



August 25, 2023

Sent via E-mail

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RE: Joint Utility Informal Comments on Electricity Markets Rulemaking

The following comments are submitted jointly by Avista, the Public Generating Pool, and Puget Sound Energy, referred to throughout these comments as the “Joint Utilities.” We appreciate the opportunity to provide informal comments and recommendations for the Department of Ecology’s (Ecology) Electricity Markets Rulemaking under the Climate Commitment Act (CCA).

The CCA states that by October 1, 2026, Ecology must, in consultation with the Department of Commerce (Commerce) and Utilities and Transportation Commission (UTC), “adopt by rule a methodology for addressing imported electricity associated with a centralized electricity market.”¹ The Joint Utilities appreciate Ecology’s opening this rulemaking well in advance of the October 1, 2026, statutory deadline. This rulemaking will be critical to ensuring that Washington’s cap-and-invest program is incorporated into wholesale organized electricity markets in a way that advances the goals of the CCA at the least cost and enables full participation of Washington entities in organized markets.

Recommendation: Ecology should adopt a durable framework for defining imported electricity and electricity importers in the context of organized markets, including the Western Energy Imbalance Market (WEIM) and potential day-ahead markets being developed by the Southwest Power Pool (SPP) and the California Independent System Operator (CAISO). Ecology should issue a policy statement on leakage in organized markets but should defer additional administrative action addressing leakage until operational data is available to support any such action.

Organized wholesale electricity markets are expected to drive potentially significant benefits for Washington retail electric customers by lowering overall electricity production costs, increasing reliability, and enabling greater integration of and access to variable renewable resources needed to meet Washington’s aggressive climate goals, including the Clean Energy Transformation Act (CETA) and the CCA. It is critically important for Ecology to adopt rules that both reflect CCA program goals and ensure that entities in Washington are enabled and encouraged to pursue these benefits. Ecology’s rules should not inappropriately penalize or discourage CCA-regulated electric utilities from participating in

¹ RCW 70A.65.080(1)(c)

organized markets. For example, participation in organized markets should not be discouraged through the blanket application of a default emissions rate to all imports from those markets.

Ecology's framework should also recognize that, although organized markets can greatly accelerate the ability of participants to meet decarbonization goals while preserving reliability, they are also in the development stage and will likely evolve over the balance of this decade. Rules put in place now should be durable across multiple potential market frameworks but should also retain the flexibility that will almost certainly be needed as incremental market changes are implemented and data supporting policy direction can be more fully understood. The Joint Utilities anticipate that multiple rulemakings and iterations may be necessary to fully develop both day-ahead market designs and rules that appropriately implement state policy in a way that reflects that design. Consistency across markets as well as flexibility is also likely to be needed to address the eventual interactions between and imports/exports across day-ahead market footprints. In a potential future with two day-ahead markets in the Western Interconnection, rules would be needed to address transfers between those markets and how any potential optimization between markets will reflect greenhouse gas (GHG) costs. In the absence of more detailed information on how this seam may be managed, however, any rules addressing these transfers will be premature.

The Joint Utilities also expect that Ecology's implementation of the CCA in the context of organized market imports will be an element of consideration for linkage with the California and Quebec cap-and-trade programs.

Recommendation: Ecology should adopt new definitions of "imported electricity" and "electricity importer" that identify the first jurisdictional deliverer (FJD) for specified source imports from organized markets into Washington as the entity that offers/bids the resource into that market (i.e. the "resource operator").

To the extent possible, common approaches should be used across market options such that the definitions of "imported electricity" and "electricity importer" adopted by Ecology in the present rulemaking are applicable to the existing WEIM GHG design as well as the GHG designs for the CAISO's Extended Day Ahead Market (EDAM) and the SPP's Markets+ initiative. Conceptually, this means that the definitions of "imported electricity" and "electricity importer" should identify the FJD for all specified source imports from organized markets into Washington as the entity that offers/bids the resource into that market (i.e. the "resource operator").² This enables specific nomenclature to be used in different market contexts (e.g., the term "scheduling coordinator" applies in the context of the WEIM and potential EDAM but may not be a term used in Markets+) but correctly identifies the entity responsible for the specified electricity being imported into Washington.

