

August 20, 2024

VIA ELECTRONIC SUBMISSION

Washington Dep't of Ecology
Climate Pollution Reduction Program
Gopika Patwa
P.O. Box 47600
Olympia, WA 98504

Re: *Comment Regarding Electricity Markets Rule (Chapters 173-441 and 173-446)*

Southwest Power Pool (“SPP”) files these Comments in support of the Department of Ecology’s (“Ecology”)’s rulemaking to adopt amendments to Chapter 173-441 WAC (Reporting of Emissions of Greenhouse Gases) and Chapter 173-446 WAC (Climate Commitment Act Program Rule).

SPP is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. As a Regional Transmission Organization (“RTO”) approved by the Federal Energy Regulatory Commission (“FERC”), SPP administers: (1) open access transmission service over approximately 72,000 miles of transmission lines covering portions of Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming, across the facilities of SPP’s Transmission Owners;¹ and (2) the Integrated Marketplace, a centralized day ahead and real-time energy and operating reserve market with locational marginal pricing and market-based congestion management.²

I. Markets+ and Greenhouse Gas (“GHG”) Emissions

On March 29, 2024, SPP filed for approval with FERC a tariff to establish a centralized Day-Ahead and Real-Time unit commitment and dispatch market in the Western Interconnection (“Markets+”).³ The Markets+ design, which is currently pending with FERC, proposes to incorporate state-determined carbon pricing into the wholesale market, *i.e.*, to create a mechanism for entities subject to cap-and-invest programs to recover their costs of compliance.

In the year prior to the filing of the Markets+ Tariff, the Markets+ stakeholders formed the Markets+ Greenhouse Gas Task Force (“MGHGTF”)⁴ for the purpose of developing policies and rules for incorporating emissions-related costs and compliance obligations into the wholesale market. The MGHGTF convened on a weekly cadence under the direction and advisement of

¹ See *Sw. Power Pool, Inc.*, 89 FERC ¶ 61,084 (1999); *Sw. Power Pool, Inc.*, 86 FERC ¶ 61,090 (1999); *Sw. Power Pool, Inc.*, 82 FERC ¶ 61,267, *order on reh’g*, 85 FERC ¶ 61,031 (1998).

² See *Sw. Power Pool, Inc.*, 146 FERC ¶ 61,130 (2014) (approving the start-up and operation of the Integrated Marketplace effective March 1, 2014)

³ Docket No. ER24-1658-000

⁴ The MGHGTF is a subgroup of the Market Design Working Group.

SPP’s stakeholders, exploring ideas such as attribution, tracking and reporting, emissions constraints, and the preservation of economic dispatch. Ultimately, the MGHGTF drafted and voted on the language set forth in Attachment K of the Markets+ Tariff, which addresses, in relevant part, Greenhouse Gas Pricing Programs.⁵ The language set forth in Attachment K was subsequently approved by the Markets+ Design Working Group, as well as the Markets+ Participant Executive Committee, prior to submission to FERC.

II. Unspecified Source Imports

As set forth above, Attachment K of the Markets+ Tariff⁶ addresses, in relevant part, GHG Pricing Programs. Currently, Washington’s cap-and-invest program is the only GHG Pricing Program within the Markets+ footprint.

Under Attachment K, an Unspecified Source Import is the quantity of Energy imported into a GHG Pricing Zone⁷ in a given period which cannot be assigned to a particular Resource. The Simultaneous Co-Optimization Methodology (“SCOM”), the algorithm which commits, clears, and dispatches Energy, identifies the total amount of Unspecified Source Imports that serve load within a GHG Pricing Zone. Each Unspecified Source Import quantity will be assigned an Unspecified GHG Adder by SPP using (1) an emission factor set according to a methodology established by the GHG Pricing Program;⁸ and (2) an indexed allowance price.⁹

The Climate Commitment Act states that the Department of Ecology must adopt a methodology for addressing imported electricity associated with a centralized electricity market rulemaking to be finalized by October 1, 2026.¹⁰ Markets+ is expected to begin operations in early 2027, pending approval of the Markets+ Tariff. SPP appreciates that the Department of Ecology will finalize a rulemaking with respect to unspecified imports prior to the Markets+ commencement of operations. Otherwise, the Unspecified GHG Adder would equate to zero for unspecified energy imported into Washington.

III. Clarification on Obligation to Provide Records

Proposed language of W.A.C. 173-441 states, in relevant part,

⁵ Attachment K, § 2.5 (“A state regulatory program that has established an emission trading program or carbon tax that covers the electricity industry”).

⁶ On March 29, 2024, Southwest Power Pool filed its proposed tariff to implement Markets+, centralized day-ahead and real-time unit commitment and dispatch market with the Federal Energy Regulatory Commission (“FERC”) (Docket No. ER24-1658-000).

⁷ “An area within the Markets+ Footprint subject to a GHG Pricing Program.” *See* Markets+ Tariff, Definitions.

⁸ The Markets+ Tariff defines a “GHG Pricing Program” as “A state regulatory program that has established an emission trading program or carbon tax that covers the electricity industry.”

⁹ Markets+ Tariff Definition of “Unspecified GHG Adder.”

¹⁰ RCW 70A.65.080(1)(c).

(iii) Additional information for market participants of centralized electricity markets 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 resource to Washington. Proof of such attribution may be demonstrated through the provision of records and other information from the market operator listing all market participants that were assigned the role of deemed market importer by the market operator. 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.

SPP requests that Ecology clarify the intent of the language by revising the language as follows:

(iii) Additional information for market participants of centralized electricity markets 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 resource to Washington. **The electric power entity may demonstrate** proof of such attribution ~~may be demonstrated~~ through the provision of records and other information from the market operator listing all market participants that were assigned the role of deemed market importer by the market operator. ~~This~~ **The electric power entity's** 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.

This clarification makes clear that the electric power entity, and not the market operator, has the compliance obligation to provide such "records and other information."

Conclusion

SPP appreciates the opportunity to converse with Ecology regarding its rulemaking. SPP supports Ecology's rulemaking initiative and intends to participate meaningfully and constructively in the process.

Respectfully submitted,

/s/ Kimberly O'Guinn

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