

August 20, 2024

Submitted via Web Portal

Department of Ecology
Climate Pollution Reduction Program
Gopika Patwa
PO BOX 47600
Olympia, WA 98504-7600

RE: Electricity Markets CR-102 Rulemaking

Seattle City Light (City Light) appreciates this opportunity to comment on the proposed rule in the WAC 173-441 and 173-446 Electricity Markets rulemaking; these rules will provide a framework to better identify and account for greenhouse gas emissions. Additionally, these rules will also provide clarity for (a) Electric Power Entities (EPE) regarding the reporting and compliance obligations through the first compliance period, and (b) market operators so that they can create data infrastructure to identify and track reporting entities. As a Western Energy Imbalance Market (WEIM) participant, these rules provide a critical framework for reporting on our current operations. Moreover, they will serve as crucial input for the implementation of the California Independent System Operator (CAISO) Extended Day-Ahead Market (EDAM) and the development of the Southwest Power Pool (SPP) Markets+ initiative.

The concepts addressed in, and instruction provided through, these rules provide a foundation for future, iterative, rulemakings that will consider some of these concepts in greater detail. The Department of Ecology (Ecology or Department) set a relatively narrow scope for this first phase of the development of Electricity Market rules. Ecology identified several key concepts and topic areas that need additional analysis and discussion, including unspecified electricity and emissions leakage. It is likely that these conversations will also need to address any considerations necessary to support linkage for either of those items. City Light looks forward to engaging in additional discussion on those topics in Phase 2 of this rulemaking.

Below, City Light provides comments (a) expressing support for the extension of the interim solution for WEIM transactions through 2026, (b) proposing revised language for concepts related to surplus electricity, and (c) proposing several changes to the rule language to provide clarification or to eliminate language that creates duplicative or competing obligations.

Additionally, City Light is a member of the Public Generating Pool (PGP) and supports its comments submitted regarding the draft rules.

Interim Solution for WEIM Transactions through 2026

In prior comments City Light requested that Ecology extend the interim solution for WEIM transactions through 2026 to align with the first compliance period. City Light also asked Ecology to provide clarification to EPEs whether this interim solution is only a reporting obligation, or whether Ecology expects that it will be a reporting *and* compliance obligation.

Based on the revised rule language in WAC 173-441-124(3)(a)(v)(A), the discussion of the draft rules at the August 6, 2024, workshop, and follow-up confirmation from Ecology in response to an inquiry by PGP, it is City Light's understanding that Ecology intends to extend the status quo interim solution through the end of the first compliance period. Specifically, it is our understanding that the draft rules stipulate that Ecology intends to continue the interim, report-only obligation, which does not impute a compliance obligation and to utilize this interim treatment approach through 2026/the end of the first compliance period, or until the first calendar year following go-live of resource-specific attribution, whichever occurs first.

City Light appreciates this clarification; the question of how the treatment of WEIM reporting for the remainder of the first compliance period was the most important element within the current rulemaking. This proposed approach provides EPEs with certainty that we can understand and meet our obligations. It also facilitates continued WEIM participation for EPEs in Washington while the resource-specific attribution is developed for the EDAM/WEIM; this provides benefits for customers and the West as a whole.

City Light's understanding of the interim reporting and compliance structure is based on the rules, the current reporting guidance documents, as well as through a number of conversations and clarifying email exchanges with Ecology. For purposes of clarity for the remainder of the compliance period, City Light requests that Ecology issue guidance outside of the rulemaking that provides a single source for all the information an EPE would need to interpret its reporting and compliance obligations through 2026.

Surplus Electricity

In prior comments, City Light suggested that both the definition for "*surplus electricity*" and the reference to surplus electricity in the definition of "*specific source of electricity or specified source*" should be removed from the draft rules. City Light made this recommendation because the concept of surplus electricity is tied to the concept of leakage, as noted by Ecology in its November 8, 2023, [workshop presentation](#). Thus, City Light expressed concern that it was premature to include the definition of surplus energy in the rules prior to the more detailed Phase 2 discussions of leakage, where a comprehensive discussion of the full landscape of leakage-associated considerations would be addressed.

