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Climate Pollution Reduction Program
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RE: PacifiCorp Comments on Second Informal Public Comment Period on Electricity Markets Rulemaking

I. Overview

On October 9, 2023 Washington Department of Ecology (Ecology) requested comments on its informal draft rules for emissions under the Climate Commitment Act (CCA) from electricity imports through centralized markets. PacifiCorp (Company) appreciates the opportunity to comment on Ecology's draft rules.

As background, PacifiCorp serves approximately 2 million customers in six western states (California, Idaho, Oregon, Utah, Washington, and Wyoming). The Company also operates two balancing authority areas (BAA), PacifiCorp East (PACE) and PacifiCorp West (PACW), where PACW overlaps Washington State's geographic border. PacifiCorp is also a multi-jurisdictional retail provider (MJRP) with unique reporting provisions in Washington; has both emitting and non-emitting generation resources inside and outside of Washington; is a current participant in the Energy Imbalance Market (EIM); and has declared its intent to join the Enhanced Day Ahead Market (EDAM).

PacifiCorp's specific comments focus on the following:

- Ecology places the responsibility of defining the electricity importer on the market operator, without sufficient guidance on who has the obligation. Ecology's definition of electricity importer is not specific enough to address who has the obligation to inform GHG attribution from centralized market settlements.
- Ecology's rules should reflect consistency between treatment for bilateral wholesale markets, specifically for multi-jurisdictional utility treatment as addressed in the industry-developed white paper "Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act." If the reporting methodology for centralized markets departs from existing treatment of bilateral wholesale transactions and does not consider existing MJRP accounting principles, Ecology's accounting for Washington's total emissions will be incomplete, inaccurate, or double count of the same generation claimed in and out of state.
- Ecology should address concerns with double counting of generation exported from Washington resources to non-linked jurisdictions with carbon pricing programs.
- Ecology should clarify the interim treatment of EIM imports prior to the emergence of specified-source deeming.

Given the complexities, PacifiCorp continues to urge Ecology to remain flexible with its rule adoption timeline, in particular to expand the time allotted in the Rule Announcement phase and consider another round of draft rules and feedback.

II. Ecology inappropriately assigns the Market Operator the role of determining which entity holds the compliance obligation

Ecology's proposed definition of "Designated Market Importer" is: "the entity assigned the role of the electricity importer from a centralized electricity market 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."[1]

Here, Ecology has assigned the market operator the role of identifying the conditions under which imports into the state of Washington occur, and the resulting compliance obligation. There are two reasonable interpretations of which entity holds the obligation: either (1) the market importer may be considered as the first jurisdictional deliverer of electricity to the state; or (2) the Load Serving Entity that caused the import to occur.

This broad definition and assignment of responsibility to the market operator is problematic. While the market operator may functionally be able to establish entities on either side of the market exchange, without further direction from Ecology on which entity has the GHG obligation, Ecology has given no basis for the Market Operator to assign GHG attribution from the settlements it enables. Relatedly, it does not offer explicit direction regarding which entity bears the compliance obligation during the first compliance period when specified source attribution has yet to be implemented.

III. For Multijurisdictional BAAs, PacifiCorp supports Ecology's consistent treatment between centralized and bilateral wholesale markets, because any other approach would compromise Ecology's accounting of the State's total emissions

Ecology indicated in its workshop materials that it is pursuing "equitable treatment across bilateral and centralized markets" as it develops rules regarding the State's imports from centralized electricity markets.[2] PacifiCorp strongly supports this approach specifically when considering the treatment of multi-jurisdictional entities. If the reporting methodology for centralized market transactions departs from existing treatment of bilateral wholesale transactions—or does not take into account established practices of multi-jurisdictional retail provider emissions accounting, such as using cost allocation for retail load—then Ecology's accounting for Washington's total emissions will be incomplete, inaccurate or cause double counting of the same generation claimed in and out of state.

Many difficulties arise regarding identifying "electricity imports" when a multijurisdictional entity is involved in a given transaction, especially if their BAA is partially inside the state. These gaps were exposed during the Ecology's WAC 173-446 rulemaking process, and

[1] Ecology Proposed Regulations WAC 173-441-124(2)(b), at 26.
[2] Ecology Electricity Markets: Draft Rule Language Input Meeting slides (Oct. 16, 2023) (available here: https://ecology.wa.gov/presentation-wac-173-441-10-12-23-10-16-23).

addressed during an industry-wide, regional collaboration effort that occurred after rulemaking, culminating in a white paper.[3] Many of the paper's conclusions regarding multistate BAAs have the effect of considering PacifiCorp as outside the state of Washington,[4] allowing PacifiCorp to be established as a first jurisdictional deliverer that can hold the compliance obligation. PacifiCorp should have the equivalent treatment for centralized market transactions. Meaning, when PacifiCorp is one of the parties in a centralized market transaction, Ecology should consider defining the GHG regulation boundary for a "market import" relative to the PacifiCorp BAA boundary rather than assuming a geographic state boundary. This treatment is consistent with GHG accounting for bilateral wholesale transactions and for retail.

