



Cap-and-Invest: No-cost allowance allocation for electric utilities

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Ecology staff introductions

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Agenda

- 1** Overview of electric utility allocation
- 2** Summary of revised schedule
- 3** Questions and comments
- 4** Next steps

Purpose of electric utility allocation

Ecology allocates no-cost allowances to electric utilities to mitigate the cost burden of the Cap-and-Invest Program, protecting Washington consumers of electricity.

Utilities subject to the Clean Energy Transformation Act are eligible for allocation of no-cost allowances.



How it works

No-cost allowance allocation mitigates

- **Direct compliance costs** of the Cap-and-Invest Program, associated with a utility's own electricity imports and generation used to serve Washington customers
- **Indirect costs** associated with purchases of electricity that are covered by the Cap-and-Invest Program upstream of the utility



Allowable uses of no-cost allowances

- Cap-and-Invest Program compliance
- Transfer to eligible generation facilities or federal system providing the utility power
- Offer at quarterly auctions
- Hold for eligible uses

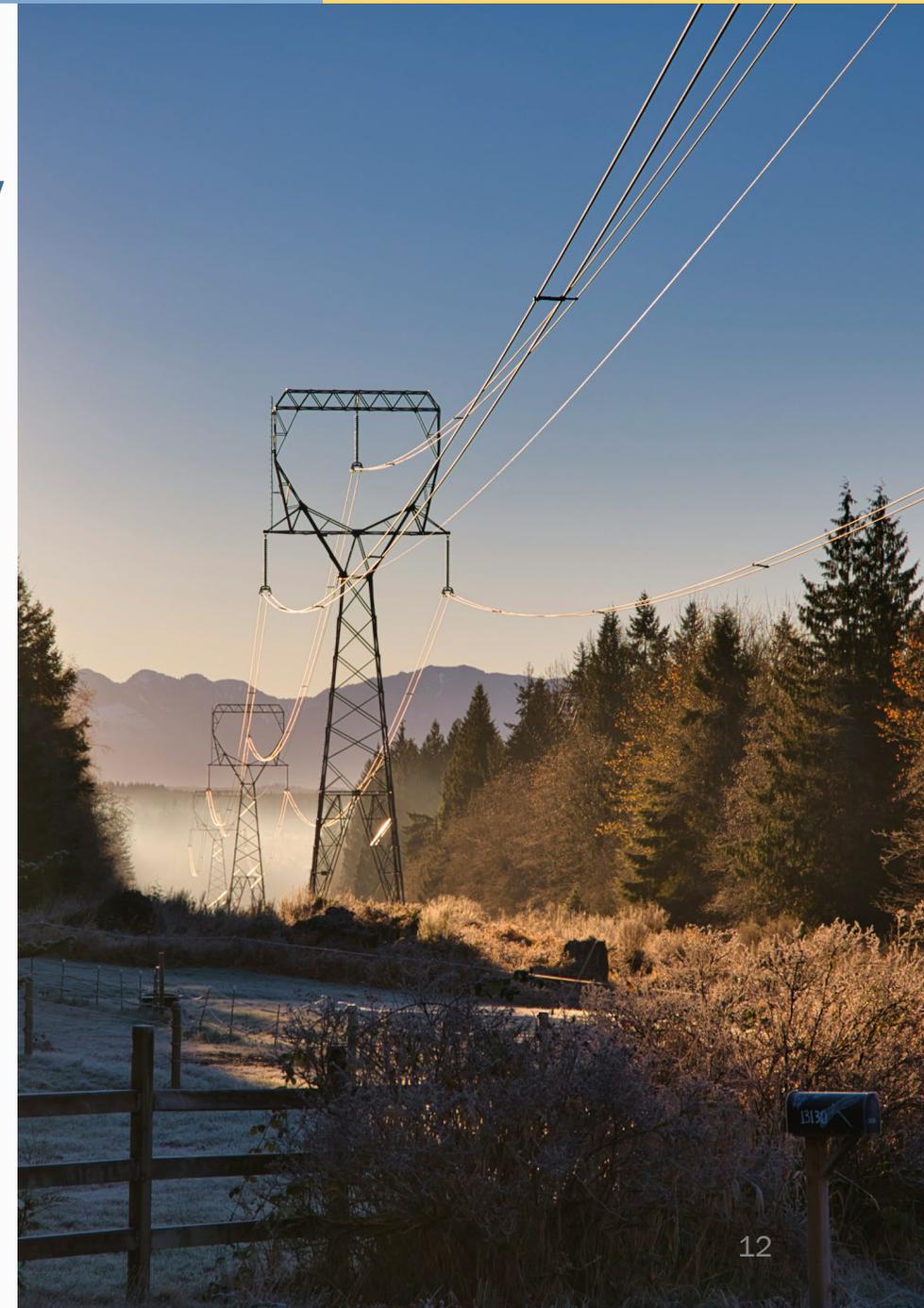
Electric utilities may not otherwise sell or trade no-cost allowances to other entities.



Allocation rules prioritize equity

All proceeds from the sale of no-cost allowances at quarterly auctions must be used to benefit utility customers

First priority is to mitigate rate impacts to low-income customers.



Overview of allocation method

- Incorporates forecasts of each utility's retail electric load and resource supply used to meet retail load.
- Forecasts of resource supply projected to serve retail electric load are multiplied by applicable greenhouse gas emission factors.
- Resource supply forecasts should represent the best estimate of the most likely electricity resource mix used to supply retail electric load.