For specified source imports, the importer and quantity imported should be identified through the applicable market optimization model and attributed the specified source's applicable emissions factor.

² In the parlance of the CARB's current Mandatory Reporting Regulation (MRR) and Cap-and-Trade Regulation, this entity is referred to as the "EIM Participating Resource Scheduling Coordinator" and defined as "the participating resource owner or operator, or a third-party designated by the resource owner or operator that is certified by the CAISO and enters into the pro forma EIM Participating Resource Scheduling Coordinator Agreement, under which it is responsible for meeting the requirements specified in the CAISO Tariff on behalf of the resource owner or operator." In draft materials for the SPP's Markets+ initiative, this entity is referred to generally as a "Market Participant." The Joint Utilities suggest the term "resource operator" as an umbrella term inclusive of both.

Recommendation: Ecology should adopt definitions of “imported electricity” and “electricity importer” that enable an unspecified import pathway for organized markets.

The Joint Utilities believe that it is critical for Ecology to enable an unspecified import pathway associated with organized markets. Currently, an unspecified pathway is only contemplated as part of the Markets+ day-ahead market design; however, the Joint Utilities anticipate that further modifications of the GHG design for CAISO’s EDAM may ultimately necessitate the adoption of a similar unspecified pathway. An unspecified pathway is needed as a backstop for circumstances when there are inadequate specified source imports to economically serve Washington load. Under these circumstances, without an unspecified source pathway, the market optimization will dispatch resources internal to Washington, which may be uneconomic and/or higher-emitting as compared to resources external to Washington. Furthermore, as more states implement clean energy programs that may require renewable energy certificates (RECs) to certify renewable claims, market participants may become less able to make non-emitting supply available for import to neighboring jurisdictions on a specified basis.³

To enable an unspecified import pathway, the “electricity importer” should be identified as the load to which the unspecified import is attributed. Compliance obligations can be assigned to load in proportion to their purchases from the market. Revenue collected through the market optimization can similarly be allocated to participating load by the market operator for the purchase of allowances. Because this approach differs from the status quo, it will necessitate a reevaluation of no-cost allowances allocated to electric utilities under the CCA to ensure the allocations cover any associated increases in utility cost burden.

This approach remains appropriate in the context of the FJD framework (and underlying Western Climate Initiative definitions) in that, when the first importer is not jurisdictional, the compliance obligation flows to the next buyer of the energy. Importantly, in this instance, the allocation of the obligation to load does not result in the lack of a GHG price signal because the market design incorporates a price signal via the hurdle rate applied to dispatch unspecified transfers from the external area. This next-in-line approach is also the current basis for how CCA compliance obligations are allocated in the context of imports from the Bonneville Power Administration.

Recommendation: Ecology should publish a policy statement on leakage minimization that can be used by market operators to design market optimizations to appropriately identify imports and associated emissions into Washington from organized markets.

Organized markets are designed to lower overall electricity costs by leveraging load and resource diversity over a wide-area footprint. The market optimizes for least-cost across the entire footprint and establishes a single clearing price for load within the footprint that reflects the marginal cost of energy and transmission congestion within the footprint. Electricity within the footprint is injected (by resources) and withdrawn (by load) at nodes—there is no bilateral connection between nodes or between specific loads and specific resources. In the context of organized markets, electronic tags are no longer used in the same manner as in the bilateral market and are inadequate for the purpose of

³ For example, the Department of Commerce’s current rules for preventing double counting of unbundled RECs under CETA prohibit a utility from using an unbundled REC for alternative compliance with the 2030 GHG Neutral Standard if the associated electricity was delivered, reported, or claimed as a zero-emission specified source or assigned the emissions rate of the renewable generating facility under another jurisdiction’s GHG program, i.e. California’s (WAC 194-40-420).

capturing the identity of an importer or tracing an import back to a specific resource. There is not an effective way to physically identify the source of an import. Therefore, a design overlay is needed in the context of a single-state policy such as the CCA to reflect the costs of the program in the price signal of the market and identify the importer and source of the import.

