Clean Energy Transformation Rule: Energy Transformation Projects

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Rulemaking Meeting #4
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Goals for Today

- Review statutory basis for energy transformation projects (ETPs)
- Focus on changes from draft rule outline language & structure
- Highlight key new concepts
- Refine and improve language before formal CR-102 stage

CETA Law: RCW 19.405.040

(2) Investments in energy transformation projects used to satisfy an alternative compliance option provided under subsection (1)(b) of this section **must use criteria developed by the department of ecology**, in consultation with the department and the commission. [emphasis added]

CETA Law: RCW 19.405.100

(7) The department of ecology must adopt rules, in consultation with the commission and the department of commerce, **to establish requirements for energy transformation project investments** including, but not limited to, **verification procedures**, reporting standards, and other logistical issues as necessary. [emphasis added]

Energy Transformation Projects (1)

Energy transformation projects must:

- Provide energy-related goods or services, **other than the generation of electricity**.
- Reduce fossil fuels and greenhouse gases (as quantified using emission & conversion factors established by Ecology).
- Provide benefits to electric utility customers (subject to equity requirements & criteria).
- "Be associated with the consumption of energy in Washington."
- "Not create a new use of fossil fuels that results in a net increase of fossil fuel usage."
- Not be double counted toward standard.

Energy Transformation Projects (2)

The statute lays out additional criteria for ETPs including that emission reductions must be:

- Real, specific, identifiable, and quantifiable.
- Permanent (using time period set by Ecology).
- Enforceable by the state of Washington.
- Verifiable (through verification processes).
- "Additional," meaning that the ETP is:
  - Not required by another statute, rule, or other legal requirement.
  - Not reasonably assumed to occur absent investment, or if an investment has already been made, not reasonably assumed to occur absent additional funding in the near future.

What's New in the Rule Language?

- Overall structure
- Semantics of "project"
- Definitions → "permanent"
- Accelerated process for creating categories of eligible ETPs
- Different protocol approach
- Verification procedures

Overall Structure

- Simplified structure wrapped around core Ecology mandates:
  - Categories of ETPs
  - Criteria to be used by utilities
  - ETP procedures for use by utilities, including verification procedures
- Increased statutory referencing

Semantics of "Project"

- Energy transformation projects are statutorily defined as being both **projects** and **programs**.
- Repeated use of the two words in combination – "project(s) or program(s)" – to describe every potential instance of a potential ETP category, especially before these projects or programs have achieved ETP status, was confusing and created a series of logical "or" problems throughout the rule text.
- This language adds a definition of "project" that includes programs; now pre-ETP use of "projects" and ETPs both include programs.
- **For every "project," think "program" as well!**

Definition of Permanent

- RCW 19.405.040(2)(b): … *ecology must look to other jurisdictions in setting this standard and make a reasonable determination on length of time*.
- For energy-related combustion emission reductions, permanence is not a relevant issue: The laws of science dictate that any reduction is non-reversible (i.e., permanent).

Permanence (2)

- Only clear energy-related project type which might be applicable to the ETP space is geologic sequestration
- International standard for permanence is 100 years (e.g., CA offsets, CA LCFS)
- WA has existing laws covering geologic sequestration (Chap. 80.80 RCW, *et al*)
- Permanent in WA = 99% for 1000 years

Eligible Categories of ETPs

- Initial proposal: Create list in 2 phases, starting after rule is finished
- New proposal: Create list in 3 phases, with 1st phase as part of the public process for this rule
- Overall timing not significantly different, but earlier certainty for some ETP types that are clear fits

Why These Five ETP Categories?

