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VIA ELECTRONIC SUBMISSION

Attention: Gopika Patwa, Rulemaking Lead
Washington Department of Ecology
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RE: Supplemental Comments in Electricity Markets Rulemaking (Chapters 173-441 and 173-446 WAC)

The California Independent System Operator Corporation (ISO) submits these supplemental comments to update the Department of Ecology on the status of efforts to extend a day-ahead market to entities participating in the Western Energy Imbalance Market (WEIM). The CAISO also provides comments on the Department of Ecology's example of a compliance hierarchy that identifies an electricity market operator as the compliance entity for electricity imports arising from a centralized electricity market. These comments supplement those filed on August 16, 2023 by the ISO, which explain the ISO's market design changes that will allow the Department of Ecology to identify a scheduling coordinator for a specific resource as an electricity importer.

The ISO filed its Extended Day-Ahead Market (EDAM) tariff amendment with the Federal Energy Regulatory Commission (FERC) on August 22, 2023. A copy of the filing is available in FERC Docket No. ER23-2686 and also on the ISO's website at: <http://www.caiso.com/Documents/Aug22-2023-DAME-EDAM-Tariff-Amendment-ER23-2686.pdf>. This filing represents the first formal step in the regulatory process towards EDAM implementation. The transmittal letter to the filing provides a comprehensive description of the entire EDAM design, including finalized details on the resource-specific framework and new design features that address secondary dispatch.

As described in the ISO's previous comments, the EDAM framework allows for Washington to identify the source of emissions as the first jurisdictional deliverer in connection with electricity imports arising from a centralized electricity market. With the compliance obligation assigned to scheduling coordinators for resources serving Washington, the cost associated with compliance sends a price signal to the

participants in the market by making those emitting resources more expensive, in furtherance of the emissions reductions goals of Washington's Climate Commitment Act. The EDAM's resource-specific framework creates the opportunity for resources outside of Washington to voluntarily choose to be subject to the Washington regulations by offering their capacity to serve Washington load. This option is a clear and precise way to regulate emissions. It allows for the verification of emissions from electricity imports through resource-specific data and the results of the market optimization.

During the Washington public meetings and listening session for the electricity markets rulemaking, the Department of Ecology suggested that the ISO and other market operators could serve as the compliance entity for electricity imports arising from a centralized electricity market. However, pursuing this "compliance hierarchy" may not achieve desired climate objectives, creates unnecessary complexity, and poses logistical challenges with the EDAM market design. The ISO is a market operator and transmission planning entity. The ISO itself is not a source of emissions and does not own or operate any generating resources, and thus does not have direct control to reduce the emissions from specific sources. In contrast, a source-based compliance approach creates the incentive for a source of emissions to reduce emissions, enables verification from the point of emissions, and aids in data availability. Moreover, the ISO's market does not regulate emissions. Instead, it focuses on the most economic outcome through its least-cost dispatch optimization. By applying emission costs to resources offering their capacity to serve demand in Washington, the market can reflect those costs in its least-cost dispatch. Pursuing an approach that applies the compliance obligation to a market operator would require a thorough evaluation of the ISO's authority and would go beyond merely incorporating a state-determined carbon price in the market. It would likely require significant changes to the market, all of which requires FERC approval. Doing so would inappropriately assign compliance to an entity that creates no emissions itself when a more accurate option exists to align compliance with causality in the WEIM and EDAM markets.

The ISO appreciates the opportunity to provide these supplemental comments and looks forward to continued engagement in this rulemaking.

Sincerely,

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