Overview of allocation timing

- Allowance allocation is distributed annually October 24.
- Allowance vintage (v) aligns with upcoming calendar year.
 - For example, allocation provided Oct. 24, 2024 will be vintage 2025 (or v2025) allowances.

Initial allowance allocation schedule

- In 2023, Ecology published an initial allowance allocation schedule for the first compliance period.
- Initial schedule reflected available and submitted data from board and UTC approved forecasts.

Why publish a revised schedule?

- Ecology may annually update the initial allocation schedule per WAC 173-446-230.
- Initial schedule published early in the first year of program implementation and before the first cycle of verified emissions reporting had been completed.
- Informed by nearly two years of program implementation, Ecology has made several updates to methods aligned with program rule.
- Ecology will work with electric utilities to strengthen the clarity, consistency, and predictability of the allocation approach.

Goals of revised schedule

Updated methods address

- Alignment with program rule
- Consistent approach across utilities
- Alignment with potential cost-burden imparted by program compliance



Details of revised schedule

- Incorporates annually updated BPA asset controlling supplier emission factor (BPA EF), consistent with WAC 173-446-230(2)(d)(v)
- Improves consistency of data sources and calculations for load-following customers of BPA
- Revised approach for balancing and EIM energy assumptions
- Updated utility-specific forecasts and updates to utility-specific calculations

For any utilities with board or UTC-approved forecasts developed specifically to address Cap-and-Invest Program rule, the revised schedule continues to use the indicated resource supply projected to meet retail load.

Updated BPA emission factor

- Allocation will be updated annually to use the updated BPA EF, consistent with 173-446-230(2)(d)(v).
 - Example: v2025 allocation, provided Oct. 2024, now applies the BPA EF used in reporting data year 2025.
- Allocation shown for future years is provisional and uses a default BPA EF, which is calculated as a 3-year rolling average of the published BPA EF.
 - Example: 2026 allocation in the revised schedule is provisional and reflects use of a default BPA EF (average of 2023-2025).

Revised balancing assumption

For all utilities whose load is not balanced by a federal power marketing administration:

- Forecasts of resource supply apply a minimum of 5% supply from unspecified resources, if utilized or submitted forecasts did not already indicate the sum of natural gas, coal, and unspecified resources as greater than or equal to 5%.

Implementation of updates in revised schedule

- Updated methods (BPA EF and balancing assumption) applied to all years
 - Applied to allocation derived from 2025 and 2026 forecasts. Impacts v2025 and v2026 allocation.
 - Applied methods to 2023 and 2024 forecasts. Adjustments accounting for difference from distributed v2023 and v2024 allocation, will be applied to v2026- v2030.
- Improved consistency for load-following BPA customers
 - Consistent public data source used for 2025 and 2026 forecasts. Impacts v2025 and v2026 allocation.
 - Ecology intends to update 2026 forecasts before Oct. 2025 with outputs from BPA's 2026-2028 RHWM Process.
- Updated allocation calculations using eligible submitted forecasts
 - Updated allocation for all data years in forecast submission
 - Adjustments accounting for any updates to 2023-2024 forecasts will be applied to v2026- 2030.

Implementation of updates in revised schedule, cont.

See the ReadMe and DataCals tabs in the published [2023-2026 allocation data set](#) for detailed description and calculations.



Implementation of updates in revised schedule, cont.

- No adjustments made that require utilities to submit previously distributed v2023 or v2024 allowances to Ecology.
- Based on current information, Ecology does not intend to initiate further adjustments accounting for allocation methods, forecasts, or cost burden associated with calendar year 2023, except for administrative costs.

Administrative costs still to be addressed

- Initial and revised schedule do not include additional allowances that will be allocated to account for the administrative costs of the Cap-and-Invest Program (WAC 173-446-230(2)(h)).
- Ecology is committed to making progress in addressing historic and ongoing administrative costs, consistent with program rule.
- Ecology will work with utilities and UTC to develop an informed approach on this topic.

Rule language addressing administrative costs

WAC 173-446-230(2)(h)

“...Administrative costs of the program are limited solely to those costs associated with establishing and maintaining compliance accounts, tracking compliance, managing compliance instruments, and meeting the reporting and verification requirements of this chapter. Program costs, such as those related to energy efficiency or renewable energy programs, are not qualifying administrative costs, including any administrative requirements of those programs. The number of allowances allocated for this purpose will be determined by ecology based on documented and verified administrative costs derived from audited financial statements from utilities...”

Requested voluntary feedback to inform implementation

- Can administrative costs of the program be demonstrated from audited financial statements from utilities?
- What documentation do utilities have, consistent with program rule, that indicate administrative program costs?
- How should utilities submit requests for recovery of administrative costs? What supporting documentation should be submitted?
- How can Ecology promote consistent and predictable treatment across utilities in implementing WAC 173-446-230(2)(h)?

Please submit feedback to CCAutility@ecy.wa.gov by Nov. 30, 2024.



Questions & comments

General utility allocation and updates to the revised schedule

Please email questions and comments about a specific utility's allocation or administrative costs to CCAUtility@ecy.wa.gov.

Next steps

- Contact CCAutility@ecy.wa.gov by Oct. 17, 2024 with questions regarding a utility's specific calculation of no-cost allowance allocation.
 - Ecology may prioritize addressing concerns regarding 2025 allocation, distributed on October 24, 2024.
- Submit voluntary comment regarding administrative costs to CCAutility@ecy.wa.gov by Nov. 30, 2024.