In the context of a single-state cap-and-trade program like the CCA, the market optimization seeks to lower total market footprint costs by assigning lower-cost non-emitting electricity to Washington. To a degree, this is appropriate and reflects the intent of the program to reduce emissions imported into the state. However, this phenomenon has been seen as problematic in the context of the WEIM when imports to the cap-and-trade jurisdiction are effectively “back-filled” by higher-emitting resources (sometimes referred to “secondary dispatch”). Restrictions to prevent this “back-filling” and minimize emissions leakage can in turn create unintended consequences in the form of inappropriately high prices, incorrect price signals, or the application of program costs to market participants not subject to the state’s GHG policy. Any market design must therefore balance minimizing emissions leakage with avoiding other unintended consequences for the broader market footprint and the overall objective of reducing production costs.

In 2016, the CAISO and CARB began coordinating to address GHG leakage in the context of the WEIM.⁴ As a bridge solution pending more structural changes to the WEIM market design, in 2017 the CARB implemented an “EIM Outstanding Emissions” calculation to retire allowances allocated to “EIM Purchasers” to account for the compliance obligation associated with emissions leakage in the WEIM. The “EIM Outstanding Emissions” calculation effectively applies a default emissions rate to all imports from the WEIM and therefore (potentially significantly) overstates emissions and assigns additional costs to electric customers for no commensurate, additional reductions in emissions.

The Joint Utilities strongly recommend against the imposition of any out-of-market “outstanding emissions” calculation at this time. Instead, Ecology should publish a policy statement on leakage minimization that articulates CCA program goals in the context of organized markets and provides guidance to market operators on how to balance the achievement of those goals with preserving the benefits of organized markets for Washington customers and avoiding unintended consequences. Such a policy statement should also recognize that emissions leakage is not a phenomenon unique to organized markets.

Any out-of-market emissions calculation to address leakage is undesirable in general and is likely to significantly amplify costs without commensurate reductions in emissions in the context of day-ahead markets, wherein increased volumes of electricity will be transacted as compared to the WEIM or any other real-time only market. In particular, given the high price of Washington allowances, such a calculation could seriously deter market participation for load-serving entities in Washington. The Joint Utilities also believe it is unnecessary, given that the proposed designs for both EDAM and Markets+ address leakage directly and have evolved significantly since 2017.

The Joint Utilities support the collection of emissions data necessary to gain visibility into the magnitude, if any, of emissions leakage in different market contexts. In light of design restrictions that are

⁴ California Air Resources Board Staff Report: Initial Statement of Reasons for Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions. Dated September 4, 2018. Retrieved from: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2018/ghg2018/isor.pdf?_ga=2.111712449.431430186.1689705031-1462122532.1669671537.

anticipated to minimize leakage in all organized market contexts, Ecology should avoid any out-of-market emissions calculation until and unless such a calculation is proven to be necessary with operational data. In general, out-of-market calculations should also be avoided as they do not create a price signal within the market optimization that reflects program goals.

Recommendation: Ecology should provide an opportunity in the informal phase of the present rulemaking for stakeholder discussion of the development and application of market-specific emissions factors for unspecified imports.

The Joint Utilities believe it is necessary to clarify and discuss two facets related to emissions factors: the application of a default emissions factor for the purpose of market optimization, and the application of a default emissions factor for the purpose of determining an entity's compliance obligation under the CCA.

In 2019, Ecology was authorized by the Legislature to determine and periodically update an emissions rate for unspecified electricity to be used by electric utilities in their GHG content calculations for the purposes of CETA.⁵ This unspecified emissions rate, or default emissions factor, must be consistent with the emissions rates established for other markets in the Western Interconnection. If Ecology has not adopted an emissions rate for unspecified electricity, the emissions rate that applies for the purposes of CETA is 0.437 metric tons of carbon dioxide per megawatt-hour of electricity (MTCO₂e/MWh).

