

Sarah Kozal

The California Independent System Operator Corporation submits these comments to provide suggestions to enhance the Department of Ecology's proposed regulations. The comments are submitted as the attached file.

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VIA ELECTRONIC SUBMISSION

Attention: Gopika Patwa, Rulemaking Lead
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RE: Comments on Draft Regulations in Electricity Markets Rulemaking (Chapters 173-441 and 173-446 WAC)

The California Independent System Operator Corporation (ISO) submits these comments to provide suggestions to enhance the Department of Ecology's (Ecology) proposed regulations. The ISO appreciates the efforts Ecology has made to move this rulemaking forward and the opportunity to provide feedback so that Ecology rules and the ISO's market design stay aligned.

The ISO offers the following specific recommendations to the language in the proposed regulations:

1. The ISO suggests refinements to the rule language to utilize market-specific terms that avoid future ambiguity.

As described in its prior comments, the ISO filed its EDAM tariff amendment with the Federal Energy Regulatory Commission (FERC) on August 22, 2023.¹ The transmittal letter to the filing describes the entire Extended Day-Ahead Market (EDAM) design, including its resource-specific framework to account for Greenhouse Gas (GHG) emissions resulting from the dispatch of a resource to serve demand in the GHG regulation area of the State of Washington. Ecology's proposed compliance structure generally recognizes the ISO's framework and other proposed market designs by

¹ 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>.

describing the general term “designated market importer” as the market participant assigned by the market operator. The ISO recognizes Ecology’s approach to create a structure that works for different electricity markets that may operate in Washington.

Adding specificity to the regulations around certain aspects of Ecology’s compliance structure would create certainty for both markets and market participants. Without some added specificity, the regulations could create ambiguity around which provisions are applicable to which markets, depending on their features, and complicate future compliance and reporting. As such, the ISO recommends Ecology modify the proposed regulations to include more specific references to entities that participate in centralized electricity markets. This approach will increase confidence that the regulations and electricity market rules align.

Recommendations (note the ISO’s proposed revisions are highlighted in gray):

- Utilize “scheduling coordinator” and other terms identified by other market operators to further define “designated market importer.”

WAC 173-441-124(2)(b)“Designated Market Importer” means the market participant EDAM or EIM Resource Scheduling Coordinator or [SPP-provided term] that is assigned by the market operator and meets the requirements of this section to take on the responsibility of meeting reporting and compliance obligations for an electricity transaction from a centralized electricity market.

- Clarify that the unspecified pathway provisions are only applicable to market operators that have an unspecified pathway as part of their market designs.

WAC 173-441-124 (3)(b)(vi)...If a market operator with an unspecified pathway in its market design chooses not to or fails to submit an annual report pursuant to WAC 173-441-124(3)(h) then ecology will assign the unspecified pathway electricity emission factor(EFCMUP) to be equal to one metric ton of carbon dioxide equivalent per megawatt-hour (1.0 MT CO₂e/MWh).

WAC 173-441-124 (3)(a)(v)(E)Electricity from an electricity transaction for which a designated market importers has been assigned may be treated as unspecified pathway market electricity only in markets with an unspecified pathway and only if the electricity is not eligible to be treated as specified electricity, or if it is not possible to identify the resource assigned to supply the electricity through the methodologies and procedures put in place by the market operator.

2. Ecology should clarify provisions to recognize that a market operator does not create emissions.

As described in the ISO's prior comments, 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. While Ecology's proposed regulations defer the decision on the compliance entity to the market operator, the ISO suggests Ecology include additional clarifications to recognize the intent of provisions related to this default.

First, the ISO recommends that Ecology clarify that the market operator will serve as the default designated market importer only in markets in which no GHG designation framework exists. Under the ISO's EDAM framework, serving load in a GHG regulation area is voluntary and a resource must submit a bid adder indicating its willingness to serve that load. The attribution process does not result in any transfers into a GHG regulation area that do not have an associated resource. Thus, under the ISO's market, there will be no attributions for which the ISO does not designate a designated market importer.

However, related to the scope of this attribution process, the ISO recommends that Ecology exempt electricity associated with emergency assistance, in all markets, from the definition of "imported electricity." Balancing authorities are required to maintain plans to mitigate operating emergencies on the transmission system, which can include provisions for sending or receiving emergency assistance to other balancing areas. Emergency assistance is typically triggered under specific and limited circumstances and may result in generation dispatch outside the standard market dispatch. Due to the nature of this dispatch, greenhouse gas costs cannot be factored into the dispatch. It would be inappropriate to default compliance for such emergency assistance to the ISO. The ISO recommends Ecology adopt similar language included in the California Air Resources Board regulations to exempt emergency assistance from the definition of "imported electricity."²

Recommendation:

- Clarify that the market operator as default for the designated market importer only occurs when the market operator does not have a GHG framework.

