

## **WPTF Comments on Ecology draft Rules on Centralized Energy Markets**

February 15, 2024

### Introduction

The Western Power Trading Forum (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on its further consideration of draft rules for electricity imported via Centralized Electricity Markets. Development of robust rules for these imports is essential to ensure the environmental integrity of the Climate Commitment Act (CCA) and to facilitate linkage to the California and Quebec cap-and-trade programs.

WPTF welcomes Ecology's decision to extend the informal period to provide an additional iteration of comments from stakeholders prior to moving to formal rulemaking. We also support Ecology's decision to postpone further consideration of emissions leakage and an unspecified emissions pathway to a second phase of this rulemaking. However, we urge Ecology to commit to initiating phase 2 of the rulemaking immediately after completion of phase 1, in order to ensure that the revised rule is in effect by January 1, 2026 - - prior to the go-live launch of Markets+.

To enable meeting this rulemaking schedule, we encourage Ecology to convene an Electricity Reporting Workgroup, similar to that established for Fuel Exemptions, later this year to develop approaches that can be reflected in the phase 2 rule. In addition to consideration of unspecified imports via organized markets, the workgroup could also be tasked to develop recommendations on guidance, tools or methodologies for identification of surplus electricity. WPTF supports Ecology's proposal to provide further clarity on surplus energy outside of the program rule, but considers it imperative that Ecology develop further guidance before import transactions occur. Without further clarity on Ecology's criteria for surplus energy, entities may import specified source energy that they consider surplus in good faith, only to discover later that Ecology does not consider that energy to qualify as surplus.

WPTF also urges Ecology to take up issues raised in the Electricity Imports Whitepaper, several of which are also addressed in the linkage bill currently under consideration in the Legislature, in both the Electricity Reporting Workgroup and phase 2 of the rulemaking. Although Ecology endorsed the Whitepaper last year, development of guidance and rule provisions to reflect the Whitepaper approach would provide much needed clarity around electricity market transactions for Electric Power Entities. Further, the bill's elimination of the netting provision and inclusion of a provision to enable Ecology to determine that some energy delivered to the state is not an import because it has been wheeled through or is separately accounted would necessitate a timely rulemaking to ensure that the quantity of energy regulated under the program is not overstated, and program costs unnecessarily inflated.

The remainder of our comments below address proposed changes to the reporting rule (173-441) and program rule (173-446) respectively. For each issue, we provide an explanation of the concern and textual edits to resolve the concern.

## Comments on WAC 173-441-124 Calculation methods for electric power entities.

### Definitions

Ecology's definition of 'Deemed Market Importer' must be clarified to apply only to specified electricity. If Ecology later established an unspecified emissions pathway, it will need to define which entity is considered to be the Deemed Market Importer. That entity can not be the entity that offers the electricity, because the centralized electricity markets will not attribute unspecified imports to specific resources.

(b) "Deemed Market Importer" means a market participant that successfully offers specified electricity into a centralized electricity market ~~and that~~ 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.

WPTF is concerned that the proposed modification of the definition of electricity transaction is too broad. Ecology has a legitimate interest in requiring reporting of or retention for verification information on energy that is offered into centralized markets, and attributed to Washington. However, as written the language suggest that Ecology can require access to information on centralized energy market transfers. We not believe that is Ecology's intent.

(g) "Electricity transaction" means the purchase, sale, import, export or exchange of electric power. An electricity transaction also includes the successful offer of energy from a resource located in Washington to a centralized electricity market or from a resource located outside Washington that is attributed to Washington by the centralized electricity market, and the purchase of energy by a Washington utility from a centralized electricity market. ~~transfer of electricity from a centralized electricity market, or the assignment, designation, deeming, or other attribution of such a transfer of electricity from a centralized electricity market.~~

We suggest modification of the definition of specified source to provide for the possibility that Ecology may provide both guidance and computational methodologies, and that multiple methods may be required.

(ii) "Specified source of electricity" or "specified source" means a facility, unit, or asset controlling supplier that is permitted to be claimed as the source of electricity delivered. The reporting entity must have either full or partial ownership in the facility or a written power contract to procure electricity generated by that facility or unit or from an asset controlling supplier at the time of entry into the transaction to procure electricity. For electricity from a resource dispatched by a centralized electricity market, the reporting entity must indicate in the offer of the electricity to the market that the electricity is available to serve load in Washington. Electricity reported as specified source must be contracted to a Washington retail provider or must be surplus electricity, as determined by a guidance or ~~methodologies~~ approved by Ecology.

