1*.

3. *Establish a floor for a minimum number of allowances that would trigger consignment*

If Ecology imposes a compliance requirement, City Light suggests that Ecology should set a floor for the minimum number of allowances that would trigger consignment. Utilities required to consign allowances will have to undertake administrative and financial processes to complete the consignment as well as to receive and utilize any auction proceeds. A minimum threshold would help to ensure that utilities are not required to take on financial and administrative burdens that would exceed benefits that could be achieved with the auctions proceeds.

Allocation Adjustment

City Light supports proposed WAC 173-446-230(4)(b) and supports Ecology's efforts to ensure that utilities are not penalized for accelerating conservation programs, procuring clean resources ahead of schedule, or decarbonizing faster than its Clean Energy Implementation Plan. Proposed subsection (4)(b) provides clarity on what utilities can expect. This design also serves Ecology's own stated objectives for the second compliance period allocation — improving certainty for market actors while preserving and strengthening decarbonization incentives.

Allowance Banking & Changes to Compliance Periods

City Light strongly supports Ecology's efforts to support linkage, and thus, to achieve that beneficial outcome, we believe it is reasonable to synchronize with the linked jurisdictions and alternating two- and three-year periods. As a hydroelectric utility whose compliance obligation could vary materially with water conditions, there is potential that shorter periods compliance periods could reduce the flexibility that longer periods provided, creating compliance challenges. However, City Light believes the proposed banking provisions provide a reasonable means by which to manage that risk.

With the ability to bank, protection against water-year volatility does not come from the length of compliance period itself; it comes from the ability to bank allowances and market depth. On each of those dimensions the linked market improves City Light's position: banking is expressly not reset at period boundaries, and the linked market is substantially deeper and historically more price-stable than Washington's standalone market. Because post-linkage holding limits are calculated against the combined Washington–California–Québec budgets, a hydro-exposed utility like City Light is expecting to receive a larger drought reserve. City Light accordingly supports this and the related provisions aligning Washington's rules with those of California and Québec and encourages Ecology to finalize them as proposed.

City Light supports proposed WAC 173-446-080, including the retention of unlimited banking, the removal of the requirement that older vintages be retired before newer vintages, and the removal of the prohibition on using a future-vintage allowance to meet a current or past compliance obligation.

For a utility whose covered emissions swing with hydrological conditions, banking flexibility will provide the principal tool for smoothing compliance costs across wet and dry years, especially given that shortening compliance periods offer fewer years over which an adverse water year can be averaged. City Light asks that these provisions be retained in the final rule without narrowing.

City Light also respectfully flags one asymmetry Ecology should resolve, or at minimum address in the adoption record, before the linkage effective date: California does not permit general use of future-vintage allowances for a current or past obligation. Under Cap-and-Trade Regulation § 95856(b)(2), an allowance surrendered in California must be issued from a budget year within or before the year of the obligation. There are narrow exceptions: reserve and non-vintage allowances, excess-emissions surrenders, and a true-up carve-out (§ 95856(h)(1)(D), (h)(2)(D)) limited to entities eligible for true-up allocation. In a linked market where instruments are fungible across jurisdictions, divergent vintage-validity rules could distort cross-border trading and pricing of forward vintages. City Light takes no position on which rule should prevail; it asks only that Ecology confirm the intended treatment is deliberate and coordinate with the linked jurisdictions on whether vintage-validity rules will be harmonized.

Use of Carbon Offsets Post-Linkage
RCW 70A.65.170(1)(b) provides that offset projects must "provide direct environmental benefits to the state or be located in a jurisdiction with which Washington has entered into a linkage agreement," and RCW 70A.65.180 reduces the required share of offset usage providing direct environmental benefits to Washington to not less than 50 percent where a linkage agreement is in effect. The statute thus contemplates that offset credits from linked jurisdictions will be usable for Washington compliance; what remains is implementation, and City Light requests that the final rule address it expressly.

Specifically, City Light asks that Ecology confirm that offset credits issued by a linked jurisdiction and valid for compliance in that jurisdiction are valid compliance instruments in Washington, subject to the usage limits of RCW 70A.65.170, after linkage becomes effective. This includes credits issued under linked-jurisdiction protocols that Ecology has not separately adopted.

Conclusion
City Light appreciates the opportunity to provide feedback on these important issues. We look forward to continued engagement with Ecology and other stakeholders throughout this process.