

# Clare Breidenich

Comments of the Western Power Trading Forum on draft Centralized Electricity Market Rules

**Comments of the Western Power Trading Forum  
to the Washington Department of Ecology  
on Draft Rules to Address Electricity Imports  
via Centralized Electricity Markets**

Clare Breidenich  
WPTF Carbon and Clean Energy Committee  
cbreidenich@aciem.us

The Western Power Trading Forum<sup>1</sup> (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on its draft rules for electricity imported via centralized electricity markets. We are generally supportive of the changes in this version of the draft rules but suggest additional edits for further clarification. WPTF is also cognizant of the parallel rulemaking that Ecology has initiated in response to SB6058, which modified the Climate Commitment Act to facilitate linkage to the programs of California and Quebec. We recognize that passage of SB6058 occurred after initiation of the centralized electricity markets rulemaking, and that the SB6058 addresses a broad set of issues beyond those related to electricity imports. However, we are concerned that Ecology's approach of addressing important electricity import issues in two separate rulemakings is confusing at best, and at worse, could cause inconsistent reporting of electricity imports next year.

WPTF anticipates that the linkage rulemaking will not be completed until mid-2025 at the earliest. This late timeframe means that even though SB6058 eliminated the concept of 'netting' of unspecified imports and directed Ecology to develop rules around electricity that is wheeled through the state or separately accounted for, the netting language would remain under the current rule until replaced by changes adopted in the linkage rule making. The rule would thus conflict with the statute during this period. Further, we have heard anecdotally that different verifiers have different views on the legitimacy of the 'lesser-of' approach used by electric power entities in reporting electricity wheeled through the state or electricity that is separately accounted, as laid out in the Electricity Imports Whitepaper that was endorsed by Ecology. This confusion will likely be exacerbated next year unless Ecology provides more clarity.

For these reasons, WPTF urges Ecology to move all provisions related to electricity imports out from the linkage rulemaking and into the centralized electricity markets rulemaking. Although this change would likely require an extension of time to complete this centralized electricity market rulemaking, we believe it could still be completed well in advance of both completion of the linkage rulemaking and the June 1 reporting deadline for electric power entities. It would also provide sufficient time to ensure that the rule is in effect prior to launch of the day-ahead centralized electricity markets.

Additionally, we request that Ecology develop and publish detailed guidance on electricity imports prior to the June 1 reporting deadline for electric power entities. This guidance should provide more clarity on identification of surplus specified electricity, and on issues currently being addressed in the linkage rulemaking, including the lesser of calculations. We will provide detailed comments on the electricity import issues currently addressed in the linkage rulemaking and recommendations for guidance in our September comments in that rulemaking. Lastly, we reiterate our request that Ecology commit to initiate phase 2 of this rulemaking to consider an unspecified import pathway from centralized electricity markets immediately after the conclusion of phase 1.

The remainder of our comments provide textual edits to the draft rules with explanations.

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<sup>1</sup> WPTF is a diverse organization comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West. WPTF has over 120 members participating in power markets within the west and across the United States.

### 173-441-060 Authorization and responsibilities of the designated representative.

WPTF appreciates elimination of the two-stage reporting deadline for electric power entities in 173-441-085. However, we note that 173-441-060, paragraph 4 still seems to presume two different reports. We suggest deleting the word 'initial' for consistency.

(4) **Timing.** No GHG emissions report or other submissions under this chapter for a reporter will be accepted until ecology has received a complete certificate of representation under this section for a designated representative of the reporter. Such certificate of representation must be submitted at least 60 calendar days before the deadline for submission of the reporter's **initial** emission report under this chapter.

### 173-441-124 Calculation methods for electric power entities.

#### (2) Definitions specific to electric power entities

##### *Deemed Market Importer*

Our suggested edit to the definition of deemed importer clarifies that electricity is deemed delivered, not a market participant. Additionally, the definition should recognize that an entity such as BPA could offer electricity from its system, rather than an individual resource.

"Deemed market importer" means a market participant that successfully offers electricity from a resource **or system** into a centralized electricity market **that 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.

##### *Electricity Exporter*

We suggest expanding the definition of electricity exporter to provide for the possibility of specified exports of electricity successfully offered into a centralized electricity market. This aligns with operative provisions for reporting of electricity exports. We do not recommend expanding the definition to include unspecified electricity exports via the centralized markets. While these could occur, the market participant will not know the disposition of any electricity successfully offered that is not allocated to its retail load, or to a counterparty under a specified contract. Instead, we recommend that Ecology request information on the total hourly volume of unspecified exports from Washington via a centralized market from the market operator.