WAC 173-441-124(3)(a)(v)(F) For any electricity derived from a centralized electricity market that is delivered to Washington on behalf of the centralized electricity market and for which no designated market importer framework exists has been assigned.

² See 17 California Code of Regulations § 95802. Definition of "Imported Electricity."

the market operator is then the designated market importer for those electricity transactions for the purposes of this chapter.

- Include language that exempts emergency assistance energy from the definition of “imported electricity”:

WAC 173-441-124(2)(r)“Imported electricity” includes electricity from ~~an organized centralized electricity market, such as the energy imbalance market~~ but does not include electricity imported into Washington by a market operator 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.

3. The ISO recommends changes to the reporting timeframe to reflect finalized settlement timelines.

Ecology’s draft rules indicate a reporting timeline of February 1. This date is ahead of when the ISO will have full meter readings and finalized settlements,³ and therefore precedes when the ISO could feasibly and accurately provide that data to reporting entities or Ecology. The ISO suggests moving this timeline to June 1 to ensure the most accurate attribution accounting.

Additionally, the regulations include reporting requirements for compliance entities itemized by transaction. The ISO suggests Ecology clarify the interval of data to an hourly granularity. While the ISO operates at a five-minute interval, this granularity could result in a voluminous amount of data without proportionate benefit because hourly emissions data serves the same purpose.

Recommendation:

- Adjusting the compliance date beyond February (and making similar change in (3)(h)); adjust reference to transactions to contemplate aggregated data.

WAC 173-441-124 (3)(g)(iii) Additional information for market participants of centralized electricity markets for claims of specified sources of electricity. To receive a positive verification statement upon verification of an electricity transactions derived from a centralized electricity market that attributes a specific resource to ~~that those transactions~~ the electric power entity must be able to demonstrate proof to Ecology’s satisfaction that the market operator designated, ~~assigned~~ attributed, deemed, or

³ These settlement timelines are existing in the ISO’s tariff and are not newly introduced with EDAM.

otherwise assigned that resource transaction to that electric power entity as a designated market importer. Proof of such attribution may be demonstrated through the provision of records and other information from the market operator listing all market participants that were assigned the role of designated market importer by the market operator. This provision of records and other information must be submitted to Ecology in a manner designated by Ecology by February June 1 for electricity transactions involving centralized electricity markets in the previous calendar year...

- Clarify requirement to itemize transactions for reporting purposes. WAC 173-441-124 (3)(a)(v) Imported electricity from ~~the energy imbalance market~~ centralized electricity market. The reporting entity must separately report ~~power electricity obtained from transacted or delivered through or on behalf of the energy imbalance market~~ centralized electricity markets, aggregated by hour itemized by transaction and by originating market.

4. The ISO recommends adjustment to the default compliance entity in the WEIM before the start of EDAM.

Ecology's draft regulation suggest that for 2023-2025 the retail provider will be the designated market importer regardless of whether the ISO designates a different designated market importer. However, until the go-live date of EDAM and revised Western Energy Imbalance Market (WEIM) rules, currently scheduled for 2026, the ISO market will not have a bid-adder to support a resource-specific approach for the State of Washington GHG regulation area. The ISO recommends that Ecology align the end date of this default period with the launch of EDAM. Without a change to this text there could be a gap in who is the compliance entity between January 1, 2026 and the targeted launch of EDAM.

Recommendation:

- Adjusting the end date for the interim compliance solution specific to the Western Energy Imbalance Market to align with the implementation of a bid adder framework.

WAC 173-441-124 (3)(a)(v)(G) For the energy imbalance market only, and for emissions reporting years 2023 through 2025 only and until a market solution is in place with bid adders, the retail provider located or operating in Washington that receives a delivery of electricity facilitated through the

energy imbalance market is the designated market importer for that electricity for the purposes of this section. For these years this time period only, any conflicting assignment of the designated market importer by the EIM market operator will instead default to the retail provider as put forth in this subsection.

5. The ISO encourages Ecology to allow refinements to the rules based on operational market experience.

In addition to the current work being done to develop the new rules, the ISO encourages Ecology to build processes into the rulemaking to allow for assessment and refinement in the future. The ISO suggests a later-planned opportunity to assess the interaction between the market(s) and the rulemaking and to determine if updates or corrections are warranted based on operational market experience and reporting lessons learned. The ISO found a similar approach to be beneficial in the California context where improvements were made to both the regulations and the market to improve design and reporting. The ISO suggests a check-in to occur approximately 18 months after the EDAM go-live, with a comparable check-in posed for other market operators. The rationale for 18 months is that it would represent a year of market participation and one reporting cycle. The ISO also suggests that there be a rulemaking pathway for continued evolution as the market design may be improved in the future based on operational experience. The ISO commits to continued engagement to support the goals of Ecology's program.

The CAISO appreciates the opportunity to provide these suggestions and looks forward to continuing to work with Ecology and other stakeholders in this rulemaking.

Sincerely,

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