In January 2021, Ecology adopted its Clean Energy Transformation Rule,⁶ which incorporates the statutory default emissions factor of 0.437 MTCO₂e/MWh. In its Concise Explanatory Statement for the rulemaking, Ecology asserted that while "Ecology is not modifying the unspecified electricity emission factor as part of this rulemaking...Ecology is committed to updating this factor if it is determined to be appropriate through a future rulemaking process."⁷ Ecology subsequently established a single default emissions factor in its GHG Reporting Rule (Ch. 173-441 WAC) by reference to the Clean Energy Transformation Rule.⁸

The CCA rules currently apply this fixed default emissions factor to the assignment of an emissions obligation associated with unspecified market purchases. Due to the lack of a centralized optimization in the bilateral market, there is no readily available information regarding how the application of this unspecified factor results in modifications to resource dispatch. In the context of organized markets, the use of default emissions factors should be more nuanced and specifically designed, as informed by market-operator collected data, to effectively address leakage and balance minimizing leakage with minimizing unnecessary costs to load. The across-the-board application of an inflexible default emissions factor is unlikely to accomplish this.

⁵ RCW 19.405.070

⁶ WAC 173-444-040 Greenhouse gas content calculation

⁷ Concise Explanatory Statement, Chapter 173-444 WAC, Clean Energy Transformation Rule, Response to B-1-2, B-2-1, and O-1-2. Dated January 2021. Retrieved from: <https://apps.ecology.wa.gov/publications/documents/2102002.pdf>.

⁸ Both Ch. 70A.65 RCW, the CCA statute, and RCW 70A.15.2200, the GHG Reporting statute, are silent as to how emissions associated with unspecified electricity imports are to be calculated, leaving it up to Ecology's discretion, in keeping with the authority established in RCW 19.405.070.

The application of a fixed default emissions factor in the market optimization will impact the availability of supply external to a GHG area (i.e. the state of Washington) and may impact the amount of leakage that can occur. For example, under the current Markets+ day-ahead market proposal, a “GHG hurdle rate” would be applied to resources in the area external to the GHG jurisdiction so that the optimization engine can assess whether to import energy from the non-GHG zone on an unspecified basis. A market design that uses a dynamic emissions rate to define the GHG hurdle rate would reduce GHG leakage and ensure an optimal dispatch inclusive of GHG program costs. The Joint Utilities currently believe that a dynamic emissions rate is likely appropriate to best achieve these goals because it may better reflect actual grid conditions on a more dynamic basis.

In the context of the Markets+ discussion, some stakeholders have argued that the emissions factor used to determine an entity’s emissions obligation can be treated separately and take into consideration total imported emissions and/or temporal or locational attributes. Others have raised some potential concerns with creating a disconnect between the emissions rate applied in the market design and the one used to establish a compliance obligation. In the context of emissions accounting, there are questions that should be explored further regarding the resource or set of resources, time, or locational attributes that should be used to determine the emissions obligation for unspecified imports. At this time, there has not been sufficient analysis or discussion among Washington stakeholders to determine a recommended approach on how default factors, whether fixed or dynamic, should be applied. The Joint Utilities therefore recommend further discussion and consideration of the default emissions factor in light of these complexities.

The discussion of the development and application of emissions factors is at issue in Markets+ and is likely to be at issue in the upcoming GHG workshops at the CAISO. For the initial rules, Ecology should enable an unspecified pathway and create a flexible framework that can allow further discussion and administrative action to establish appropriate unspecified emissions factors without necessarily reopening the WAC. The rules should allow for emissions factors that are fixed or dynamic, and that may have temporal or locational attributes. This will enable the market operator to collect data that Ecology and stakeholders can monitor over time and allow Ecology to ultimately adopt a more effective approach to attributing emissions to unspecified imports as more data becomes available.

Since amending Ch. 173-444 WAC, the Clean Energy Transformation Rule, is not included in the scope of the present rulemaking, the approach for the initial rules recommended above will necessitate decoupling the emissions factors used for the purposes of GHG reporting and CCA compliance from that used for GHG content calculation under CETA. The Joint Utilities believe such a decoupling to be within Ecology’s authority and appropriate at this juncture.

