

Courtney Olive

Attached are Bonneville Power Administration's comments on Electricity Markets rulemaking:
Third informal comment period: Emissions Leakage



Department of Energy

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Filed Via Web Portal:

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Re: Comments on the Climate Commitment Act (CCA) Electricity Markets Rulemaking for Third Public Comment Period (Informal)

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Washington Department of Ecology's (Ecology) electricity markets rulemaking. BPA is providing these comments in response to the leakage questions Ecology presented at its November 8, 2023 workshop.

1. Should Ecology include an outstanding emissions leakage calculation for centralized electricity markets in this rulemaking?

BPA suggests that Ecology should, first, approach this topic by providing policy direction for market operators on when a resource can be attributed to the state *without* concern over leakage. Market operators address GHG in their market design at the direction of state programs. It is imperative that Ecology provide direction to the CAISO and SPP on where Ecology does and does not believe there are concerns with leakage so that the market operator can consider that in designing the market.

Second, BPA reiterates its suggestion in its October 30, 2023 comments that concerns over leakage should be sufficiently minimized where: (1) an entity has a pre-arranged contractual commitment to sell power to load in the state; or (2) the power is surplus to the entity's load and contractual commitments. In these two situations, Ecology should not apply an outstanding emissions leakage calculation to resource amounts attributed by the market.

Finally, advancements in market design warrant re-examining the potential for leakage in markets. For example, CARB's current EIM outstanding emissions calculation applies to all resource amounts attributed to California in the EIM. That calculation assumes secondary dispatch and emissions leakage occurs for any imported resource amount attributed to California. Ecology should not follow CARB's current approach because it is likely an over-

estimation of emissions attributed to electricity imports from the EIM. Since CARB's calculation was developed, changes to the CAISO's EIM and EDAM market designs have reduced the risk of secondary dispatch and thus leakage. SPP's Markets+ is also being developed to include measures to reduce redesignation and thus leakage. Ecology should consider these advancements in market design, which have reduced the potential for leakage in these markets and have reduced the need for an outstanding emissions leakage calculation, if any.

2. Should Ecology follow CARB's hypothesized approach and focus the calculation on electricity below the market counterfactual run?

BPA understands CARB's proposed approach to infer that attribution of amounts over a resource's baseline amounts committed to native load are surplus and, thus, do not represent a concern with secondary dispatch and leakage. Conversely, when amounts from a resource are attributed at levels below that baseline, then CARB would infer there is a risk of secondary dispatch and thus leakage. It is early in CARB's rulemaking process and BPA's view may change, but BPA currently believes CARB's concept represents a reasonable assessment of when attribution from the CAISO's market results in secondary dispatch and thus potential emissions leakage.

However, BPA cautions Ecology about a one-size fits all approach to an outstanding emissions calculation. The principles about when leakage occurs may be similar from market to market, but whether the design for a specific market results in leakage, and, if so, what the calculation should be, is dependent on each market and must be crafted to the market.

3. How should resources committed to Washington load be treated?

BPA urges Ecology to recognize that resource amounts contracted to load in Washington can be attributed without application of an outstanding emissions leakage calculation. This construct honors bilateral arrangements made outside the market, such as BPA's sales to its preference customers (public utilities) in Washington.

4. EIM emissions were addressed to some degree in the initial CCA allocation to electric utilities. How should this calculation reconcile itself with the cost burden allocation process and results?

BPA is not providing specific comment on this question at this time.

5. How should EIM leakage be addressed during the "interim" period?

BPA assumes this means the first compliance period, based on clarification provided by Ecology at the November 8 workshop. Currently Ecology applies a default emission factor to EIM imports to Washington, treating all EIM imports to the state as if sourced from fossil fuel. Thus, until Ecology adopts rules and the CAISO implements functionality for resource-specific attribution, there is no need to address leakage. BPA's understanding is this will not

occur until 2025-2026, near the end of the first compliance period or beginning of the second compliance period, so there is no need to address leakage until then.

6. Given the unsettled state of the Markets+ design process and tariff, how should design elements of that process be considered?

The process for development of Ecology's rules and any market design should be done in a coordinated fashion, and Ecology should expect this to be an iterative process that requires coordination across Ecology, market operators, industry, and other stakeholders. Ecology rules should provide direction on market design, and in turn, the market design will evolve to reflect that. Ecology can then evaluate the design and update rules if appropriate to provide further direction or signal that there are still leakage risks via application of an outstanding emissions calculation. Given the iterative nature of this process, BPA supports PGP and PSE's recommendation to form an advisory committee to track and provide ongoing recommendations to Ecology on this matter.

BPA looks forward to continued discussion in the electricity markets rulemaking. Please feel free to contact Alisa Kaseweter at 503.230.4358 if you have any questions on BPA's comments.

Thank you,

/s/ J. Courtney Olive

J. Courtney Olive
Attorney
(submitting in Alisa Kaseweter's absence)