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The following comments are submitted by the Public Generating Pool (PGP) in response to the Department of Ecology's (Ecology) third informal comment period for its Electricity Markets Rulemaking under the Climate Commitment Act (CCA).



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RE: Third Informal Public Comment Period on Electricity Markets Rulemaking

The following comments are submitted by the Public Generating Pool (PGP) in response to the Department of Ecology's (Ecology) third informal comment period for its Electricity Markets Rulemaking under the Climate Commitment Act (CCA). PGP is a trade association representing nine consumer-owned utilities that own and operate their own generating resources in Oregon and Washington. PGP appreciates the opportunity to offer the following comments specific to the issue of emissions leakage, which the CCA defines as "a reduction in emissions of greenhouse gases within the state that is offset by a directly attributable increase in greenhouse gas emissions outside the state and outside the geography of another jurisdiction with a linkage agreement with Washington."¹

General Comments

PGP would like to reiterate a number of points made in our comment letter submitted jointly with Puget Sound Energy on October 30, 2023. While leakage is an important consideration for this rulemaking, there is not currently sufficient data or operational experience to support specific rules addressing leakage. To avoid unnecessary and potentially costly unintended consequences, PGP recommends that specific rules be developed at a future time when more operational data is available, and that data can be evaluated against established criteria or principles for determining: (1) Whether leakage is occurring or has the potential to occur in any centralized electricity market; and (2) how that leakage might appropriately be mitigated. We further recommend that Ecology consider organizing an electricity markets workgroup or advisory group to discuss and develop policy principles and objectives relevant to issues of CCA implementation in centralized electricity markets and leakage specifically. This could be similar to Ecology's Fuel Exemptions Workgroup and anticipated Emissions-Intensive Trade-Exposed (EITE) Advisory Group, in order to facilitate iterative, technical discussions among relevant stakeholders of issues such as emissions leakage. This workgroup could ultimately serve as a forum for Ecology to conduct a public process for: (1) Assessing the data needs to appropriately evaluate leakage and the potential for leakage; (2) compiling and analyzing that data; and (3) using that data to inform whether, to what extent, and by what means leakage should be addressed in specific rule language.

¹ RCW 70A.65.010(43)

PGP's Responses to Ecology's Key Considerations for Addressing Leakage in this Rulemaking

On November 8, 2023, Ecology held a public meeting to gather stakeholder input on the issue of emissions leakage in the context of centralized electricity markets. PGP would like to offer the following responses to the key considerations for addressing leakage in its Electricity Markets Rulemaking, as outlined by Ecology at that meeting:

Q: Address one, two, or three markets?

Previously, Ecology has indicated that its Electricity Markets Rulemaking is intended to address several electricity markets, including the California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM) and forthcoming Extended Day-Ahead Market (EDAM), the Southwest Power Pool's (SPP) forthcoming Markets+ day-ahead and real-time market, and any additional new markets as may arise in the Western Interconnection.² PGP believes that while it is premature to adopt any regulatory solutions for addressing leakage until the relevant markets are operational, if and when Ecology does adopt rules addressing leakage, those rules should align with the overall scope of the present rulemaking, address all extant markets, and apply equal standards for leakage mitigation or addressing/quantifying emissions leakage.

Q: Mirror other jurisdictions or find a different path?

Ecology's approach to addressing leakage should not preclude linkage with jurisdictions such as California, but PGP believes that Ecology should not adopt the California Air Resources Board's (CARB) current Outstanding Emissions Calculation for the WEIM in the absence of actual market operations and data to review regarding the extent to which leakage may be occurring.

Q: Are data going to be available? Are available data going to be of sufficient quality?

PGP expects that data of sufficient quality will be available once all the relevant markets are operational and additional information is known regarding the composition of each market footprint.

Q: Data transparency considerations in the Greenhouse Gas (GHG) Reporting Rule?

PGP would like to understand this question better—is the consideration at issue the sensitivity of the data? The granularity? The ability to share it with other jurisdictions? PGP requests that Ecology provide additional information as to its thinking on this issue.

