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***Submitted via Web Portal***

ATTN: Joel Creswell, PhD  
Department of Ecology  
Climate Pollution Reduction Program  
P.O. Box 47600  
Olympia, WA 98504-7600

**RE: Fourth Informal Public Comment Period on Electricity Markets Rulemaking**

The following comments are submitted jointly by Avista, PacifiCorp, the Public Generating Pool, Puget Sound Energy, and the Washington Public Utility Districts Association (“Joint Utilities”) in response to the Department of Ecology’s (Ecology) fourth informal comment period for its Electricity Markets Rulemaking under the Climate Commitment Act (CCA). The Joint Utilities appreciate the opportunity to comment.

General Comments.

The Joint Utilities support and appreciate Ecology’s decision to refine the scope of the present rulemaking to focus on importing specified sources of electricity from centralized electricity markets. In general, Ecology’s proposed revisions to the Greenhouse Gas Reporting Rule (Ch. 173-441 WAC) and CCA Program Rule (Ch. 173-446 WAC) dated January 22, 2024, provide sufficient detail to enable the nascent day-ahead markets to move forward without precluding future changes to reflect operational experience, in particular with respect to changes implementing an unspecified import pathway and those addressing emissions leakage. However, the Joint Utilities encourage Ecology to work with stakeholders and market operators to ensure rules are adopted to address an unspecified import pathway or other necessary changes in sufficient time to facilitate go-live of either day-ahead market. The Joint Utilities also recommend that Ecology convene an Electricity Markets Workgroup in order to facilitate bidirectional, collaborative dialogue among stakeholders, Ecology staff, and the market operators on the highly technical issues relevant to this rulemaking.

The Joint Utilities offer the following comments on specific elements of the January 22nd revised rule language as well as a few notes of suggested edits.

### Specified Source Imports.

In its revised rules amending Ch. 173-441 WAC, Ecology proposes definitions that would enable the identification of the electricity importer for specified sources of electricity imported via a centralized electricity market, including by amending the existing definition of “specified source” to specify that:

*For electricity from a resource dispatched by a centralized electricity market, the reporting entity must indicate in the offer of 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 methodology approved by Ecology** [emphasis added].<sup>1</sup>*

Ecology further defines “surplus electricity” to mean “an amount of electricity generated by a resource in excess of the resource’s existing obligations to provide electricity to purchasing entities.” While the Joint Utilities support Ecology’s proposal to provide for the identification of surplus electricity outside of rulemaking, we strongly encourage Ecology to work with stakeholders in revising the existing guidance document for electric power entities, developed by the Western Power Trading Forum and adopted by Ecology, to address surplus electricity before any import transactions occur in either day-ahead market context.

The amended definition of “specified source” reflects the greenhouse gas (GHG) design adopted for the Southwest Power Pool’s (SPP) Markets+ day-ahead and real-time market. This definition reflects the right level of detail at this time given the current stage of Markets+ development. The Joint Utilities support this definitional approach as an incremental means of addressing emissions leakage in centralized electricity markets without going so far as establishing any out-of-market calculation.

However, it is unclear how the amended “specified source” definition would apply in the case of the California Independent System Operator’s (CAISO) Extended Day-Ahead Market (EDAM) and Energy Imbalance Market (EIM), as neither the CAISO nor the California Air Resources Board (CARB) have articulated a concept of “surplus” per se, though it is, in effect, incorporated in the EDAM GHG Reference Pass.

### Data Requirements & Calculation Methods.

The Joint Utilities offer the following comments on WAC 173-441-124 (3), Data requirements and calculation methods:

- Subsection (3)(a)(v)(D) provides that, “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. 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.”

Until CAISO implements EDAM in 2026, it is unable to “assign, designate, deem, or attribute” electricity generated by a EIM-participating resource scheduling coordinator outside of

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<sup>1</sup> WAC 173-441-124 (2)(f)(ii)

Washington to EIM-participating load within Washington.<sup>2</sup> The Joint Utilities' interpretation of (3)(a)(v)(D) is that, even after the CAISO implements the EDAM framework and is thus able to "assign" an out-of-state EIM-participating resource scheduling coordinator (i.e. the "deemed market importer") to Washington load, Ecology's rules would continue to treat the Washington retail provider as the electricity importer for the purposes of GHG reporting. To that end, the Joint Utilities recommend that Ecology strike the second sentence of this subsection for the sake of clarity. We also strongly encourage Ecology to coordinate with CAISO staff and Washington EIM Entities in order to assess the feasibility of moving beyond this "default" interim approach as soon as possible.