"Electricity exporter" means electric power entities that deliver exported electricity. **For electricity scheduled with an e-tag**, the entity that exports electricity is identified **on the e-tag** as the purchasing-selling entity (PSE) on the last segment of the tag's physical path, with the point of receipt located inside Washington state and the point of delivery located outside Washington state. For 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. **For electricity that is successfully offered into a centralized electricity market and that is sold under a specified source contract to a market participant located outside Washington or that is deemed as specified source to another jurisdiction with a greenhouse gas pricing program, the exporter is the market participant that that submits the resource offer.**

##### *Electricity Importer*

WPTF supports inclusion of language that provides more clarity regarding the Bonneville Power Administration's election to be a covered entity for centralized market imports. However, Ecology must additionally provide a backstop compliance obligation for these centralized market imports if BPA does **not** make this election. Our suggested edits below provide clarity as to which entity would be considered the importer for contracted or surplus energy. We also suggest language explicitly stating that these would be considered specified source imports, such that the importer would be entitled to report emissions using BPA's asset-controlling supplier

emission factor.

With respect to the imported surplus electricity by BPA, the GHG tracking and reporting framework being developed in Markets+ would provide for the allocation of this electricity to individual Washington utilities on a pro rata basis. CAISO is soon to launch a policy initiative to develop a similar GHG tracking and reporting [framework](#). We anticipate that this framework would also support allocation of BPA surplus electricity to utilities.

"Electricity importer" means:

(i) For electricity that is scheduled with an e-tag to a final point of delivery into a balancing authority area located entirely within Washington state, the electricity importer is identified on the e-tag as the purchasing-selling entity on the last segment of the tag's physical path with the point of receipt located outside Washington state and the point of delivery located inside Washington state;

(ii) For facilities physically located outside Washington state with the first point of interconnection to a balancing authority area located entirely within Washington state when the electricity is not scheduled on an e-tag, the electricity importer is the facility operator or owner;

(iii) For imported electricity assigned, designated, deemed, or attributed to Washington through a centralized electricity market, the electricity importer is the deemed market importer;

(iv) If the importer identified under (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,

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

(b) where the imported electricity is eligible surplus electricity, the electricity importer is the retail provider that receives a pro rata attribution of that electricity by the market operator. This imported electricity is considered to be specified source electricity provided by the Federal Power Marketing Administration and is exempt from the seller warranty requirement.

#### *Exported Electricity*

Our suggested edits to the "exported electricity" definition expand it consistent with the edits suggested above.

"Exported electricity" means electricity generated inside Washington state and delivered to serve load located outside Washington state. This includes electricity delivered from a first point of receipt inside Washington state, to the first point of delivery outside Washington state, with a final point of delivery outside Washington state. Exported electricity includes electricity generated in Washington and successfully offered to a centralized electricity market where the electricity is sold under a specified source contract to a market participant located outside Washington or deemed as specified source to another jurisdiction with a greenhouse gas pricing program. Exported electricity delivered across balancing authority areas may be documented on e-tags with the first point of receipt located inside Washington state and the final point of delivery located outside Washington state. Exported electricity does not include electricity generated inside Washington state then transmitted outside of Washington state, but with a final point of delivery inside Washington state. Exported electricity does not include electricity generated inside Washington state that is allocated to serve Washington state retail customers of a multijurisdictional retail provider, consistent with a cost allocation methodology approved by the Washington state utilities and transportation commission and the utility regulatory commission of at least one additional state in which the multijurisdictional retail provider provides retail electric service.

#### *Final Point of Delivery, etc.*

The "Final Point of delivery," "first point of receipt" and "source of generation" definitions should be modified for clarity with respect to centralized electricity markets.

"Final point of delivery" means the sink specified on the e-tag, where defined points have been established through the affiliated registry. When e-tags are not used to document electricity deliveries, as may be the case within a balancing authority or within a centralized electricity market, the final point of delivery is the location of the load, which may be the market footprint. Exported electricity is

disaggregated by the final point of delivery.

"First point of receipt" means the generation source specified on the e-tag, where defined points have been established through the affiliated registry. When e-tags are not used to document electricity deliveries, as may be the case within a balancing authority or centralized electricity market, the first point of receipt is the location of the individual generating facility or unit, or group of generating facilities or units.

"Source of generation" or "generation source" means the generation source identified on the physical path of e-tags, where defined points have been established through the affiliated registry, or a resource or system identified by a centralized market operator as source of electricity assigned, designated, deemed or attributed to be serving Washington electric load. Imported electricity and wheels are disaggregated by the source on the e-tag, also referred to as the first point of receipt.

### *Specified Source*

WPTF recommends reordering of the sentences under the definition of specified source, so that the general rules are stated first, followed by the additional detail for centralized markets. Additionally we suggest clarifying that the use of 'methods' in the definition applies to those used by the market operator, and not any internal procedures used by electric power entities to identify surplus electricity. We separately recommend inclusion of language requiring electric power entities to report on these internal procedures, according to guidance developed by Ecology.