## Data Requirements and Calculation Methods

Language on delivered electricity should be clarified to recognize that e-tags will not be available for all delivered electricity.

(ii) Delivered electricity. The electric power entity must report imported and exported electricity in MWh disaggregated by first point of receipt (POR) or final point of delivery, as applicable, and must also separately report imported and exported electricity from unspecified sources, and from centralized electricity markets, and from each specified source. Where applicable, First points of receipt and final points of delivery (POD) must be reported using the standardized code used in e-tags, as well as the full name of the POR/POD.

Since the Deemed Market Importer is defined, and because the rule separately addressed reporting by retail providers, WPTF suggests that provisions related to imported electricity from a centralized markets be narrowed to apply solely to deemed market importers (recognizing that additional provisions would be needed if Ecology approves unspecified imports via centralized markets.

Additionally with our proposed clarification to the definition of 'Electricity Transactions', it is not necessary to refer to transacted here. Lastly, the language relating to attribution should be consistent with that in the deemed market importer Definition.

(v) Imported electricity from a centralized electricity market. ~~The reporting entity~~ Each deemed market importer must separately report all electricity ~~transacted,~~ assigned, designated, deemed, or ~~delivered attributed to Washington delivered through or on behalf of by~~ centralized electricity markets, by originating centralized electricity market, in a manner designated by Ecology.

Similarly, subparagraph (A) should be modified to track the deemed market importer definition.

(A) Each ~~electric power entity serving as a~~ deemed market importer must calculate, report, and cause to be verified on an annual basis the greenhouse gas emissions associated with the electricity in which the ~~electric power~~ entity offered that has been designated, deemed, attributed to Washington, ~~or otherwise assigned as the deemed market importer.~~

Subparagraph B can be deleted because it repeats the deemed market importer definition.

~~(B) An electric power entity is a deemed market importer if a market operator designates, deems, attributes, or otherwise assigns to that electric power entity a volume of electricity that represents a transfer of electricity to Washington on behalf of the market operator and in accordance with the protocols, procedures, and methodologies put in place by the relevant centralized electricity market.~~

Subparagraph C should be deleted because the deemed market importer for specified electricity will always be the entity that offers the power into the centralized marketer. That entity will either be the resource owner/operator (i.e. a generation providing entity) or another entity acting on the generation providing entity's behalf.

(C) ~~Electricity volumes for which deemed market importers have been assigned are considered to be derived from a specified source if the deemed market importer is also a generation providing entity or if the deemed market importer is acting as a representative agent for a generation providing entity.~~

WPTF also suggests that Ecology further clarify the provision for Energy Imbalance Market imports for the years 2023 to 2026. We understand that CAISO does not currently plan to change the functionality within EIM to enable identification of the resource scheduling coordinator (i.e. the market participant that successfully offers energy) for electricity that is scheduled to load. However, Ecology should provide flexibility within the rule to accommodate this change if it occurs before 2023. Additionally, we encourage Ecology to continue to work with Washington EIM entities and the CAISO to ensure that, CAISO's attribution of imports to specific EIM entities (i.e. retail providers) does not inappropriately include electricity that is transferred to another Washington EIM entity.

to ensure that there is no double regulation of the same import.

WAC 173-441-124(3)((a)(v)(D) For the energy imbalance market only, and for emissions reporting years 2023 through 2026 only, the retail provider located or operating in Washington that receives a delivery of electricity facilitated through the energy imbalance market is the electricity importer for that electricity for the purposes of this section, unless within this timeframe the Market Operator is able to identify deemed market importer that successfully offer energy that is attributed to Washington. For these years only, any conflicting assignment of the electricity importer as the deemed market importer by the EIM market operator will instead default to the retail provider as established in this subsection.

Within a centralized electricity market, market participants will not be able to identify exports from Washington as they would for bilaterally scheduled exports that occur outside a centralized market. All a market participant knows is the volume of energy dispatched to the market footprint as a whole. The exported energy provision to be changed to require entities to report any specified sales to entities within the market but outside Washington, or entities outside the market (which would result in an export from the market footprint.)

- (vi) Exported electricity. The electric power entity must report exported electricity in MWh and associated GHG emissions in MT of CO<sub>2</sub>e for unspecified sources disaggregated by each final point of delivery outside Washington state, and for each specified source disaggregated by each final point of delivery outside Washington state. For electricity dispatched by a centralized electricity market, the electric power entity must report exported any specified electricity sales attributed to market participants outside Washington or exported from the market to an entity outside Washington in MWh and associated GHG emissions in MT of CO<sub>2</sub>e for unspecified sources and for each specified source disaggregated by recipient. The electric power entity must also report, as well as the following information:...

