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Re: Comments on the Electricity Markets Rulemaking Draft Rule Language

BPA appreciates the opportunity to comment on Ecology's latest version of draft rules for the electricity markets rulemaking. First, in light of this complex, novel topic, BPA thanks Ecology for extending the timeline on the electricity markets rulemaking and dividing it into phases. This will allow for better discussion of concepts and language review. BPA supports reserving rulemaking on more challenging topics like the emission factor for unspecified resource amounts imported from a centralized market and questions on emissions leakage until a later phase. However, BPA urges Ecology to ensure that rules identifying what entity has the compliance obligation for unspecified imports from a centralized market are adopted by mid-2025 to provide enough time for SPP to set up its market design for attribution to Washington.

BPA believes the current draft rules are a significant improvement over the previous version. BPA supports the general direction of the draft rules, including enabling specified source imports to Washington via an organized market and limiting those specified source imports to resources contracted to Washington load or to "surplus electricity" amounts (as Ecology has defined that term). BPA is providing several comments in areas BPA believes need further clarification or clean-up.

1) "Deemed Market Importer" Language

BPA believes additional clarification is needed around the concept of a "deemed market importer" to appropriately provide direction to the market operators on attribution design and align the concept with the First Jurisdictional Deliverer (FJD) approach. One way to address this may be for Ecology to simply incorporate the concept of the offer being from a specific

resource, see example below. However, BPA urges Ecology to discuss with the CAISO and SPP whether this is sufficient.

> WAC 173-441.020 (b): "Deemed Market Importer" means a market participant that successfully offers electricity from a resource into a centralized electricity market and is assigned, designated, deemed, or attributed to be serving Washington electric load by the methodologies, processes, or decision algorithms put in place by the market operator of that centralized electricity market.

2) Definition of surplus

BPA believes the currently proposed language for "surplus electricity" provides an appropriate level of detail for the rules. BPA supports Ecology using future guidance documents to provide further clarification on what constitutes surplus. There are interrelations between the concepts of surplus and emissions leakage, including CARB's EIM outstanding emissions calculation for secondary dispatch, that warrant discussion of the issues jointly.

3) Inconsistencies with the concept of attribution to Washington

It is useful to keep in mind some fundamental premises about markets and attribution. Under both CAISO and SPP's market design a specified resource is attributed to Washington, but not to a specific retail load in Washington. Since the FJD (i.e., the deemed market importer) incurs the compliance obligation, there is no need for further attribution of a specific resource to a specific retail load. The megawatt hours imported by specified resources and unspecified resources into Washington would be calculated on a state-wide level. Additional information on net exports or imports in a market is available on a balancing authority area (BAA) level, not a retail utility level. BPA believes there are a few areas in the draft rules that conflict with these premises.

First, BPA requests Ecology exclude the following language from WAC 173-441 (3)(a)(vi)(C):

> Describing that for electricity purchased from an ACS, a reporting entity must: "Report delivered electricity from asset-controlling suppliers as measured at the first point of delivery in Washington state ~~or by a centralized electricity market~~"

Per the premises described above, a buyer of power in an organized market would not be able to report whether the power was from an ACS (or any other specified source). Such

information would need to be reported by the resource operator whose power is attributed to Washington (the deemed market importer), whether an ACS or otherwise. There are other sections in the draft rules that capture the reporting duties of a deemed market importer.

Second, BPA urges Ecology to omit WAC 173-441-124 (3)(c)(iv):

> "Retail providers must report purchases from centralized electricity markets, based on annual totals of electricity purchased in MWh from each separate centralized electricity market."

This provision is unnecessary because the market operator and deemed market importers will provide to Ecology the data on total imports to the state from a market on all specified source attribution plus unspecified source imports (if applicable). The provision is also problematic because requiring retail utilities to provide purchases from a market would not necessarily provide duplicative reporting but rather conflicting or confusing reporting of information. There is no straight-forward way for a retail provider to calculate "purchases" in an organized market. Power is both simultaneously imported into a BAA and exported out of a BAA. Data is available on these transfers on a BAA level, but that will not correspond to the state-wide reported attribution because BAAs do not align with state jurisdictional boundaries in Washington. In BPA's case, it is not clear if or how this applies to its customers in Washington that are retail utilities but not market participants and thus not directly purchasing power from a centralized market. Any further requirement for "allocation" of market transfers to BPA's BAA to those customers would create another layer of conflicting or confusing reporting.

Third, with regard to WAC 173-446-040 (3)(e), BPA requests Ecology omit the newly proposed language and suggests using the redlined language below instead. BPA has attempted to make this wording consistent with the language of the linkage amendment to the Climate Commitment Act, currently being considered by the Washington legislature.

