

November 27, 2023

***Via electronic submission:***

Attention: Luke Martland  
Washington Department of Ecology – Air Quality Program  
P.O. Box 47600  
Olympia, WA 98504-7600

**Re: PacifiCorp’s Comments on Third Informal Comment Period for Electricity Markets Rulemaking, Relating to Addressing Leakage**

**I. Overview**

On November 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. Specifically for the third informal comment period, Ecology has requested feedback on whether and how it should address emissions leakage resulting from centralized electricity markets. PacifiCorp (Company) appreciates the opportunity to comment on Ecology’s considerations for addressing leakage.

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 Extended Day Ahead Market (EDAM).

**II. Organized market expansion will reduce West-wide emissions**

The legislative intent language included in the CCA is that “*climate policies must be appropriately designed in order to avoid leakage that results in net increases in global greenhouse gas emissions*”<sup>1</sup> and is defined in regulation as a “*reduction of emissions of greenhouse gases within the state that is offset by a directly attributable increase in greenhouse gas emissions outside the state.*”<sup>2</sup> But in its rulemaking workshop, Ecology offers a more specific interpretation of emissions leakage, relating to addressing imports from centralized markets, describing situations “*when greenhouse gas emissions increase outside of Washington due to introducing a centralized electricity market, relative to the prior condition of not having a market.*”<sup>3</sup> It is widely understood that organized market expansion, due to the benefits of

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<sup>1</sup> RCW 70A.65.005

<sup>2</sup> WAC 173-446-020

<sup>3</sup> Washington Department of Ecology, WAC 173-441 & 173-446 Electricity Markets Meeting, November 8, 2023, at <https://ecology.wa.gov/getattachment/edc2c137-7171-4363-8613-fa9cc88defcf/Public-Meeting-Presentation11-8-23-Electricity-Markets-Rulemaking.pdf>

avoided renewables curtailment and optimized dispatch, will reduce emissions in the broader Western footprint. Consider the EIM, which estimates that since its inception, 2.1 GWh of renewables curtailment and over 900 thousand MT CO<sub>2</sub> emissions avoided<sup>4</sup>. A recent study simulating the specific EDAM design with participants BANC, Idaho Power, LADWP and PacifiCorp in year 2032, found that emissions in the broader WECC will have emissions reduced by 0.29 million MT CO<sub>2</sub>, driven by 2.4 TWh in reduced renewable generation curtailment and reduced fossil fuel generation.<sup>5</sup> PacifiCorp raises these facts to re-emphasize that expedient implementation of organized markets will contribute to the emissions reduction objectives of the Climate Commitment Act both within and outside Washington.

### **III. Ecology should avoid instituting broad and prescriptive approaches for addressing leakage in rules**

While it is anticipated that the expansion of organized markets in general will reduce emissions in the aggregate, Ecology raises a specific concern regarding “secondary dispatch” or “MW redesignation” that is frequently cited as an example of leakage due to the economic dispatch of organized markets. PacifiCorp believes that mitigation of this specific example of leakage is an organized market design issue to be addressed by the specific market operators as they develop design approaches for each market. For EDAM in particular, certain EDAM design features, including the net export constraint and the GHG reference pass, were adopted specifically in response to stakeholder discussions around minimizing the potential for secondary dispatch.

Because minimizing leakage is effectuated by specific market design features, Ecology should avoid broad and prescriptive approaches to reduce leakage, such as an outstanding emissions calculation, particularly when it is not proven the degree to which leakage has occurred. It is likely that the extent that leakage has occurred can only be known after the market has run and imports into Washington have been quantified. Therefore, PacifiCorp recommends an iterative approach whereby market operators and Ecology conduct a retroactive assessment of leakage after the market goes live. In such an assessment, Ecology can work with market operators to determine whether significant leakage has occurred, and subsequently seek stakeholder feedback on whether any mitigating regulatory measures should be adopted.

PacifiCorp agrees with other stakeholder feedback that, in lieu of attempting to address leakage in specific rule language, Ecology could issue a policy statement. This approach allows Ecology to empower market operators to implement design features without taking a prescriptive and premature approach to addressing leakage.

PacifiCorp continues to emphasize that Ecology’s role in addressing emissions from organized markets in the Climate Commitment Act is to adopt accounting methodologies that capture a complete picture of imports to Washington. It can be done by defining the conditions where an import to Washington has occurred – irrespective of how each individual market has

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<sup>4</sup> CAISO, Western Energy Imbalance Market Benefits Report, Third Quarter 2023, at <https://www.westerneim.com/Documents/iso-western-energy-imbalance-market-benefits-report-q3-2023.pdf>

<sup>5</sup> Brattle Group, Extended Day Ahead Market Benefit Study, at [https://www.caiso.com/Documents/EDAM\\_Forum\\_Brattle\\_Slides\\_2023-08-30.pdf](https://www.caiso.com/Documents/EDAM_Forum_Brattle_Slides_2023-08-30.pdf)

Washington Department of Ecology

November 27, 2023

Page 3

chosen to address leakage— and clearly defining which entity is the first jurisdictional deliverer under such conditions.<sup>6</sup>

Sincerely,

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<sup>6</sup> For a more detailed discussion of the recommended accounting of the PacifiCorp to accomplish these objectives, see PacifiCorp comments on Second Round of Informal Rules, October 31<sup>st</sup>, 2023.