

Western Power Trading Forum

WPTF Comments on draft Agency Request Legislation

**Comments of the Western Power Trading Forum
to the Washington Department of Ecology
on Draft Agency Climate Commitment Act Request Bill
12/29/23**

The Western Power Trading Forum (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on its draft agency request bill on changes to the Climate Commitment Act (CCA) to facilitate linkage. We support Ecology’s proposal to add language throughout the statute to give Ecology narrow discretion to change the program provisions if needed to enable linkage with the Western Climate Initiative jurisdictions. Additionally, we support Ecology’s proposal to change the CCA compliance periods to three years to align with these jurisdictions. However, we request that Ecology clarify that this change will apply starting with the second compliance period under the CCA. Our remaining comments below focused on proposed changes related to electricity imports.

Electricity Definitions

(New) As explained in the Electricity Imports Whitepaper submitted by electricity stakeholders earlier this year, the importance of the Mid-Columbia area for electricity trading and transmission, and the existence of several multistate balancing authority areas (BAA) create complexity for identifying, quantifying and assigning the compliance obligation for electricity imports to Washington. WPTF suggests that Ecology propose several new terms to provide clarity to the statute and program rules, and to simplify drafting of the electricity importer definitions. Specifically, Ecology should propose addition of a new definition for “adjacency”, “composite source Point of Receipt”, “hubbing”, “mid-Columbia”, “multistate BAA” and “multistate generation system”¹. Additionally, Ecology should propose that a definition of “First point of delivery in Washington” be included in the statute. This definition would modify the existing definition in WAC 173-441-124 so that it also clearly states what points are considered the First Washington PODs for electricity imported via multistate BAAs.

(Numbering TBD):

“Adjacency” means a point of interconnection on the interstate electricity transmission system between two or more balancing authority areas.

“Composite Source Point of Receipt” or “Composite source POR” means “ a single point of receipt at which electricity from multiple generation sources is aggregated.

“Hubbing” means the practice of both sourcing electricity from and sinking energy to the MID-C area using either a source POR/sink POD within a multistate BAA associated with MID-C, or the BAA of one of the MID-C Public Utility Districts.

“Mid-Columbia” or “MID-C” means the area in central Washington associated with the transmission systems and hydro-electric projects owned and operated by the three public utilities districts (PUDs) in the area and the Bonneville Power Administration.

¹ As discussed in the Electricity Imports whitepaper, different terms are needed to differentiate between multistate transmissions systems (multistate BAA), multistate generation system and multi-jurisdiction retail providers. These terms should be defined individually to ensure precision in the electricity import rules.

“Multistate balancing authority area” or “multi-state BAA” means a balancing authority area that geographically includes parts of two or more states.

“Multistate generation system” means a collection of generating resources located in two or more states and operated by a single entity.

“First Point of Delivery in Washington” or “First Washington POD” mean the first defined point on the transmission system located inside Washington state at which imported electricity may be measured, consistent with defined points that have been established through the affiliated registry. For electricity that is imported into the state via the transmission system of a multistate BAA, the First Washington POD is either:

(a) an adjacency between the multistate BAA and a Washington-only BAA,

(b) the MIDCRemote or NWHUB transmission scheduling points, or

(c) a designated scheduling point of a Washington load within the multistate BAA.

27(a) WPTF recommends that Ecology also modify the current definition of importer for electricity that is scheduled via an e-tag and sinks in a BAA located entirely in Washington to refer to the definition of First Washington POD as modified above.

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

27(c) Ecology proposes language that would pick up imports to discrete loads in multistate BAAs, other than that of the Bonneville Power administration (which was already covered by subparagraph 27h). WPTF supports inclusion of a definition to address this gap in the current statute, but recommends that the proposed definition also be modified to refer to a First Washington POD.

(c) For electricity that is imported to a designated scheduling point in the state of Washington that is located inside a balancing authority area that is not located entirely within the state of Washington, and where the balancing area authority is not the same entity serving retail load at that scheduling point, the electricity importer is the purchasing-selling entity on the e-tag at the last point on the physical path where the point of receipt is located outside the state of Washington and the point of delivery is a First Washington POD; ~~located inside the state of Washington;~~

27(e) Ecology has proposed language that would pick up balancing energy for resources that are physically located within a multistate BAA and would define that BAA as the importer of the balancing energy. WPTF believes that it may be appropriate to consider the BAA to be the importer for balancing energy provided to Washington loads served by that BAA, since that is a primary responsibility of a BAA, regardless of whether the load is served by the BAA or another entity. In this case, Ecology would need to ensure that reporting requirements for multijurisdictional utilities and BPA provide for identification of and reporting of any balancing energy provided to Washington loads.

