

August 20, 2024

VIA ELECTRONIC SUBMISSION

Washington Department of Ecology
Department of Ecology Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

RE: Chapters 173-441 and 173-446 WAC – Electricity Markets / Rule proposal phase (CR-102

The California Independent System Operator Corporation (ISO) appreciates this opportunity to comment on the proposed rule in the WAC 173-441 and 173-446 Electricity Markets rulemaking. Our comments explain how our efforts can complement the rules Washington is considering for specified sources. We stand ready to work collaboratively with the Department of Ecology and its stakeholders and provide additional information necessary to support the record of this rulemaking.

About the ISO:

The ISO is a 501(c)(3) not for profit public benefit corporation charged with managing the flow of electricity across the high-voltage lines that form the electric grid in its balancing authority area. To do so, the ISO operates a wholesale energy market. The ISO is also the market operator for the Western Energy Imbalance Market (WEIM), which allows participating balancing authorities to buy and sell power close to real-time and balance fluctuations in supply and demand over a larger footprint. The WEIM automatically finds lower-cost resources to meet real-time power needs over this larger footprint and delivers significant benefits to participating entities. Since inception, the WEIM has generated to date an estimated \$5.85 billion in gross benefits for participating utilities and has allowed them to share power in real-time during stressed grid conditions. In addition to economic and reliability benefits, the WEIM has enabled a reduction in greenhouse gas (GHG) emissions through the avoidance of renewable supply curtailments and supported greater renewable integration. Several balancing areas and utilities in Washington currently participate in the WEIM. The Federal Energy Regulatory Commission has approved the ISO's day-ahead market platform (the Extended Day Ahead Market, or EDAM) to participants in the WEIM who elect to extend participation to the day ahead market. To date, PacifiCorp and Portland General Electric have executed implementation agreements to participate in EDAM in 2026, and a number of other

utilities from around the West have indicated their public intent to join EDAM. The EDAM will launch in 2026.

Comments on the Definition of Specified Source:

When EDAM launches in 2026, a resource-specific approach will be in place to reflect Washington's cap-and-invest program for EDAM and WEIM entities. This design uses resource-specific GHG bid adders that reflect both the cost of compliance and the willingness of resources to be dispatched and serve demand in a GHG regulation area, such as Washington. When offering energy output to serve Washington demand, scheduling coordinators for resources located in Balancing Authority Areas (BAA) outside of Washington submit bid adders consisting of a GHG bid capacity (MW) quantity and a GHG price (\$/MWh) that reflect the participating resource's costs to comply with Washington GHG regulations and therefore signal the scheduling coordinator's willingness to make energy output from the resource available to serve Washington demand. When determining total imports to a GHG regulation area, the energy market optimization utilizes both the GHG bid adder and energy bid to determine which resources to attribute as serving Washington demand in a least cost manner.

This design reflects state directives for a first jurisdictional deliverer approach, which assigns the compliance cost to the resource delivering electricity into a state with a compliance framework. States first specify what may count as a specified source. Chapter 173-441 WAC added a definition of specified source of electricity as:

(hh) "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 methodologies approved by ecology.

The ISO recommends revising the last sentence of the definition to read, "Electricity reported as specified source must be **either registered as a deemed market importer¹ by Ecology or** contracted to a Washington retail provider or must be surplus electricity, as determined by methodologies approved by Ecology." This revision will allow Washington to account for both

¹ Chapter 173-441 WAC defines "Deemed market importer" as, "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 by the Department of Ecology. For the Energy Imbalance Market, the deemed market importer is the participating resource scheduling coordinator."

contracted resources and provide an opportunity for resources that are not contracted to also be attributed in the WEIM or EDAM. Through the ISO's attribution framework, specific resources can still be identified as serving Washington load, even if they are not already contracted for.

Allowing for a more expansive definition of specified source, while still recognizing the state's interest in only considering identifiable resources as specified, is important because the concept of "surplus" is not applicable to either the WEIM or EDAM. Accordingly, that portion of the proposed definition will not address any electricity in either of the ISO's markets. In the WEIM today for California, resources outside of California that are both registered as a specified source with the California Air Resource Board and submit bid adders to serve California demand can be attributed to California either above or below the counterfactual and therefore be attributed to serving California. The purpose of a GHG counterfactual is to establish a baseline to determine what dispatch would have occurred in the non-GHG regulation area without offers to serve demand in GHG regulation areas. It is not the same as surplus. The counterfactual for a WEIM entity is their base schedule while the counterfactual for an EDAM entity is the resource's optimal schedule for the non-GHG regulation area. To the extent Ecology retains the option for surplus to be considered as a specified source, the ISO encourages additional dialogue with Ecology and stakeholders to discuss the definition of "surplus" and other methodologies that could include surplus to best align with wholesale electricity markets in the West.

The ISO appreciates Ecology's efforts in this rulemaking and responsiveness to stakeholder feedback.

Sincerely,

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