"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. Electricity reported as specified source must be contracted to a Washington retail provider or must be surplus electricity. For electricity from a resource dispatched by a centralized electricity market, the market participant 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 and deemed to serve Washington load by the market operator using~~ by methodologies approved by ecology.

### *Surplus Electricity*

As drafted, the definition of surplus electricity appears to apply only to electricity sold from resources owned by independent power producers; it does not appear to cover electricity from an owned resource needed to cover load. Nor does it consider that what is surplus for renewable and storage resources built in response to clean energy mandates or goals might appropriately be determined differently than it is for legacy resources such as hydro.

Additionally, WPTF notes that both Markets+ and EDAM incorporate design elements to limit the quantity of clean energy that may be deemed into Washington or California to minimize emissions leakage; both programs enable electricity contracted to load to be imported and both provide a mechanism to identify surplus electricity. However, these markets do this in fundamentally different ways. The Markets+ design enables entities to self-identify surplus energy offers but defers the definition of surplus and oversight to state regulators. In contrast, the current EDAM design does not explicitly refer to surplus energy, but its counterfactual dispatch run is effectively a proxy for identifying the volume of surplus energy from individual resources. Because the counterfactual run prevents imports to California or Washington, under the CAISO's approach surplus electricity is implicitly defined as electricity that is in excess of the load needs of the entire market footprint outside of California and Washington.

Given this, WPTF recommends that Ecology adopt a definition of surplus electricity that recognizes the different obligations to provide electricity and commit to holding a workshop with electricity stakeholders on determination of surplus electricity. The aim of this workshop would be to provide guidance to electric power entities on the procedures for identifying and reporting surplus electricity for different types of resources and/or entities. This workshop would also inform Ecology's evaluation and ultimately approval of methods used by market operators to

deem surplus electricity to serve Washington load.

"Surplus electricity" means an amount of electricity generated by a resource or system in excess of the resource or system's existing obligations to provide electricity to purchasing entities. These obligations may include load, contractual obligations, or regulatory mandates.

### (3) Data requirements and calculation methods.

#### *Exported Electricity*

Our edits below align the reporting of exported electricity consistent with our clarifications to the relevant definitions and language above. In a centralized electricity market, resources that are not sold under a specified contract or attributed to a greenhouse gas pricing area are simply dispatched to serve the market as a whole without any identifiable connection to a particular load. The market participant will not know whether the energy from these resources serves load in Washington or elsewhere. Ecology should instead require the market operator to report unspecified exports from Washington for each hour on an aggregated basis.

Exported electricity. 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 disaggregated by each final point of delivery outside Washington state, and for each specified source disaggregated by each final point of delivery outside Washington state. For electricity successfully offered into dispatched by a centralized electricity market, the electric power entity must report any specified electricity sales attributed to market participants outside Washington, deemed to another jurisdiction with a greenhouse gas pricing program, or exported from the market to an entity outside Washington 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 available from the centralized electricity market operator. The electric power entity must also report the following information:..

#### *Requirements for Asset Controlling Suppliers*

Under additional requirements for asset-controlling suppliers, the draft rules limit the identification of generating facilities to those for which the reporting entity is a market importer. This is inappropriate because all owned resources should factor into the calculation of the entity's asset-controlling supplier emission rate. Instead, this should apply to all facilities for which the entity is a generation providing entity.

Additional requirements for asset controlling suppliers. Owners or operators of electricity generating facilities or exclusive marketers for certain generating facilities may apply for an asset-controlling supplier designation from ecology. Approved asset- controlling suppliers may request that ecology calculate or adopt a supplier-specific emission factor pursuant to this section. To apply for asset-controlling supplier designation, the applicant must:

...

(v) To apply for and maintain asset-controlling supplier status, the entity shall submit as part of its emissions data report the following information, annually:

- (A) General business information, including entity name and contact information;
- (B) List of officer names and titles;
- (C) Data requirements as prescribed by ecology;
- (D) A list and description of electricity generating facilities for which the reporting entity is a generation providing entity market importer;

#### *Additional information for specified source claims*

WPTF recommends that Ecology establish additional reporting and documentation requirements related to surplus electricity and centralized markets. For surplus, the reporting entity should provide a qualitative description of its internal procedures to identify surplus electricity, in accordance with any guidance offered by Ecology.

For electricity imported via centralized markets, the rules should explicitly provide for ecology to request information from market operators to validate information on electricity imports from centralized markets reported by electric power entities.

Surplus electricity. Electric power entities that claim imports of surplus specified electricity must provide a description of the process by which it determines whether electricity is surplus, in accordance with guidance provided by ecology, and provide supporting documentation to Ecology or a verifier upon request.

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. Ecology may also request information to validate imports and exports of electricity successfully offered into centralized electricity markets from market operators.