



Department of Energy

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Re: Comments on the Climate Commitment Act (CCA) Electricity Markets Rulemaking

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Washington Department of Ecology's (Ecology) electricity markets rulemaking. BPA sells about 50% of the electricity that is used in Washington State, including firm power sales to 63 consumer-owned utilities in Washington as well as sales to other public utilities and investor-owned utilities in the state. Bonneville is a participant in the California Independent System Operator's (CAISO) energy imbalance market (EIM). BPA has been actively engaged in both the CAISO's and Southwest Power Pool's (SPP) processes to create a day ahead market in the West and has begun its own public process to assess whether BPA will join one of these markets.

BPA has long been an active stakeholder in the development of GHG accounting design for organized markets and understands the complex nature of accounting for GHG emissions associated with imports to a state via an organized market. The electricity market rules Ecology ultimately adopts will impact cost of compliance under the CCA for power imported to Washington, and thus ultimately the assessment of the costs and benefits of market participation by Washington utilities and entities across the West. It is imperative that Ecology provide ample time and opportunity for the collaborative development of GHG reporting and cap-and-invest program rules. BPA urges Ecology to host at least two concept-building sessions prior to the drafting workshops, which would include participation by both market operators, the CAISO and SPP. These would provide an open forum for stakeholders to gain a better understanding of the CAISO and SPP's market design related to GHG accounting and discuss concepts for identifying the importer, what GHG emissions data is

needed to support Ecology's GHG reporting program, appropriate default emission factors, and other relevant rulemaking areas.

While BPA is not necessarily suggesting Ecology push its timeline back, BPA believes the priority should be to develop robust, durable rules that work with GHG accounting design in markets. The CCA provides Ecology until 2026 to develop these rules, and BPA is not aware of any drivers from SPP or CAISO for Ecology's currently proposed timeline.

BPA is providing comments on several topics that BPA believes should be discussed in stakeholder workshops in the coming months. BPA has also coordinated with the Joint Utilities in their comments and is generally supportive of those comments as well.

1) Rules that allow for specified source imports at their resource-specific emission factor, as determined by the market design

BPA supports Ecology adopting rules that enable specified-source imports as identified by market design. The specified source emission factor for the resource (or system of resources, in BPA's case) should apply, without application of methodology(s) to further quantify and allocate emissions associated with leakage. Rather, Ecology should be sufficiently confident that the design selected for the market appropriately addresses leakage. If Ecology is concerned that certain market design options, including those being implemented by the CAISO and proposed by SPP, do not appropriately address leakage for the purposes of the CCA, Ecology should raise those concerns with the market operator in the appropriate stakeholder process and provide the market operator with direction on what options would appropriately address leakage. Particularly in the context of SPP's Markets+, given the design is actively being developed at this time, BPA encourages Ecology to issue a statement about which design option(s) work for Ecology's program without the need for application of after-the-fact emissions leakage calculations.

BPA cautions that continuing to treat all energy imported into a state via an organized market as unspecified could discourage market participation in Washington due to the high cost of compliance with the CCA. This can occur if the rules directly treat market imports as unspecified, such as with Ecology's current GHG reporting rules, or indirectly treat market imports as unspecified, such as with the California Air Resource Board's (CARB) application of the EIM outstanding emissions calculation. The latter results in pancaking costs for ratepayers: load in a state would pay a premium for clean energy via the market design and then incur costs for compliance under the state program as if that clean energy was unspecified.

Bonneville does support limited application of the unspecified emission factor as, for example, being discussed for SPP's market design. In instances where all eligible, cost-effective specified resources have already been identified by the market as meeting load in the state, then identification of power from unspecified sources is cost-effective and a tool in

ensuring the market design is minimizing improper identification of additional specified resources and thus creating leakage.

2) Identification of the electricity importer for specified and unspecified imports

BPA believes that CARB's framework, which makes the resource owner or operator (referred to as the Participating Resource Scheduling Coordinator in CARB/CAISO terminology) the FJD for power imported to California via the EIM is an appropriate starting point for discussion of what entity should be the FJD for specified source imports from a market. BPA appreciates Ecology acknowledging in its workshop presentation that BPA is not jurisdictional. BPA is considering who the proper importer is for federal power that is deemed to meet load in Washington if BPA does not opt to be the FJD. BPA will provide additional comments at a later time on its suggestion for the appropriate FJD for the federal system, as well as related areas like emission reporting implications.

Additional discussion is also needed to determine the appropriate FJD for unspecified source imports. BPA suggests Ecology consider that the appropriate FJD for unspecified source imports is load in Washington. BPA believes this is consistent with the FJD concept, as load may be the first importer over which Ecology has jurisdiction. The rulemaking should explore how emissions and compliance obligations for unspecified imports could be proportionally allocated to load commensurate with organized market purchases. Ecology should also consider whether it is appropriate to allocate some of this compliance obligation to generators located in the state proportionate to power consumed.

3) Potential updates to the unspecified emission factor for markets

As part of this rulemaking, BPA recommends that Ecology consider updates to the unspecified emission factor for power imported into Washington via an organized market. There have been several fossil fuel generators that have retired and significant renewables development since the Western Climate Initiative developed and CARB originally adopted the currently utilized default emission factor over 10 years ago. The unspecified emission factor should be more reflective of the current fleet of generators and grid emissions. Ecology should consider both the appropriate emission factor to be utilized by the market operator in the market run as well as for compliance with the CCA. Specific to organized markets, BPA suggests Ecology consider providing for a method(s) that reflects emissions over the footprint of the market. BPA further suggests Ecology not include transmission losses in such an emission factor, because doing so only creates confusion. BPA continues to suggest Ecology separate out the transmission losses from the current default emission factor as well.

4) GHG Reporting and Metrics

Ecology should clearly identify what data it seeks to have the market operator provide, and what data needs to be reported by market participants and load. The rules should also provide direction to a multi-state entity like BPA on how to determine and report market purchases made for load and for generators in BPA's Balancing Authority Area located in

Washington. The multi-state nature of BPA's footprint also necessitates coordination with CARB and Oregon Department of Environmental Quality to ensure emissions are not being over or under counted across states. BPA suggests Ecology's rules identify data needs and a general framework for this reporting, with additional detail to be provided later in guidance documents. The guidance documents should provide clear direction to BPA. Including detailed information in guidance documents is preferable to having this level of detail in rules as the guidance documents can be more easily updated to evolving needs/markets and coordination across states.

BPA appreciates Ecology staff's recent efforts to engage in market design conversations and the preliminary thoughts shared at Ecology's July/August workshops. We look forward to continued discussion in the electricity markets rulemaking. Please feel free to contact me at 503.230.4358 if you have any questions on BPA's comments.

Thank you,



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