Washington Greenhouse Gas Enhancements Initiative

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Joint ISO Board of Governors and WEIM Governing Body meeting
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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

<table>
<thead>
<tr>
<th>Phasing of Reference Levels</th>
<th>Source of the Price</th>
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<tbody>
<tr>
<td>January 1, 2023</td>
<td>Vivid Economics estimate $41 per MT CO2e</td>
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<tr>
<td>February, 2023</td>
<td>Static Washington allowance auction price</td>
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<tr>
<td>TBD when available and implementable</td>
<td>Indexed prices from external vendors</td>
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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