

Alisa Kaseweter

Please find attached the comments of the Bonneville Power Administration on Ecology's electricity markets rulemaking.



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

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ATTN: Gopika Patwa
Department of Ecology
Climate Pollution Reduction Program
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: Comments on the Electricity Markets Rulemaking CR-102 Proposed Rule Language

The Bonneville Power Administration (BPA) appreciates the opportunity to comment on the Washington Department of Ecology's (Ecology) proposed rules for electricity markets. BPA supports the rules enabling specified source attribution of resources to Washington via a centralized market like the EIM. Generally, the draft rules continue to improve over each of the iterations Ecology has shared. BPA provides comments in several areas where the rules need to provide additional clarity or direction. In addition, BPA reiterates its February comment to Ecology regarding the importance of expediently beginning phase 2 of this rulemaking to discuss unspecified resource imports and leakage considerations. BPA also emphasizes that GHG accounting for centralized electricity markets is a relatively new concept and additional iterations of these rules may be necessary over time.

1) Definition of "Deemed Market Importer" (WAC 173-441-124 (2)(b))

BPA recommends Ecology edit the definition of "deemed market importer" in WAC 173-441-124 (2)(b) to reflect that the market participant may not just offer energy from an individual resource but also a system of resources to accommodate BPA offering and having attributed specified source federal system energy.

The definition also states that the attribution method put in place by a market operator will be approved by Ecology. BPA requests that Ecology clarify what it would be approving and what the approval process would be like. BPA does not agree that Ecology has the authority to approve the market design itself. If there are criteria that Ecology believes is necessary for the market's attribution of specified resources to be eligible to be reported as specified source

energy under Ecology’s program, then Ecology should specify what those criteria include. BPA believes Ecology has already done so by stating such resources must be contracted to load in Washington or surplus.

2) Definition of “Electricity Exporter” (WAC 173-441-124 (2)(d))

The definition of “electricity exporter” in WAC 173-441-124 (2)(d) states “[f]or electricity that is exported from a designated scheduling point in the balancing authority area of a federal power marketing administration, the exporter is the purchasing-selling entity at the first point of the physical path of the e-tag that is not the generation source.” BPA understands this is an existing definition, but after further review BPA does not understand what scenarios Ecology is attempting to capture under the definition and how in practice this would work. BPA assumes that because the federal system resources are assumed by statute to be located outside Washington, this language does not apply to BPA, but rather would apply to nonfederal resources located in Washington that export power using a schedule point within BPA’s Balancing Authority Area (BAA). BPA suggests that further clarification on this provision is needed in guidance or elsewhere.

3) Electricity importer in the event BPA does not opt to be the First Jurisdictional Deliverer (FJD) for a centralized electricity market (WAC 173-441-124 (2)(f))

The proposed rules identify the entity with the compliance obligation for specified resources attributed via a centralized electricity market as the deemed market importer. Under both CAISO and SPP market designs, the deemed market importer is essentially the resource owner/operator. Following Ecology’s definition of “deemed market importer,” BPA is the market participant that successfully offers electricity from a resource (the federal system) into a centralized electricity market and is attributed to be serving Washington electric load. In the EIM, BPA is the Participating Resource Scheduling Coordinator. However, unless BPA opts to be the First Jurisdictional Deliverer (FJD), it would not be the electricity importer under Washington’s cap-and-invest program.

The Washington legislature provided clear direction that BPA *may* opt to be the FJD for its participation in a centralized electricity market. This ensures low-carbon federal system energy can be attributed to Washington when such energy is contracted to retail utilities or when there is surplus federal system energy available for dispatch and attribution in a centralized electricity market. Thus, BPA requests Ecology add an additional provision that accommodates the possibility that BPA may not elect to be the FJD for a centralized electricity market. BPA suggests the following rule language would correctly identify the next party in the transaction that could appropriately be the electricity importer and enable the importer to report the attributed energy as specified source federal system power.

New section amending WAC 173-441-124 (2)(f) (definition of “electricity importer under the subsection for a centralized market):

(iv) If the importer identified under (f)(iii) of this subsection is a federal power marketing administration over which Washington state does not have jurisdiction, and the federal power marketing administration has not voluntarily elected to comply with this chapter, then

(a) where the imported electricity is contracted to a Washington retail provider, the electricity importer is that retail provider;

(b) where the imported electricity is not contracted to a Washington retail provider, the electricity importer is the retail provider that receives a pro rata attribution of electricity; and

(c) the imported electricity under this paragraph is considered to be specified electricity provided by the federal power marketing administration.

The language in WAC 173-441-124 (2)(f)(v) & (vii) that identifies the electricity importer when BPA does not opt to be the FJD is specific to bilateral transactions in wholesale power markets. Separate language, as proposed above, is needed for a centralized electricity market.

BPA understands there is interest in Washington as to whether BPA will opt to be the FJD for power sales into Washington. BPA has a diverse set of customers and constituents around the region who will be impacted by the decision. BPA is committed to holding a public process to hear from all constituents to determine whether it will opt to be the FJD for Ecology’s program and encourages Ecology to engage in that process. BPA does not currently have an estimated timeframe for when that process will occur.

4) Definition of “Electricity Transaction” (WAC 173-441-124 (2)(g))

The definition of “electricity transaction” in WAC 173-441-124 (2)(g) refers to the purchase of energy by a “Washington utility.” However, it is not necessarily a Washington retail utility that is purchasing the electricity through a centralized market. BPA acts as the market participant and load responsible entity for many of its preference customers, including those Washington retail utilities in BPA’s BAA. BPA recommends a more generic term be used such as “load in Washington.”