Q: Include a threshold for taking action (e.g. administrative toggle)?

PGP reiterates our recommendation that Ecology organize an electricity markets workgroup or advisory group. An appropriately designed administrative toggle could include the transmission of recommendations to Ecology by that workgroup by some date certain. In any case, an administrative toggle should be transparent and take stakeholder input into consideration.

² Ecology, Electricity Markets Rulemaking presentation materials, July 25, 2023. Retrieved from <https://ecology.wa.gov/getattachment/b79f97fe-6668-4290-ac49-8ec9141cda02/441Presentation20230725.pdf>.

Q: Attempt for a unified approach to identifying surplus energy?

PGP believes that it is premature to adopt a unified approach to identifying surplus energy at this time but is interested in further exploration of the topic, particularly if it represents an alternative to the impacts of out-of-market calculations such as the WEIM Outstanding Emissions Calculation.

PGP's Responses to Ecology's Broad Leakage Questions for Initial Response

At the November 8th meeting, Ecology also outlined six questions relating to leakage for initial stakeholder response. PGP offers the following responses to those questions for Ecology's consideration:

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

No, PGP does not believe there is enough information on GHG treatment within either the CAISO or SPP Markets+ efforts to allow for a well-informed calculation at this time. Therefore, PGP recommends Ecology wait until there is more information available prior to making any prescriptive rulemaking related to leakage. As noted above, while Ecology's approach to addressing leakage should not preclude linkage with California, PGP believes that Ecology should not prematurely adopt CARB's current Outstanding Emissions Calculation for the WEIM.

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

On October 5, 2023, CARB hosted a public workshop on proposed updates to the California Cap-and-Trade Program and Mandatory GHG Reporting Program, including potential changes to its Outstanding Emissions Calculation to reflect CAISO's EDAM tariff that has been filed with the Federal Energy Regulatory Commission (FERC). These changes would amend the calculation to limit coverage to attributed generation below a resource's base schedule (WEIM-only) and to attributed generation below the difference between the day-ahead energy schedule and day-ahead GHG award (EDAM).³ Given that CARB has only hosted one workshop on its hypothesized approach for EDAM to date, PGP would like to see more information about CARB's proposal before recommending one way or another whether it should also be adopted by Ecology.

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

PGP believes that it is premature to adopt a specific regulatory treatment for resources committed to Washington load at this time. That said, external resources that are committed to Washington load should not be subject to a surplus evaluation to the extent Ecology pursues rules that would adopt an approach to identifying surplus energy.

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?

³ CARB, Cap-and-Trade Program Workshop presentation materials, October 5, 2023. Retrieved from https://ww2.arb.ca.gov/sites/default/files/2023-10/nc-CapTradeWorkshop_Oct052023_afternoon_0.pdf.

Insofar as Ecology imposes compliance obligations on WEIM emissions in the first compliance period and before the present rulemaking is finalized, that compliance obligation should be fairly mitigated by no-cost allowances.

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

PGP does not believe that WEIM leakage needs to be addressed during the interim period before the revised WEIM goes live with EDAM in 2026. This is simply because it is unlikely that a revised market design that attributes out-of-state WEIM resources to Washington will be in place prior to EDAM going live in 2026. It would be inappropriate to calculate leakage for the market when there is not a design in place that adequately captures all imports from the WEIM into Washington and when the imports that are captured are assigned the default emissions factor by Ecology.

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

Ecology’s rules should be broad enough to accommodate whatever GHG design is ultimately included in the Markets+ tariff filing at FERC and should be flexible enough to undergo changes if needed to reflect any subsequent updates to the market design.

Conclusion

Thank you for the opportunity to provide input on the issue of emissions leakage as part of Ecology’s Electricity Markets Rulemaking. PGP looks forward to continued engagement with Ecology as the rulemaking advances.

Sincerely,

/s/ Mary Wiencke

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