Recommendation: The new definition of “imported electricity” should exclude Energy Deployments received by Washington electric utilities participating in the Western Power Pool’s (WPP) Western Resource Adequacy Program (WRAP) as well as Assistance Reserves received under WPP’s Reserve Sharing Program.

The Joint Utilities request that Ecology exclude from the definition of “imported electricity” both Energy Deployments received by Washington electric utilities participating in the WRAP as well as Assistance Reserves received under WPP’s Reserve Sharing Program. The CARB has established a similar consideration in its Cap-and-Trade Regulation and Mandatory Reporting Regulation for emergency assistance. Specifically, the CARB’s definition of “imported electricity” excludes “electricity imported...to obtain or provide emergency assistance under applicable emergency preparedness and operations

reliability standards of the North American Electric Reliability Corporation or Western Electricity Coordinating Council.”⁹

The WRAP is a planning and compliance-based framework that seeks to take advantage of and maximize regional diversity in resources and load to enhance reliability for all customers across the WRAP footprint. All entities in the WRAP must demonstrate sufficient resources and transmission in the Forward Showing Program, seven months prior to each binding winter or summer season. Despite meeting resource sufficiency criteria in a forward showing window, a participant may experience an extreme event, such as excess load or forced outages during the short-term operating timeframe of WRAP’s Operational Program. In a Sharing Event, a deficient entity may request and receive an Energy Deployment from another WRAP participant to maintain reliability on its system. These events are limited to reliability events and are not routine transfers conducted in the normal course of business.

Under WPP’s Reserve Sharing Program, participating Balancing Authorities share their Contingency Reserve required under standards established by the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC). By sharing Contingency Reserve, participants are entitled to use not only their own “internal” reserve resources, but to request Assistance Reserve from other participants if internal reserve does not fully cover a contingency, such as in the event of sudden loss of generation or sudden loss of an import. Except when communication links are down or the Reserve Sharing Computer System is not functioning, the WPP’s Reserve Sharing Program is fully automated, operating through direct communication of data and Contingency Reserve deployment signals between the Reserve Sharing Computer System and the participating Balancing Authorities.

Recommendation: Ecology’s current rules are insufficiently clear to allow the CAISO to accurately account for Washington’s cap-and-invest program in the WEIM. Until the present rulemaking is finalized, Ecology should not impose cap-and-invest compliance obligations on WEIM transactions used to serve load within Washington.

While the Joint Utilities understand that addressing cap-and-invest program implementation as it pertains to the WEIM is among the goals of the present rulemaking, we would like to reiterate the ways in which the current framework embedded in Ch. 173-441 WAC (the GHG Reporting Rule) and Ch. 173-446 WAC (the CCA Program Rule) is problematic from a program implementation standpoint. As Ecology endeavors to address these issues going forward, the agency should work directly with staff at the CAISO through the public forum provided by the CAISO’s Greenhouse Gas Coordination Working Group.¹⁰ However, until the present rulemaking is finalized, and in accordance with the recommendation by the CAISO in its comments filed with Ecology on the CCA Program Rule,¹¹ Ecology should not impose cap-and-invest compliance obligations on WEIM transactions used to serve load within Washington. If Ecology does elect to impose cap-and-invest compliance obligations on WEIM transactions in the interim, then the allocations of no-cost allowances to electric utilities should be reevaluated to ensure that the associated cost burden is appropriately mitigated.

⁹ Title 17, California Code of Regulations, § 95802

¹⁰ CAISO GHG Coordination Working Group:

<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Greenhouse-gas-coordination-working-group>

¹¹ CAISO Comments RE: Rulemaking – Chapter 173-446 WAC, Climate Commitment Act Program. Dated July 15, 2022. Retrieved from: https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid100/did1008/pid_202884/assets/merged/zt0ji9c_document.pdf?v=26901.

