

October 30, 2023

VIA On-line Submission

Attn: Gopika Patwa
Rulemaking Lead
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

Re: Powerex informal comments regarding Electricity Markets Rule (Chapters 173-441 and 173-446 WAC)

Powerex Corp. appreciates the opportunity to provide these comments to the Washington Department of Ecology (“Ecology”) on electricity imports via organized electricity markets. Powerex is a supplier of electricity in bilateral and organized markets in the western region. A substantial portion of Powerex’s electricity is sourced in British Columbia—a Canadian Province with strong GHG policies and with predominantly hydropower resources. Powerex delivers electricity, including clean electricity that is surplus to its needs, into states that regulate GHGs, like California and Washington, and elsewhere across the western region.

In the years ahead, electricity imports into Washington will increasingly originate from organized markets as new organized markets are expected to launch and to expand. Powerex believes that achieving the goals of Washington’s Climate Commitment Act will require that organized markets incorporate carefully designed rules for the treatment of electricity imports that enable accurate identification of the source of the electricity serving Washington State load. In addition, the Department’s ongoing ability to evaluate the performance of organized markets’ application of GHG pricing to imports will require **a high level of transparency** into organized market outcomes.

Over the past year, it has become clear that there will be at least two organized markets in the western U.S. by as early as 2025: CAISO’s EDAM/EIM and SPP’s Markets+. Each organized market is likely to have notably different approaches to applying GHG pricing programs to imports. It will therefore be important that the Washington Department of Ecology continue to be engaged with both market operators and their respective stakeholder processes going forward.

Overall Comments on Draft Regulations:

Powerex is generally supportive of WPTF’s comments to Ecology on the current draft of regulations, particularly WPTF’s suggestions that Ecology:

- adopt a definition of “surplus energy” to more credibly estimate the quantity and source of the generation that was dispatched to serve load in Washington State; and
- leverage data available from organized markets to more fully understand how the specified resource attribution algorithm impacts the residual generation mix of a particular organized market.

Powerex-Specific Comments on Leakage and Transparency:

During the Department of Ecology’s October 16, 2023 ‘Draft Rule Language Feedback Meeting’, staff reviewed with stakeholders that the Legislature has provided language specifically requiring Ecology to address leakage and design programs in a way that avoids leakage:

“The legislature further finds that climate policies must be appropriately designed, in order to avoid leakage that results in net increases in global greenhouse gas emissions and increased negative impacts to those communities most impacted by environmental harms from climate change.” (RCW 70A.65.005)

Market Attribution of electricity imports within an organized market is complex. Powerex believes that transparency in organized market outcomes is a central requirement for monitoring leakage and supporting ongoing program integrity. Such transparency will offer visibility for regulators and will enable informed stakeholder analysis, feedback, and policy recommendations as Ecology evaluates its program against the Legislature’s requirements.

Powerex submitted comments on August 25, 2023, in this process that highlighted the importance of data transparency in organized markets:

“Powerex’s five years of experience in the Western EIM, together with its extensive analysis of available data, has highlighted that the Western EIM’s market design for applying GHG pricing programs to imports is substantially flawed, does not accurately identify which external generating resources are serving load in California, and yields results that frustrate the State’s GHG program objectives.¹ This experience has confirmed the importance of transparency into organized market outcomes. In particular, despite repeated calls by multiple stakeholders over the last number of years seeking specific data on the GHG emissions of the external generating resources that actually increased electricity production in the EIM in hours when EIM imports occurred, such data has still not been provided.²”

Experience with the Western EIM suggests that building transparency directly into the program rules at the outset of the program would have more quickly revealed issues with the CAISO’s algorithm and allowed for more efficient correction than has occurred to date. Ecology should therefore adopt the principle of transparency as an important tool in its rulemaking process to support current and long-term program integrity.

Powerex makes the following specific recommendations:

Market Attributed Delivery Reporting:

For each hour (or subhourly increment), for each organized market, the market operator shall report in aggregate, for generating facilities within its market:

¹ [Examining the Western EIM’s Deeming Approach to GHG Imports](#) (July 2022).

² CAISO has identified no impediment to making the hourly data available as Powerex and others have requested, for all hours of 2020-2022

1. For generation outside of Washington State:
 - a. Total MWh produced and T/MWh of such generation.
 - b. Total MWh attributed to Washington State and the T/MWh of those market attributed deliveries.
 - c. Total MWh attributed to non-Washington loads (or jurisdictions) and the T/MWh of those market attributed deliveries.

2. For generation inside of Washington State:
 - a. Total MWh produced and T/MWh of such generation.
 - b. Total MWh attributed to non-Washington loads (or jurisdictions) and the T/MWh of those market attributed deliveries.

Should the market operator have insufficient facility-specific information to assign a GHG Intensity (T/MWh), then proforma values may be assigned by the Department of Ecology. Each market operator will report their data within 30 days of the end of each calendar month through their real time public information systems.

Unspecified Pathway Emissions Factor:

Consistent with the Legislative requirement that “...climate policies must be appropriately designed, in order to avoid leakage... (RCW 70A.65.005)”, Powerex recommends that WAC 173-441-124 be revised to require **all** market operators to supply sufficient data to allow Ecology to calculate the Unspecified Pathway Emissions Factor. This requirement should be required for organized market operators seeking to adopt an organized market attribution algorithm to attribute specified sources to Washington Load, **regardless** of whether or not that operator offers an unspecified pathway. Ecology’s approach proposed in WAC 173-441-124 (3)(b)(vi) for determining the centralized market unspecified pathway emissions factor (EF_{CMUP}) would be important for assessing leakage through each of the organized markets serving Washington State.

Alternatively, Powerex supports WPTF’s suggestion that Ecology could instead request that market operators themselves calculate hourly residual emission factors based on a standard methodology provided by Ecology. Market operators would then publish that residual emissions factor, which could be used as a key transparency tool for monitoring program integrity. Critically, this hourly residual factor should be published by all market operators regardless of whether or not that market offers an unspecified pathway.

Powerex appreciates the opportunity to provide these comments and looks forward to continuing to work with Ecology as it develops electricity market rules.

Sincerely,

Frank Durnford
Executive Director, Market Policy
Powerex