

Denelle Peacey

Comments of TransAlta Energy Marketing U.S. (TEMUS) submitted for the second informal comment period for electricity markets rulemaking are attached.



TransAlta Energy Marketing (U.S.) Inc.
913 Big Hanaford Road
Centralia, Washington
USA 98531

T: +1 (360) 736 9901
F: +1 (360) 330 2397
www.transalta.com

Denelle Peacey, CFA, MA (Econ)
Senior Regulatory Advisor

Direct Line: 403-819-8524
Email: Denelle_Peacey@TransAlta.com

October 30, 2023

Informal Comments of TransAlta Energy Marketing on the Draft Centralized Markets Rules (WAC 173-441 & 446)

TransAlta Energy Marketing U.S. (“TEMUS”) appreciates the opportunity to comment on the Washington Department of Ecology’s (“Ecology”) draft rule language regarding centralized markets in WAC 173-441 and 446 presented at the October 16, 2023 stakeholder meeting.

TransAlta is an independent power producer, generation developer and wholesale energy marketer with operations in Canada, the United States, and Australia. In the western U.S. TransAlta owns and operates the 670 MW Centralia generation facility, the 68 MW Skookumchuck wind and hydro complex, the 140 MW Wyoming Wind plant, as well as a portfolio of projects in development. As an electricity importer and generator and a covered reporting entity under the Climate Commitment Act, TEMUS appreciates the additional stakeholder meetings held by Ecology to create a deeper understanding, as well as the hosting of informational sessions led by the California Independent System Operator (CAISO) and by the Southwest Power Pool (SPP) on the proposed greenhouse gas (GHG) frameworks for the Extended Day Ahead Market (EDAM) and Markets+.

TEMUS is an active member of the Northwest & Intermountain Power Producers Coalition (NIPPC), and supports the comments submitted to Ecology by NIPPC while offering the additional comments to Ecology below.

Interim EIM Approach

During the stakeholder session held on October 1, 2023 Ecology asked for comments as to whether the interim approach for the CAISO’s Western Energy Imbalance Market assigning the obligation to the retail provider can end earlier than 2025, with the draft rules supplanting them. TEMUS supports for the continued use of the interim approach, which clearly identifies the holder of the carbon obligation *ex ante*. This clarity supports market efficiency and greatly reduces both the reporting burden and verification risk for market participants, as well as measurement risk for Ecology.

There is currently a great deal of uncertainty around GHG frameworks that will affect Washington, with EDAM waiting for regulatory approval, the development of the Markets+ GHG framework, CAISO's GHG working group, the California Air Emission Board's (CARB) considering potential amendments to Cap-and-Trade regulation, and Ecology's own program linkage determination. While TEMUS recognizes Ecology's legislative imperative, this degree of uncertainty requires caution and prudence. TEMUS suggests that a longer rulemaking timeline, or the adoption of the interim (or even a modified version of the interim approach which designates the retail provider as the importer for unspecified imports) beyond 2025 would reduce market volatility and uncertainty until such time that these issues are more closely resolved. This would also address the issue of third-party compliance raised by Ecology during the October 16 meeting.

Double-Counting

TEMUS agrees that the potential double-counting of in-state resources could be a significant issue in centralized markets. TEMUS appreciates additional clarity around this issue and agrees with an approach in which exports and imports for the in-state generator are netted out. TEMUS is opposed to an allowance-based approach similar to Québec's which provides free allowances to electricity importers equal in value to the average carbon cost faced in the other jurisdiction, as this approach would affect allowance prices and make it much more difficult for market participants to hedge price risk.

Reporting Alignment

TEMUS supports rules that are clear, simple and transparent, clearly identifying the obligation *ex ante*, and that easily align with the annual reporting requirement for covered entities. TEMUS is concerned with the reliance on the Market Operator in the draft rules to determine the designated importer, imports, and emission factor, (and potentially, double-counting) especially if such determination is unclear until after the electricity flows – or in the worst outcome, unclear until verification. TEMUS would appreciate additional sessions outlining how the draft rules would apply for each market for a typical transaction to understand how the rules would be applied and reported pragmatically.

Again, TEMUS appreciates Ecology's willingness to work with stakeholders on the development of the proposed draft rules. TEMUS recognizes the challenge of developing rules that address the complexity and uniqueness of electricity markets in the west, while still incorporating enough flexibility to address to future market



TransAlta Energy
Marketing (U.S.) Inc.
913 Big Hanaford Road
Centralia, Washington
USA 98531

T: +1 (360) 736 9901
F: +1 (360) 330 2397
www.transalta.com

design changes. We look forward to ongoing collaboration with Ecology and other stakeholders on this and future rulemakings.

Yours truly,

TransAlta Energy Marketing (U.S.) Inc.

DENELLE PEACEY
Senior Regulatory Advisor