

Washington Greenhouse Gas Enhancements Initiative

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Management proposes changes to support Washington state's cap-and-invest program

1. Incorporate GHG costs into applicable Washington state resources' market cost reference levels
2. Facilitate reporting requirements for Western EIM transfers serving Washington state load

Background

- The cap-and-invest program begins January 1, 2023
 - First allowance auction starts February 2023
- Reporting requirements will start for emissions year 2022
 - First report due March 31, 2023

Proposal incorporates GHG costs into applicable Washington state resources' market cost reference levels

- Inclusion of Washington-specific GHG compliance costs in calculating the reference levels
- For resources with a compliance obligation, including GHG costs will apply to:
 - Commitment costs used to cap bids for start-up and minimum-load
 - The variable cost option default energy bid used for local market power mitigation

Proposed phased in approach reflects program evolution

Phasing of Reference Levels	Source of the Price
January 1, 2023	Vivid Economics estimate \$41 per MT CO ₂ e
February, 2023	Static Washington allowance auction price
TBD when available and implementable	Indexed prices from external vendors

Proposal incorporates facilitating reporting requirements for Western EIM transfers serving Washington state load

- CAISO will calculate the annual market dispatches based on instructed imbalance energy to support reporting to the Washington Department of Ecology
 - Real-time instructed imbalance energy reflects Western EIM transactions used to serve electricity demand

Stakeholders support the changes

- Washington Utilities largely support the changes
- Clarifications in response to stakeholder questions:
 - Wheel throughs will not be included in reports
 - For in-state generation without a compliance obligation, the Washington Department of Ecology may account for this through their GHG reporting tool
- The CAISO will continue to coordinate with the Department of Ecology on reporting for multi-jurisdictional entities

Management requests the ISO Board of Governors and Western EIM Governing Body to Approve Management's proposed WA WEIM GHG Enhancements to:

1. Incorporate GHG costs into applicable Washington state resources' market cost reference levels; and,
2. Facilitate reporting requirements for Western EIM transfers serving Washington state load