Current Definitions of “Imported Electricity” & “Electricity Importer” for WEIM Transactions

While the CCA does include electricity from an organized market such as the WEIM in the statutory definition of “imported electricity,”¹² the statute defers identification of the “electricity importer” and therefore the FJD and entity with the compliance obligation for these transactions to the present rulemaking.¹³ Nevertheless, interim approaches for the treatment of WEIM transactions have been adopted by Ecology in both Ch. 173-441 WAC and Ch. 173-446 WAC.

Under Ch. 173-441 WAC, the definition for “imported electricity” mirrors the statute in that it includes electricity from an organized market such as the WEIM.¹⁴ However, the WAC diverges from the statute’s definition of “electricity importer” by stating:

“For electricity imported through a centralized market, the electricity importer is the retail provider, marketer, or asset controlling supplier that conducts an electricity transaction through the [W]EIM that results in [W]EIM power being delivered to [a] final point of delivery in Washington state...”¹⁵

The definitions for both “imported electricity” and “electricity importer” provided in Ch. 173-441 WAC were subsequently adopted by reference in Ch. 173-446 WAC, the CCA Program Rule.¹⁶

The CCA Program Rule further provides that:

“For the first compliance period the electricity importer for electricity derived from the energy imbalance market is the energy imbalance market purchasing entity located or operating in Washington that receives the delivery of electricity transacted through the energy imbalance market. For electricity transferred through the energy imbalance market that is generated by a first jurisdictional deliverer with a compliance obligation under this chapter, there is no compliance obligation for that same electricity if it is delivered to an energy imbalance market purchasing entity in Washington.”¹⁷

As noted by the CAISO in both its July 2022 comments to Ecology, referenced above, and its November 2022 Washington WEIM GHG Enhancements tariff filing with the Federal Energy Regulatory Commission,¹⁸ the current rules are insufficiently clear to allow the CAISO to accurately account for Washington’s cap-and-invest program in the WEIM. In particular, this lack of clarity means that the CAISO is only able to allow resources located *within* the state of Washington to reflect the costs of Washington cap-and-invest compliance in their default energy bids and commitment costs, while out-of-state

¹² RCW 70A.65.010(42)(a): “‘Imported electricity’ includes electricity from an organized market, such as the energy imbalance market.”

¹³ RCW 70A.65.010(27)(c): “For electricity imported through a centralized market, the electricity importer will be defined by rule consistent with the rules required under RCW 70A.65.080(1)(c)...”

¹⁴ WAC 173-441-124(2)(g)(i)

¹⁵ WAC 173-441-124(2)(c)(iii)

¹⁶ WAC 173-446-020

¹⁷ WAC 173-446-040(3)(iv)

¹⁸ CAISO Docket No. ER23-474-000. Tariff Amendment to Implement Reference Level Changes for Washington Resources to Reflect Costs of Greenhouse Gas Compliance. Dated November 21, 2022. Retrieved from: <http://www.caiso.com/Documents/Nov21-2022-TariffAmendment-WashingtonGreenhouseGasCompliance-ER23-474.pdf>.

resources dispatched to serve Washington load have no option for a GHG bid adder. This means that in-state resources appear more expensive than out-of-state resources in the WEIM's least-cost dispatch, creating a market asymmetry. Once the "electricity importer" for WEIM transactions is appropriately clarified by rule, the CAISO can implement a market design and associated settlement process to correct for this asymmetry.

Double-Counting of GHG Emissions through Incomplete Application of Current Rules

Furthermore, settlement information currently provided by the CAISO to Washington WEIM entities does not differentiate what is served by a Washington or non-Washington Balancing Authority Area, meaning that Washington WEIM entities cannot take advantage of the compliance exemption provided in WAC 173-446-040(3)(e)(iv). As the WEIM market operator, the CAISO has access to data and the ability to provide extensive analysis and reporting, but this analysis and reporting cannot be implemented without a clear regulatory framework in place.