Amending WAC 173-441-124 (2)(g) as follows:

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 load in Washington ~~utility~~ from a centralized electricity market.

5) Definition of “Specified Source of Electricity” or “Specified Source” and “Surplus Electricity” (WAC 173-441-124 (2)(hh) and (kk))

BPA reiterates its support of Ecology defining electricity eligible to be reported as specified source as amounts contracted to retail utilities or surplus energy. BPA believes this is a reasonable approach that provides useful direction from the state to utilities and market operators on when resources may be attributed to Washington as specified source.

BPA recommends one edit to the definition of “surplus electricity” to accommodate federal system sales to Washington, as by federal statute BPA sells power from the system of federal resources. The language below is intended to include both an individual resource that is a specified source as well as specified source system power provided by an Asset Controlling Supplier. BPA also recommends Ecology delete the language limiting existing obligations to only those providing electricity to purchasing entities. BAAs and resources also provide ancillary services that should factor into total obligations in addition to providing electricity to entities that have contracted to purchase power from BPA.

Amending WAC 173-441-124 (2)(kk) as follows:

(kk) "Surplus electricity" means an amount of electricity generated by a specified source resource in excess of the specified source resource's existing obligations ~~to provide electricity to purchasing entities~~.

6) Centralized market purchase reporting requirement (WAC 173-441-124 (3)(c)(iv))

WAC 173-441-124 (3)(c)(iv) states “[r]etail providers must report net purchases of electricity from centralized electricity markets.” BPA requests clarification of this section as there are two technical concerns with this rule as currently drafted and a third implementation concern.

First, “net purchases” is ambiguous. Does Ecology mean net imports/exports in the real time market (e.g. excluding power that only flows through but does not sink in a BAA)? Or does

Ecology mean net of a certain timeframe (e.g. net over an hour or year)? BPA has been reporting EIM purchases based on guidance from the CAISO that points to a billing determinant. BPA suggests Ecology discuss with market operators what language would accurately capture the data Ecology seeks to have market participants report.

Second, the requirement is not feasible (from a technical standpoint) for retail providers that are not BAAs participating in the market. Organized market purchases are calculated at a BAA/market participant level. BPA is not aware of either market operator having a means of identifying purchases for individual retail utilities nested within a participating BAA. For example, purchases can be calculated for BPA but not for individual customers (retail utilities) in BPA's BAA.

Third, Ecology continues to request BPA's utility customers report pro-rated EIM purchases resulting from BPA's participation in the EIM. This is Ecology requesting an assignment to retail utilities of purchases resulting from BPA's participation in the EIM, not purchases by each retail utility. This pro-rated approach does not accurately represent how an individual retail utility may have contributed to imbalance in BPA's BAA and impacted BPA's EIM purchases overall. Further, because BPA's EIM purchases are included in BPA's Asset Controlling Supplier (ACS) reporting and emission factor, those same EIM purchases are being assigned to and reported by BPA's customers twice.

BPA recommends Ecology amend WAC 173-441-124 (3)(c)(iv) so it applies to BAAs that are market participants, not retail utilities. BPA's reporting as an ACS will include EIM purchases, which should suffice to meet this reporting requirement. BPA requests Ecology remove any requirements for retail utilities (that are not also BAAs/market participants) to provide data they do not have access to and is not technically feasible for the market operator or BAA to make available.

7) ACS Reporting (WAC 173-441-124 (3)(e)(v)(D))

BPA recommends Ecology edit WAC 173-441-124 (3)(e)(v)(D) to be neutral on whether the ACS is a FJD. Deemed market importer is not the correct term because it is specific to a centralized electricity market, not all wholesale transactions. BPA understands that this provision is intended to ensure that an ACS as a reporting entity provide a list of all specified generating facilities to Ecology.

Amending WAC 173-441-124 (3)(e)(v)(D) as follows:

A list and description of electricity generating facilities that for which the reporting entity anticipates will be part of its greenhouse gas report is a ~~((first jurisdictional deliverer)) deemed market importer~~; and

8) Reporting of settlement data (WAC 173-441-124 (3)(f)(iii))

WAC 173-441-124 (3)(f)(iii) stipulates that deemed market importers must provide settlement or other records demonstrating resource attribution to Ecology by May 1 for the previous calendar year. BPA requests Ecology provide guidance allowing a market participant to submit (in lieu of settlement records) an annual report compiled by a market operator detailing the market participant's resources attributed to Washington for the calendar year. Settlement data is proprietary and contains sensitive, highly confidential pricing information. To the extent Ecology needs to review data on resource attribution, a market operator-provided annual report by market participant could focus on relevant information for GHG reporting and minimize concerns about sharing confidential pricing information. BPA also requests Ecology reconsider the May 1 deadline and instead request a deemed market importer to provide such information by June 1 consistent with the annual reporting deadline.

BPA notes in its experience reporting to CARB, it is the third-party verifier that reviews settlement data to verify the accuracy of reporting on federal system resources attributed to California in the EIM for which BPA is the participating resource scheduling coordinator. CARB itself does not require that participating resource scheduling coordinators submit settlement data to CARB.

BPA appreciates Ecology staff's dedicated work on these rules and willingness to engage with BPA on these complex issues. Please contact me or Melissa Skelton at 360-649-3863 or MDSkelton@bpa.gov if there are any questions on these comments.

Thank you,



Alisa Kaseweter
Climate Change Specialist
Intergovernmental Affairs
Bonneville Power Administration
alkaseweter@bpa.gov
503.230.4358