



Department of Commerce

Clean Energy Transformation Act Rulemaking Overview

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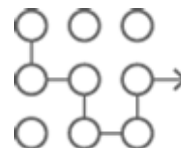
July 30, 2019

We strengthen communities

The Department of Commerce touches every aspect of community and economic development. We work with local governments, businesses and civic leaders to strengthen communities so all residents may thrive and prosper.



Energy



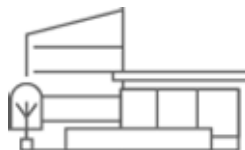
Planning



Infrastructure



Business Assistance



Community Facilities



Housing



Safety /
Crime Victims



Overview of this presentation

- Quick section-by-section review of SB 5116
 - Skipping sections that do not involve rulemaking by Commerce
- Initial thoughts on topics for rulemaking
- Rulemaking process – formal and informal
- Initial thoughts on timeline



Section 1 – Legislative intent

- WA leads the transition to a clean energy economy
- Prioritize family wage jobs, ensure all customers benefit, provide safeguards for reliability and cost
- Climate change poses immediate significant threats to economy, health, safety, national security
- WA can accomplish these goals while achieving other important policy objectives
- Public interest includes equitable distribution of energy benefits, reduction of burdens on vulnerable, highly impacted communities



Section 2 – Definitions

(1) “Allocation of electricity” means...



(40) “Vulnerable populations” means...



Section 3 – Eliminate coal portfolio



- Eliminate coal-fired resources from electric portfolio by 12/31/2025
- Depreciation provisions for investor- owned utilities
- Administrative penalty of \$150 per MWh



Section 4 – Greenhouse gas neutral standard

- Achieve GHG neutral standard starting in 2030
 - Pursue cost-effective, reliable, available conservation, efficiency
 - Use a combination of renewable and non-emitting resources
 - Use alternative compliance for up to 20% of load
- Alternative compliance options
 - Alternative compliance payment
 - Unbundled renewable energy certificates, including thermal RECs
 - Energy transformation projects
 - Spokane municipal solid waste incinerator, if results in net GHG reduction



Section 5 – 100% clean standard

- Nonemitting electric generation and electricity from renewable resources supply 100% of all sales of electricity to Washington retail electric customers by Jan. 1, 2045.
- Utilities must incorporate this standard in planning, resource acquisition, and electric service to retail customers.
- State agencies must incorporate this standard in planning and programs.



Section 6 – Clean energy implementation plans

- Each utility must submit a CEIP every four years, starting 1/1/2022
 - Includes interim targets prior to 2030
 - Targets for energy efficiency, demand response, renewable energy
 - Specific actions identified
- Subject to a rate impact limit
 - *Over the four-year compliance period, the average annual incremental cost of meeting the standards or the interim targets ... meets or exceeds a two percent increase of the consumer-owned utility's retail revenue requirement above the previous year*
 - UTC and Commerce must adopt rules to establish cost methodology



Section 7 – Greenhouse gas reporting



- Each utility must calculate and report GHGs from electricity delivered to retail customers
- Default rate for electricity from unspecified sources



Section 8 – Legislative report

- Commerce must report on status of CETA every four years, starting 1/1/2024
- Evaluate impact on reliability, affordability, safety, environment
- Consult with utilities, planning bodies
- Assess impact on middle-income families, small businesses, manufacturers



Section 9 – Penalties and enforcement

- For violations of Sec. 3 (remove coal) and Sec 4 (GHG Neutral)
 - Up to \$150 per MWh for use of coal
- Governing body of a consumer-owned utility may
 - Grant a temporary exemption based on reliability or events outside its control
 - Grant penalty relief based on auditor’s findings
- Auditor responsible for auditing compliance with CETA and Commerce rules, Attorney General must enforce
- Governor may suspend CETA using emergency powers



Section 10 – Rulemaking authority

- Commerce, UTC may adopt rules to implement CETA
 - COU ratemaking authority not affected
- Commerce must adopt rules to require utility reporting
- Agencies to streamline rules between CETA and Energy Independence Act
- Initial rules due 1/1/2021 (with some exceptions)



Section 11 – Harmonize CETA and EIA



- CETA does not replace requirements of EIA
- Activities to comply with EIA also qualify for CETA, if applicable



Section 12 – Energy assistance for low-income households

- Utilities must offer energy assistance
- Commerce must collect and publish data and assess adequacy

Commerce is conducting a separate stakeholder process on Section 12 requirements. First workshop is Aug. 1, 2019.



Section 13 – Carbon and electricity markets

- Commerce and UTC convene workgroup to examine:
 - Integration of CETA with electricity and carbon markets in other states
 - Compatibility with cap-and-trade programs
- Agencies must adopt rules by 6/30/2022
 - Specification, verification, reporting of transactions with organized markets such as Energy Imbalance Market
 - Prevent double-counting of renewable energy certificates under other programs



Section 14 – Amends utility resource plan law

- Amends RCW 19.280.030 (utility resource plans)
 - Assess regional generation and transmission resources
 - Develop appropriate resource adequacy metrics
 - Assess expected distributed energy resources
 - Include 10-year clean energy action plan
 - Assess impact on vulnerable populations, highly impacted communities
- Utilities must include social cost of carbon in resource evaluation
 - Commerce establishes value for COUs to use
- Applies to plans starting 12/31/2020



Sections 15-27

- 15 – Social cost of carbon for IOUs
- 16 – Coal transition for IOUs
- 17-19 – Tax breaks
- 20-21 – UTC regulatory flexibility
- 22 – State energy strategy update
- 23 – Energy and climate advisory committee
- 24 – Department of Health cumulative impacts study
- 25 – EFSEC transmission corridors workgroup
- 26-27 – Title of the act and codification