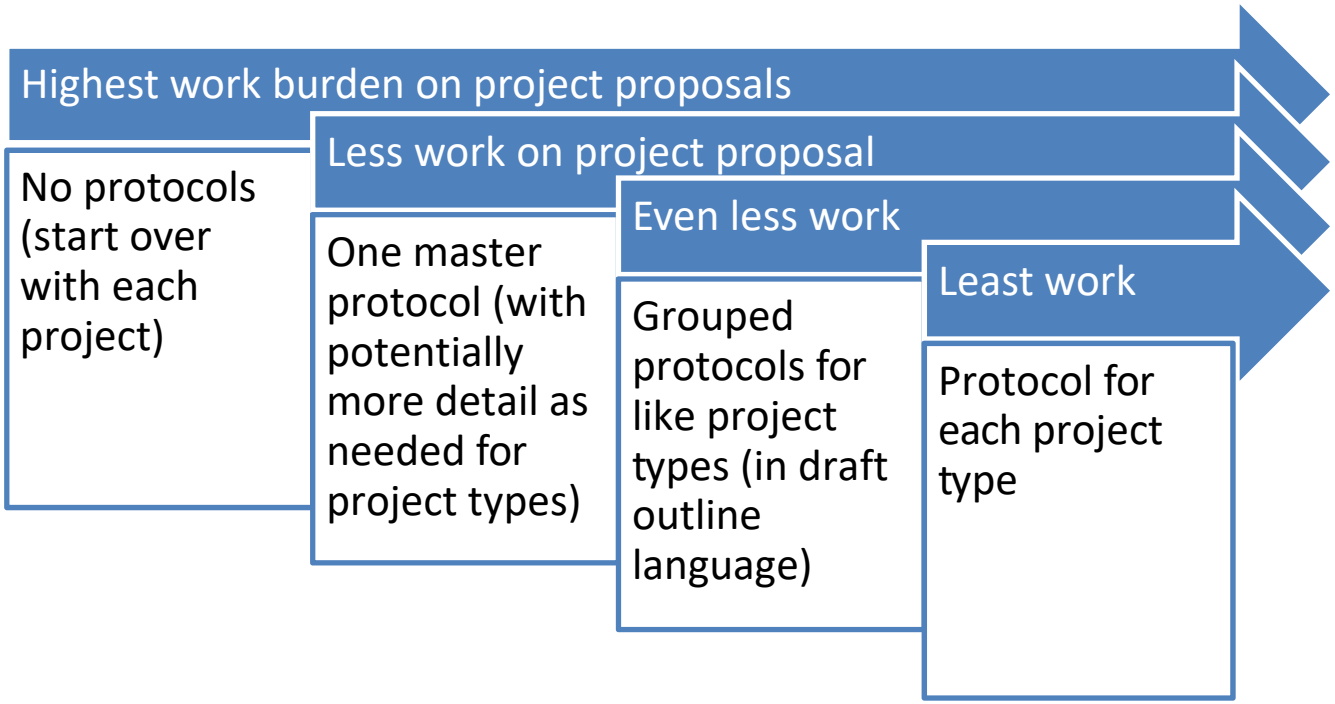
- Closest to being "ready to go"
  - Existing protocols (EV charging, natural gas efficiency projects) as models
  - Existing emission methodologies
  - Discrete project types possible
- Less label challenges (category labels matter, rule language is less flexible)
- Logical foundation to build on for other categories (no double counting)

What is a Protocol?

- A compendium of criteria – including principles, procedures, processes, methodologies, rules, or other requirements – that ensure uniform or consistent application of those ETP elements across electric utilities in the implementation of ETPs for CETA
- Makes the ETP criteria that utilities must use transparent, relevant, and actionable to specific projects & project categories

Proposed Protocol Approach

A single "master" protocol approach is a higher-level approach that will place more burden on individual projects, but can expedite the first use of ETPs.



Verification Procedures

- Consistent with CETA mandate to Ecology to develop verification, monitoring, & reporting procedures
- Pre-project validation steps:
  - Third party option
  - Ecology "advisory opinion" option
- Post-project verification, monitoring, and reporting