After additional discussion with other stakeholders, City Light has revised its position, and supports including the definition of "*surplus electricity*" in the current rulemaking, but the definition of both "*surplus electricity*" and "*specified source*" should be revised. Suggested revisions are included below:

"Surplus electricity" means an amount of electricity generated by a resource in excess of the resource's existing obligations to provide electricity to purchasing entities. Based on guidance from ecology, reporting entities must identify the methodology that will be applied for identifying surplus. Electricity deemed imported as specified source under the methodology will be reported as specified source.

"Specified source of electricity" or "specified source" [...] 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 methodologies approved by ecology~~ made available pursuant to a surplus electricity methodology.

Including these revised definitions in the current rulemaking serves two key functions. First, it creates a placeholder for more detailed discussion of this concept in Phase 2. Second, it enables the existing EDAM/WEIM and Markets+ market designs, both of which have mechanisms to address leakage but different methods for arriving at the solution.

The language proposed above also moves the reference to how methodologies for surplus energy are reviewed from the definition of "specified source" to the "surplus electricity" definition and adds language to the "surplus electricity" definition to indicate that Ecology will provide guidance on these methodologies rather than approval. This approach retains the indication that the methodologies utilized by the market operators would still need to align with direction from the Department of Ecology, but eliminates potential confusion about who submits methodologies, for "approval" and other uncertainties about how that approval would be granted and what would need to be reviewed.

Deemed Market Importer

Similar to the discussion above, City Light proposes a change to the definition of "deemed market importer" that revises the language requiring approval by Ecology to instead reflect that Ecology will provide guidance on the methodologies, processes, or decision algorithms utilized by the market operator. City Light's proposed revised language is included below:

"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 that are put in place by the market operator of that centralized electricity market and ~~approved~~ based on guidance provided by the department of ecology. For the Energy Imbalance Market, the deemed market importer is the participating resource scheduling coordinator.

This approach also provides a solution for concerns that City Light previously raised regarding ambiguity related to the "deemed market importer" definition. In prior comments, City Light indicated

there could be a need for Ecology to provide additional guidance outside of the rules that would provide examples and other necessary information to inform the market operators how they should assign the reporting and compliance obligations. This revision contemplates that additional guidance can be provided that will help to elaborate on the concepts included in the rules.

Additional Information for Claims of Specified Sources

Under WAC 173-441-124(3)(f)(iii), deemed market importers would be required to provide settlement records or other information to the Department by May 1 to prove that specified sources of energy offered into the centralized electricity market were attributed to Washington by the market operator. It is our understanding that the verification required under WAC 173-441-050(5) and the recordkeeping requirements under WAC 173-441-124(4)(f) provide the Department with access to this information on a timeline that is consistent with existing reporting and verification deadlines. Further, this information is provided to and reviewed by third-party verification entities during the verification process. To that end, we recommend the Department remove the May 1 requirement as outlined below:

(iii) Additional information for 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 to ecology's satisfaction that the market operator designated, assigned, deemed, or otherwise attributed energy from those resources to Washington. Proof of such attribution may be demonstrated upon request by settlement records or other information such as that provided by the market operator to the market participant showing that energy offered by the deemed market importer was attributed to Washington. ~~This provision of records and other information must be submitted to ecology in a manner designated by ecology by May 1st for electricity transactions involving centralized electricity markets in the previous calendar year.~~

Net purchases

The language in WAC 173-441-124(3)(c)(iv), adds new requirements related to net purchases from centralized electricity markets, stating:

(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.

The purpose of this added language is unclear because this rulemaking is facilitating a method to put a compliance obligation on a deemed market importer for electricity assigned, designated, deemed or attributed to Washington through a centralized electricity market, so retail providers will not have the obligation for imports from centralized electricity markets. Additionally, there is no context for this direction in the interim solution for reporting and compliance for the WEIM through 2026. It appears that this addition to the rule does not align with the other components of the draft rule, and City Light suggests removing this provision.

Conclusion

In closing, City Light is appreciative of the work that Ecology and its staff has put into this rulemaking, and its continuing responsiveness to stakeholder input. Thank you for the opportunity to again provide comments on this matter. We look forward to future discussions on these important topics.

Sincerely,

Siobhan Doherty
Power Supply Officer