However, we do not consider it appropriate for the BAA to be considered the importer for balancing energy provided to generators because the BAA has no control over where that energy is sold and whether it is imported to Washington. The Electricity Importer Whitepaper recommended that the PSE on the tag from the generator to a Washington delivery point should be considered the importer. WPTF has subsequently identified several scenarios where such a rule would not be workable or appropriate. The first is where both the resource to which balancing energy is provided and the Washington load are located within the same multistate BAA. In this scenario there would be no e-tag between the resource and the load, so it would not be possible to determine which entity is the importer based on the rule proposed in the whitepaper. It is also not clear how Ecology would determine that balancing energy was provided. The second challenging scenario is short-term sales of electricity (e.g. spot market) by generators, either directly or through brokers. Because these short-term sales do not occur through power purchase agreements, downstream buyers would not have access to generator meter data to conduct a lesser-of analysis to determine the quantity of any balancing energy and associated emissions.

Given the complexity of the issues around balancing energy provided by multistate BAAs, WPTF suggests that rather than seek statutory language, Ecology should instead hold a workshop to consider additional provisions to ensure that balancing energy is appropriately identified and reported, then define the electricity importer for various scenarios through rule.

27(e) For electricity provided as balancing energy by a multistate BAA for a resource or load located in the state of Washington that is also inside a balancing authority area that is not located entirely within the state of Washington, the electricity importer is the balancing area authority providing that balancing energy unless that energy is separately accounted for through other provisions in this subsection, Ecology will define the electricity importer(s) by rule.

(27) Ecology gives itself authority to define by rule the electricity importer for other import transactions not defined in statute. Given the complexity of rules around the multistate BAAs, WPTF supports this provision. However we suggest that Ecology broaden this language to give the agency discretion to define or provide further clarity around the electricity importer.

27(k) For imported electricity not otherwise assigned an electricity importer by this section, the electricity importer ~~may~~ must be defined or further clarified by the department by rule.

(42) Ecology has added language to definition 42(d) that gives it discretion to eliminate the netting of unspecified electricity imports by unspecified electricity exports. WPTF agrees that netting provisions merit additional consideration in light of plans to link Washington's cap and invest program to California. However, because of hubbing arrangements at MID-C and the several multistate BAAs that overlap Washington, it will be important for Ecology to maintain and codify 'lesser-of' calculations as described in the Electricity Imports Whitepaper. Failure to maintain these provisions would result in a significant overstatement of electricity imports and associated emissions, and create additional unnecessary demand for allowances, thereby raising prices. We therefore recommend two additional subparagraphs to address these scenarios.

42(d bis) Imported electricity does not include electricity that is wheeled through Washington under a Mid-C hubbing arrangement.

42(d) tres) Imported electricity does not include electricity with a final MID-C POD in a multistate BAA operated by an entity with no retail load in Washington.

Definitions 42(e) and (f) explicitly provides that electricity provide by a multijurisdictional retail providers for Washington load is considered an electricity import (which is then calculated using a specific formula in the GHG reporting rule). However, these definitions do not address electricity that sinks in multistate BAAs operated by multijurisdictional retail providers. As described in the Whitepaper, that electricity should be factored into the calculation of the common system pool emission factor, but that electricity should not be considered an import to Washington. WPTF therefore suggest that Ecology add the following new sub-paragraph:

42(g) Imported electricity does not include electricity with a final POD within a BAA operated by a multijurisdictional retail provider;

WPTF also suggests that Ecology add a new sub paragraph to clarify that electricity sourced from a composite source POR of a multistate generation system is considered imported electricity, unless the importer can demonstrate that the electricity is separately accounted. For instance, the entity could submit a 'lesser-of' analysis to demonstrate that energy from a composite source POR originated from resources located in Washington state.

42(h) For a multistate generation system, imported electricity includes electricity from a composite source POR unless the importer demonstrates that the emissions are separately accounted.

GHG Thresholds:

Ecology proposes to change the GHG threshold for triggering the covered entity compliance obligation in section 2(c)(i). WPTF supports changing these provisions to enable linkage but disagrees with Ecology's proposed formulation. For specified imports, Ecology proposes to apply a cumulative total emission threshold of 25,000 MMT annually. This provision is actually more restrictive than California's program, which applies the threshold to *individual* resources that provide specified source imports. This construct was intentionally adopted by California to provide parity with how resources inside the state are treated – in other words it was intended to exclude electricity imported from individual small resources.

Further, Ecology proposes to established the emission threshold for unspecified imports by rule. We see no reason for deferring this decision; Ecology should simply eliminate the threshold for unspecified imports.

WPTF recommends that ecology should modify the language as follows.

(c)(i) Where the person is a first jurisdictional deliverer importing electricity into the state and:
(A) For specified sources, all emissions reported for imported electricity from specified sources of electricity that emit 25,000 metric tons or more of CO₂e per year are considered to be above the threshold; the cumulative annual total of emissions associated with the imported electricity((, whether from specified or unspecified sources,)) exceeds 25,000 metric tons of carbon dioxide equivalent;

(B) For unspecified sources, all reported emissions reported from unspecified sources are considered to be above the threshold. is addressed by rule by the department.