Sections 28-29 – Amends Energy Independence Act

- Establishes industry-standard definition of renewable energy credit
- Clarifies eligibility of hydro RECs
- Allows incremental generation from federal hydro, starting in 2020



Potential areas for rulemaking

- Energy Independence Act
 - Incorporate federal hydro
 - Streamline with CETA
- Renewable energy certificates
 - Thermal RECs
- Planning requirements
 - Cost methodology
 - Clean energy implementation plan
 - Integrated resource plan
- Reporting requirements
 - Greenhouse gas emissions
 - Demonstrate CETA compliance
 - CEIP reporting
- Wholesale market transactions
 - Double-counting protection
- Social cost of GHG emissions



Formal rulemaking process

CR-101

- Preproposal Notice (CR-101)

CR-102

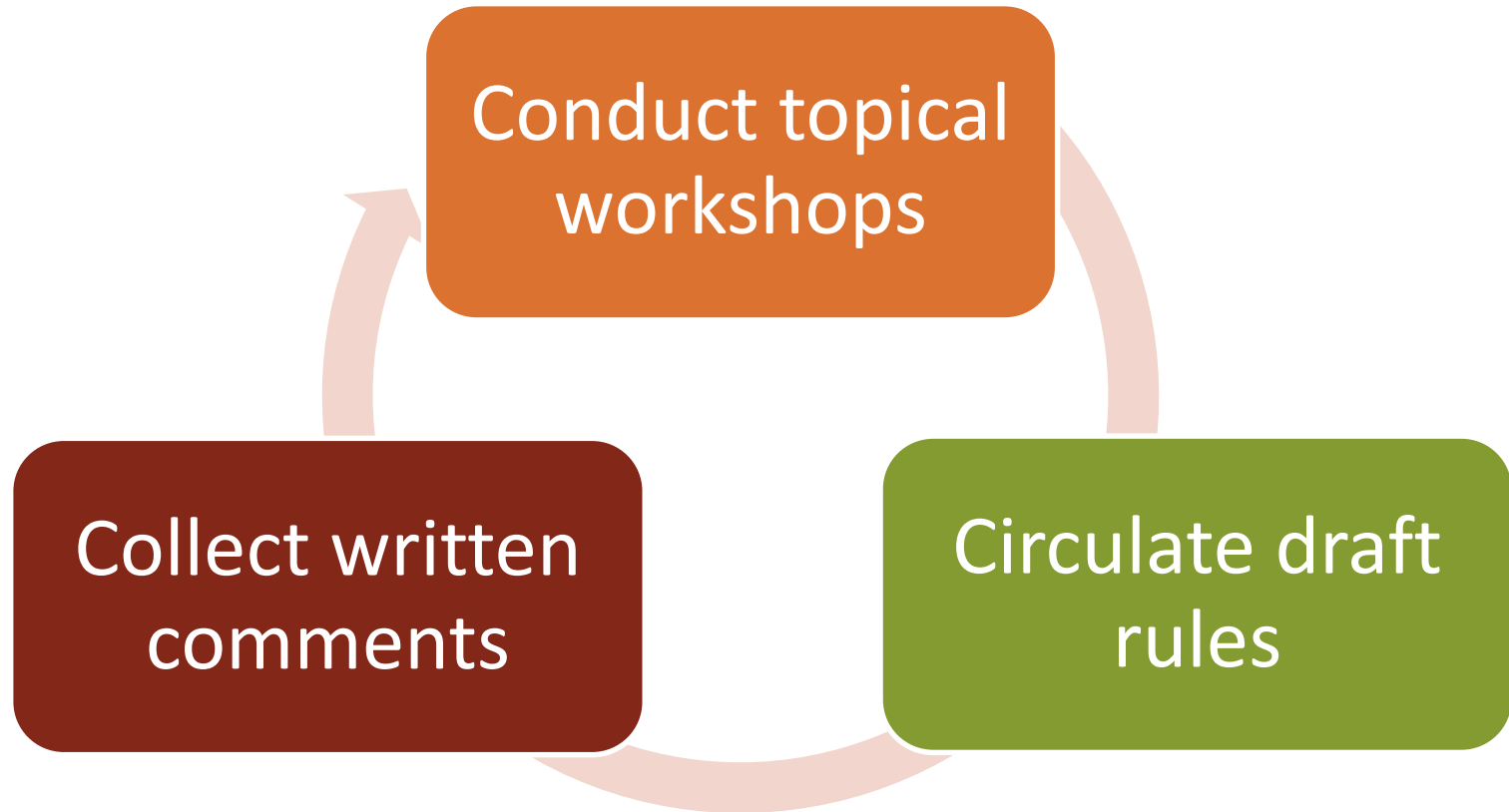
- Proposed Rule (CR-102)
- Public Hearing and Opportunity for Written Comment

CR-103

- Rule Adoption (CR-103)
- Concise Explanatory Statement



Actual iterative rulemaking process



Milestone dates

- May 7, 2019 – Effective date of legislation
- July 17, 2019 – CR-101 published in state register
- July 30, 2019 – Initial rulemaking workshop
- Informal process for early rules
- 12/31/2019 – Adopt early rules
- More informal process
- 12/31/2020 – Deadline to adopt most rules
- 12/31/2021 – Deadline to adopt cumulative impact rule
- 6/30/2022 – Deadline to adopt electricity market rules





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