This situation is manifesting as a rock-and-hard-place for CCA-regulated WEIM participants. Imposing carbon compliance obligations on imports associated with the WEIM without fully implementing the exceptions language in WAC 173-446-040(3)(e)(iv) results in an arbitrary and selective application of Ecology's current rules, causing potentially significant double-counting of emissions and compromising the integrity of the CCA's GHG accounting framework.

The WEIM provides a uniquely useful lens to analyze these intricacies and hone Ecology's implementation of the CCA. The Joint Utilities see the present rulemaking as a timely and appropriate venue for addressing these ambiguities and codifying a durable and flexible cap-and-trade regulatory framework for organized electricity markets. Accordingly, we request that Ecology clarify that transactions through the WEIM will not incur cap-and-invest compliance obligations until this rulemaking is completed. If Ecology does elect to impose cap-and-invest compliance obligations on WEIM transactions in the interim, then the allocations of no-cost allowances to electric utilities should be reevaluated to ensure that the associated cost burden is appropriately mitigated.

Recommendation: Ecology's rules should provide clarity with respect to multi-jurisdictional entities and the Bonneville Power Administration.

Lastly, the Joint Utilities believe that Ecology's rules should provide sufficient clarity with respect to multi-jurisdictional entities and the Bonneville Power Administration (BPA) as to enable accurate reporting and attribution of compliance obligations for market imports while minimizing barriers to market participation.

BPA is unique given its status both as a federal agency over which the state of Washington does not have jurisdiction and as a significant supplier of electricity to Washington load. Currently, BPA is evaluating its potential participation in a day-ahead market, with a decision anticipated in early 2024. Ecology's definitions for both "electricity importer" and "imported electricity" will need to accommodate a scenario in which BPA participates in a day-ahead market but is not an opt-in entity for the purposes of the CCA, and thus not the FJD for the power it supplies to Washington load via that day-ahead market. It is the position of the Joint Utilities that, regardless of whether or not BPA has opted into the cap-and-invest program, specified source imports by BPA into Washington via organized markets should be attributed BPA's asset-controlling supplier emissions rate, not the default emissions rate.

Conclusion.

In summary, the Joint Utilities recommend that Ecology:

- Adopt a durable framework for defining imported electricity and electricity importers in the context of organized markets, including the WEIM and potential day-ahead markets being developed by the SPP and the CAISO;
- Issue a policy statement on leakage in organized markets but defer additional administrative action addressing leakage until operational data is available to support any such action;
- Adopt new definitions of “imported electricity” and “electricity importer” that identify the FJD for specified source imports from organized markets into Washington as the entity that offers/bids the resource into that market (i.e. the “resource operator”);
- Adopt definitions of “imported electricity” and “electricity importer” that enable an unspecified import pathway for organized markets;
- Provide an opportunity in the informal phase of the present rulemaking for stakeholder discussion of the development and application of market-specific emissions factors for unspecified imports. For the initial rules, Ecology should create a flexible framework that can allow further discussion and administrative action to establish appropriate unspecified emissions factors without necessarily reopening the WAC;
- Define “imported electricity” to exclude Energy Deployments received by Washington electric utilities participating in the WRAP as well as Assistance Reserves received under WPP’s Reserve Sharing Program;
- Defer imposing cap-and-invest compliance obligations on WEIM transactions used to serve load within Washington until the present rulemaking is finalized; and
- Provide clarity with respect to reporting and compliance obligations of multi-jurisdictional entities and the BPA in the context of organized markets.

In addition, the Joint Utilities would like to echo the recommendations for a robust stakeholder process made by the Public Generating Pool in its informal comments to Ecology dated August 4, 2023. In particular, the Joint Utilities strongly encourage Ecology to provide opportunities for direct dialogue and engagement with staff from both the SPP and the CAISO in advance of the October draft rule language input meetings. Such an approach should ultimately save the state time and effort by ensuring that the initial draft rules are informed by a collaborative process, are more likely to be supported by stakeholders, and are technically feasible and legally sound.

Thank you for the opportunity to provide initial input on the Electricity Markets Rulemaking.

Sincerely,

/s/ Kevin Holland
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Avista Corporation

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