- Subsection (3)(a)(vii) requires an electric power entity to report electricity dispatched and exported by a centralized electricity market in MWh and associated GHG emissions for unspecified sources and for each specified source disaggregated by recipient. To our knowledge, there is not currently an established framework in the centralized electricity market context for reporting emissions associated with exports on either a specified or unspecified basis, nor for applying emissions factors to exports, although both market operators are developing frameworks that may support such reporting in the future. At this time, the Joint Utilities suggest the following amendment to consider development of this functionality:

*For electricity dispatched by a centralized electricity market, 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 and for each specified source disaggregated by recipient, to the extent this information is made available by the centralized electricity market operator.*

#### Definitions Specific to Electric Power Entities.

The Joint Utilities offer the following suggested edits to definitions specific to electric power entities (EPEs) in the revised WAC 173-441-124:

- **"Deemed market importer"** – We recommend that Ecology remove the word "deemed" in the defined term and instead use a more general term such as "centralized market importer." We also note that this definition, which presently focuses on situations in which a market participant "pushes" specified power into the market that is subsequently attributed to Washington load, will have to be amended in Phase 2 of this rulemaking to accommodate situations in which the market participant "pulls" unspecified power into the state through the market.
- **"Direct delivery of electricity"** – We suggest striking "or the facility has a first point of interconnection within a centralized electricity market," as this is confusing and should be left as something the market attributes.
- **"Imported electricity"** – While we appreciate the specification that "imported electricity" does not include electricity imported into Washington by a market operator to obtain or provide emergency assistance under applicable emergency preparedness and operations reliability standards of the North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC), the Joint Utilities request that Ecology also exclude Energy Deployments received by Washington electric utilities participating in the Western Power Pool's

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<sup>2</sup> California ISO, Tariff Amendment to Implement Reference Level Changes for Washington Resources to Reflect Costs of Greenhouse Gas Compliance. November 21, 2022. Retrieved from <https://www.aiso.com/Documents/Nov21-2022-TariffAmendment-WashingtonGreenhouseGasCompliance-ER23-474.pdf>.

(WPP) Western Resource Adequacy Program (WRAP) and Assistance Reserves received under WPP's Reserve Sharing Program, as these programs are supplemental and complementary to the minimum standards established by NERC and WECC. Washington generators participating in organized markets should also be exempt from in-state obligation under applicable emergency preparedness and operations reliability standards during those periods.

Allotment of Covered Emissions under the CCA for FJDs of Imported Electricity via the EIM.

Proposed revised WAC 173-446-040 (3)(e)(iv) reads as follows:

*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 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.*

The Joint Utilities find this provision confusing because of the nested definitions referenced:

1. "First jurisdictional deliverer" means the owner or operator of an electric generating facility in Washington state or an electricity importer.
  - a. "Electricity importer" means, for imported electricity assigned, designated, deemed, or attributed to Washington through a centralized electricity market, the deemed market importer.
    - i. "Deemed market importer" means a market participant that successfully offers electricity 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.

The definition of "deemed market importer" is subordinate to the definition of "first jurisdictional deliverer." The owner/operator of a Washington electric generating facility that successfully offers electricity into a centralized electricity market will always be the first Washington-jurisdictional deliverer of that electricity. The owner/operator would thus have the associated compliance obligation for that electricity under the CCA.

There is a situation under which a market-participating electric generating facility located in Washington successfully offers electricity into a centralized electricity market and is subsequently assigned, designated, deemed, or attributed to be serving load also located in Washington. In this instance the owner/operator of that facility would still bear a compliance obligation at the point of generation, and should not have a duplicative compliance obligation assigned just because the in-state electricity is attributed to in-state load through a centralized electricity market. If Ecology's intent with this provision is to address this specific situation, the Joint Utilities recommend the following alternative formulation:

*For electricity generated by an electric generating facility in Washington where the owner or operator of that facility successfully offers electricity 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, the compliance obligation for the GHG emissions associated with*

*that electricity is determined once, based on the emissions reported for that electricity under WAC 173-441-120.*

Conclusion.

The Joint Utilities appreciate the opportunity to offer informal comment on Ecology's Electricity Markets Rulemaking.

Sincerely,

Avista  
PacifiCorp  
The Public Generating Pool  
Puget Sound Energy  
The Washington State Public Utility Districts Association