PacifiCorp's recommended approach for certain multijurisdictional entities, and the effects of this approach, can be summarized as follows:[5]

1. To quantify PacifiCorp's contribution from centralized market imports into Washington, there needs to be a mechanism to identify the amount incremental to imports for PacifiCorp retail load and wholesale sales.
    a. Emissions associated with energy imports for retail load service in Washington are already incorporated into the MJRP emissions factor calculation.[6] For compliance reporting under WAC 173-441, PacifiCorp can account for and include Washington's share of centralized market transfers to its own system (effectively outside Washington) by cost-allocating Washington's proportional share of market settlements, similar to treatment for wholesale market transactions.
    b. For centralized market transactions in which there is transfer from PacifiCorp to a BAA wholly inside Washington, or a group of BAAs that comprise a regulation area, then that would be considered an incremental import of energy from PacifiCorp into Washington.
    c. For centralized market transactions in which there is transfer between a PacifiCorp and another multijurisdictional BAA, then the transaction is not considered to have produced an import into Washington directly but can be allocated back to the state as part of cost allocation structure (see 1.a above).
2. Effects of this treatment depend on which entity holds the obligation:
    - If the obligation is on the "importer," consistent with the FJD approach, then PacifiCorp would incur the obligation under 1.b.

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[3] Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act (Mar. 1, 2023) (available here: https://apps.ecology.wa.gov/publications/documents/2302051.pdf).

[4] Two examples of such treatment are: "Electricity sourced from a resource located outside of Washington within a multistate generation system is considered to have originated outside Washington; Electricity sourced from a composite Source POR of a multistate generation system is considered to be generated outside Washington, unless that entity demonstrates that emissions are separately accounted." (*Id*, at 10); and "Any electricity that an MJRP purchases, and which sinks to their respective systems or scheduling points is not considered to have sunk in Washington." (*Id*, at 12). These two examples are not meant to be a complete representation of the types of transactions PacifiCorp undertakes as a multijurisdictional entity.

[5] The recommendation outlined is limited to PacifiCorp and not intended to recommend treatment for Bonneville Power Administration (which has other unique considerations as a Federal power marketer); nor Avista (which may have unique cost allocation considerations).

[6] WAC 173-441-124(3)(b)(iv).

- If the obligation is on the load serving entity, the PacifiCorp would not have the obligation for 1.b, but would under 1.a and 1.c.

Additional stakeholder discussions are necessary to vet all possible scenarios and complications with this approach, and PacifiCorp recommends that these could be addressed in a subsequent subject matter expert-facilitated white paper process. PacifiCorp additionally recommends Ecology provide additional time in the proposed rulemaking to facilitate these discussions.

IV. Ecology should address double-counting of energy that is generated in-state, but is deemed delivered via centralized energy markets to another state with an unlinked carbon pricing program

PacifiCorp has emitting and non-emitting generating resources in Washington that are EIM participating resources, and have been deemed delivered to California. The Company requests that Ecology consider market exports from Washington to California to be excluded from reporting in Washington to eliminate double counting. PacifiCorp also notes that the California Air Resources Board (CARB) is requesting feedback on how the state could address dual carbon costs for electricity imports from unlinked jurisdictions.

V. Ecology should clarify that "unspecified pathway market electricity" is not applicable to electricity sourced from the EIM in the interim period

PacifiCorp understands the purpose of Ecology's inclusion of the definition of "unspecified pathway market electricity"[7] to refer to a specific component of SPP's Markets+ design. PacifiCorp is concerned that there could be confusion that that this reference to "unspecified electricity" could refer to EIM electricity purchased by Washington entities prior to CAISO's implementation of specified source deeming into Washington –which EIM purchasing entities would report as unspecified purchases, and apply the default emission factor. To avoid confusion, PacifiCorp requests that Ecology explicitly clarify that this reference to "unspecified market pathway electricity" is not intended to apply to EIM in the interim period.

VI. Conclusion

PacifiCorp appreciates the comment opportunity and looks forward to continued engagement in Ecology's rulemaking.

Sincerely,

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[7] Ecology Proposed Regulations WAC 173-441-124(2)(mm), at 41.