> (iii) If the electricity importer is a federal power marketing administration over which the state of Washington does not have jurisdiction, ~~and~~ the federal power marketing administration may ~~has~~ voluntarily elect~~ed~~ to comply with the program for 1) all sales into Washington or 2) resources attributed into Washington in a centralized market for which it is the deemed market importer. The federal power marketing administration may make such an election by providing notice to Ecology by October 1 prior to the start of the calendar year that the election will be in effect for. ~~, then any utility that purchases electricity for use in the state of Washington from that federal power marketing administration may provide by agreement for the assumption of the compliance obligation for that electricity, including any associated supplementary electricity from a centralized electricity market, by the federal power marketing administration… The department of ecology must be notified of such an agreement at least 12 months prior to the compliance period for which the~~

~~agreement is applicable or, for the first compliance period, 12 months prior to the first calendar yearto which the agreement is applicable.~~ Upon the election taking effect, ~~of theagreement~~, ~~the covered emissions for the utility are the responsibility of~~ the federal power marketing administration will assume the compliance obligation for covered emissions consistent with its election. ~~as long as the agreement is in effect.~~ If no such election has been made by ~~agreement is in place for a utility that purchases electricity from~~ that federal power marketing administration, then the requirements of subsection (e)(ii) of this section apply to the GHG emissions associated with that electricity.

As BPA has discussed with Ecology, a rule that requires individual utility agreement for BPA to opt to be the FJD would be administratively unworkable and expose BPA to negotiating multiple agreements across a diverse customer base. Additionally, seeking bilateral agreements in an organized market context does not work. If BPA participates in a market and opts to be the FJD, then when the federal system is attributed to serve load in Washington it would not be to a specific utility's load. Thus, there is no specific utility BPA could enter into an agreement with. BPA suggests that, consistent with the linkage amendment, Ecology provide the ability for BPA in its discretion to opt to take on the compliance obligation for federal resources attributed to Washington through an organized market.

Lastly, WAC 173-446-040 (3)(e)(ii-iii) does not identify (nor does any other section of the draft rules) an entity or other method for covering a compliance obligation for federal system resources attributed to Washington in the event BPA has not voluntarily opted to be the FJD. BPA suggests that Ecology should provide for the alternative in such a situation.

4) Unspecified Imports

SPP's Markets+ design includes attribution of unspecified resources. This provides benefits to the state; the market will identify power from unspecified sources where it is cost-effective as compared to the next specified source in the market stack, lowering the cost to load in Washington. Ecology's rules need to determine what entity has the compliance obligation for such unspecified imports. BPA urges Ecology to adopt the rule in advance of SPP's go-live date for Markets+ to enable SPP to build into its market functionality around how and to which parties dollars will flow. Thus, BPA urges Ecology to adopt rules on what entity has the compliance obligation for unspecified imports by mid-2025. BPA continues to suggest that the appropriate importer for unspecified source imports is load in Washington.

Regarding the default emission factor that will apply to such imports, BPA appreciates Ecology updating the unspecified emission factor in WAC 173-441-030 (5)(b)(i) to not embed transmission losses, which is consistent with the default emission factors used by CARB and the Oregon DEQ. BPA reiterates its previous comments that the unspecified

emission factor for a market should be reflective of those resources participating in the market and BPA would like Ecology to host discussion on whether a more granular, dynamic emission factor makes sense. BPA also recognizes Ecology has reserved phase 2 for unspecified imports, so this might be a timing issue. If so, BPA asks Ecology to clarify that there will be discussion on unspecified emission factor in phase 2.

5) Limitation not allowing specified source attribution until 2027

WAC 173-441-124 (3)(a)(v)(D) would not allow for resource-specific attribution until 2027, even if a market was able to provide such attribution sooner. BPA understands that the CAISO is not planning to implement resource-specific attribution in the EIM for Washington until 2026, so Ecology's proposed timing seems to coincide with the CAISO's timing. However, BPA encourages Ecology to allow for earlier adoption of the attribution of specified resources in the event the CAISO operationalizes this function sooner. Shifting from unspecified to resource-specific attribution as soon as possible should reduce costs to Washington consumers while achieving emission reductions.

6) Minor adjustments to definitions

a) WAC 173-441-020 (r)

> "Imported electricity" includes electricity transferred into ~~from~~ or attributed to Washington by ~~a~~n ~~organized~~ centralized electricity market~~, such as the energy imbalance market.~~

BPA suggests a slight change in language to avoid confusion. Without this change, the language could be misread to suggest that imported electricity from a market also includes in-state generation that is participating in the market. BPA assumes that was not Ecology's intent. Both market designs do not "attribute" energy from in-state generation to the state, rather that becomes part of the calculation of how much additional energy needs to be attributed.

b) WAC 173-441-020 (v)

> "Market Participant" means an ~~electric power~~ entity that has an agreement with a centralized electricity market operator…

BPA suggests simply using the word "entity," which is more consistent with tariff language for market operators and avoids inadvertently excluding market participants. An Electric Power Entity, or EPE, is specific to entities that have reporting obligations under Ecology's GHG reporting rules and is defined as electricity importers and exporters, retail utilities, and

ACS.

c) WAC 173-441-020 (w)

"Markets plus" or "Markets+" means the Markets+ centralized electricity day ahead market being developed by ~~operated~~ by the Southwest Power Pool.

BPA suggests the definition correctly denote that Markets+ is still in development at this time.

Finally, BPA repeats its suggestion that Ecology convene a technical working group to discuss and make recommendations on concepts and draft rules, particularly for phase 2 topics on unspecified imports and leakage as well as guidance on surplus energy. These are complex, novel topics, and the development of rules on these topics would benefit from the insight of a technical working group.

Thank you for the opportunity to comment on the draft rules. Please feel free to contact me at 503.230.4358 if you have any questions.

Thank you,

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