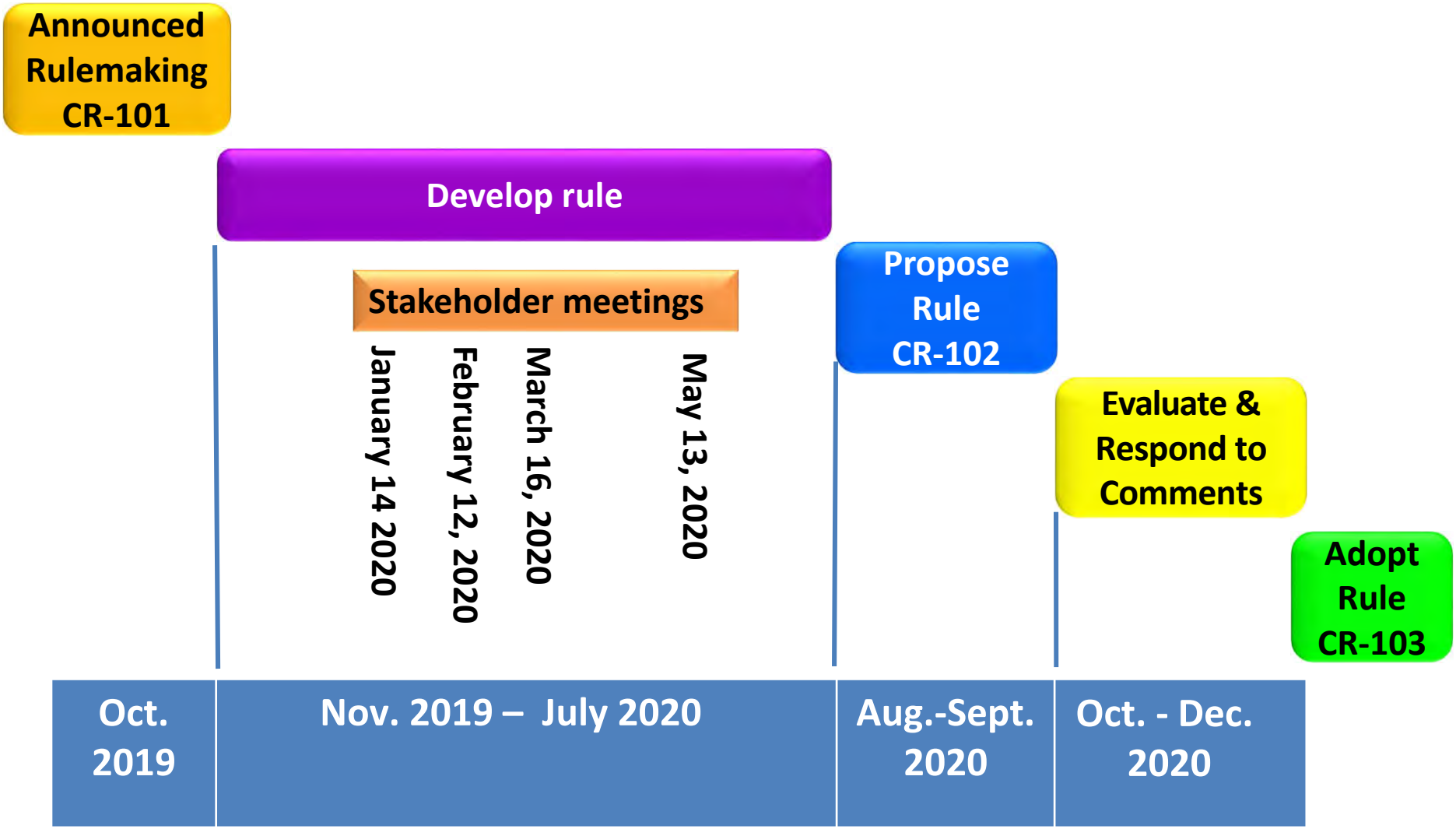
Essential Takeaways

- Exclusion of an ETP category from the initial five included in the rule language **does not** mean additional categories won't be included in the next phase. The list will get bigger.
- Ecology is establishing criteria and procedures, as required by law. These steps provide critical infrastructure and ensure transparency to allow all interested parties to be assured that ETPs are meeting CETA's requirements.

Next Steps

- Post-webinar survey
- Summary of this meeting will be posted on the rulemaking website by **May 20, 2020**.
- Provide comments and suggestion – by **May 25, 2020** http://aq.ecology.commentinput.com/?id=TYfx2
  - Draft rule language
  - Impact of this rule on your businesses and communities
- More information on economic analyses of rules:
  - February 12, 2020 stakeholder meeting on rulemaking website

Rulemaking Timeline



More Information

- Rulemaking website: https://ecology.wa.gov/Regulations-Permits/Laws-rules-rulemaking/Rulemaking/WAC-173-444
- To join the e-mail notification list: http://listserv.ecology.wa.gov/scripts/wa-ECOLOGY.exe?SUBED1=ECOLOGY-CLEAN-ENERGY-UPDATES&A=1

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