WPTF anticipates that the main and most relevant information from the market operator for verification purposes will be settlement reports. We suggest modifying this language to reflect this.

(ix) Verification documentation. The electric power entity must retain for purposes of verification documentation of e- tags, written power contracts, settlements data, and any other reports provided by the market operator to the electric power entity regarding electricity attributed to Washington for which that entity is the deemed market importer, and all other information required to confirm reported electricity procurements and deliveries pursuant to the recordkeeping requirements of WAC 173-441-050.

WPTF is concerned that the calculation for imported specified electricity sets the transmission loss factor for energy imported from centralized markets to 1.0. While we anticipate that Markets+ will account for transmissions losses in the volume of energy attributed to Washington load, CAISO's Energy Imbalance Market Extended Day Ahead Markets do not. It would therefore be appropriate to continue to apply a 2 percent loss factor to electricity imported via the CAISO markets to ensure that emissions associated with transmission losses are accounted.

(ii) Calculating GHG emissions from specified facilities or units. For electricity from specified facilities or units, including electricity that is deemed, designated, assigned, or attributed by a centralized electricity market, the electric power entity must calculate emissions using the following equation:

...

TL = 1.02 to account for transmission losses associated with generation outside of a Washington state balancing authority, including electricity from a centralized electricity market that does not account for losses in the attribution of energy to Washington....

TL = 1.0 if the reporting entity provides documentation that demonstrates to the satisfaction of a verifier and ecology that transmission losses have been accounted for, or are compensated by using electricity sourced from within Washington state, or for electricity from a centralized electricity market that accounts for a 2 percent transmission loss factor in the attribution of energy to Washingtons.

Ecology should clarify that retail providers report net purchases of electricity from centralized markets, i.e. total purchases minus total generation sold to the market within the hour.

(c) Additional requirements for retail providers, excluding multijurisdictional retail providers...

(iv) Retail providers must report net purchases of electricity from centralized electricity markets, based on annual totals of electricity purchased in MWh from each separate centralized electricity market.

As above, we suggest modifying the language below for consistency with the deemed market importer definition and clarity. Further, as currently drafted, this paragraph does not clearly distinguish between what information is available to market participants and able to be shared with Ecology, from information that is only available to market operators and that would need to be provided by the market operator directly to Ecology. (As an aside, because information on energy attributed to Washington is considered confidential by the Market Operator, Ecology will need to formally request this information from the Market Operator.) Deemed market importers should not be required to submit market settlement information to Ecology, but rather maintain it and show it on request to a verifier as provided for in the language for retention of verification documentation on page 51 of Ecology's draft provides the appropriate approach. The existing requirement for Electric Power Entities to report already provides the mandate for reporting of energy attributed to Washington, in a format to be developed. That mandate need not be repeated in this paragraph.

(iii) Additional information for ~~market participants of centralized electricity markets deemed market importers~~ for claims of specified sources of electricity. To receive a positive verification statement upon verification for claims of specified imports from a centralized electricity market the electric power entity must be able to ~~demonstrate proof~~ to ecology's satisfaction that the market operator designated, assigned, deemed, or otherwise attributed ~~that energy from those resources~~ to Washington. Proof of such attribution may be demonstrated ~~upon request through the provision of by settlement records and/or~~ other information ~~from such as that provided by the market operator to the market participant showing that energy offered listing all market participants that were assigned the role of deemed market importer by the market operator was attributed to Washington. This provision of records and other information must be submitted to ecology in a manner designated by ecology by May 1 for electricity transactions involving centralized electricity markets in the previous calendar year.~~

### Comments on 173-446-040

#### 173-446-040 Covered Emissions

Within centralized electricity markets, energy dispatched from resources located within Washington will be attributed to Washington in the sense that the dispatched energy factors into the determination of the volume of energy that is attributed to Washington from resources outside Washington. However, energy from resources located within Washington will never be attributed to Washington as an *import*. Thus there no risk that the owner/operator of a resource located in Washington would be considered a deemed market importer for energy dispatched by the resource. This provision should be deleted.

~~(1)(D)(e)(iv) For electricity generated by an electric generating facility in Washington where the owner or operator of that facility faces a compliance obligation under this chapter as both the a first jurisdictional deliverer and as a deemed market importer for a centralized electricity market, there is no compliance obligation associated with the covered emissions for that same electricity for the entity that is the deemed market importer.~~