

December 29, 2023

Washington Department of Ecology  
300 Desmond Drive SE  
Lacey, WA 98503

**Re: PacifiCorp’s Public Comments on the Proposed Linkage Bill**

## **I. Introduction**

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) respectfully submits these comments in response to the Washington Department of Ecology’s (Ecology or the Department) proposed 2024 bill to allow linking Washington’s Cap-and-Invest Program with California and Québec.

PacifiCorp provides these comments as a balancing authority area that is not entirely within the state of Washington.

## **II. Comments**

### **A. The draft language would add compliance obligation and costs to the multi-state balancing authority area’s utility**

Proposed Section 1(27)(c) and proposed Section 1(27)(e) place the compliance obligation for energy imported by the balancing authority area to serve transmission customers in the multi-state balancing authority area.

Multi-state balancing authority areas provide balancing energy to transmission service customers for uninstructed deviation. This energy is provided pursuant to Federal Energy Regulatory Commission (FERC) standardized pro forma Schedules in tariffs under its Open Access Transmission Tariff (OATT). Balancing authority areas providing these services are generally not to deviate from the FERC pro forma, and the tariffs and rates must be “just and reasonable.” One such schedule is energy imbalance service, and another is generator imbalance service, under Schedules 4 and 9 of its OATT.

The multi-state balancing authority area utilities in Washington are also, coincidentally, multi-state retail electric service providers also providing electric service to retail customers, that have wholesale energy procurement functions that acquire energy for both separate transmission service and retail functions, and that also buy and sell wholesale energy.

The draft bill proposes to put the compliance obligation and its costs on the multi-state balancing authority area’s utility or its retail customers, rather than on the transmission customers that are getting the benefit of the transmission services under FERC pro forma tariff Schedule 4 or 9, simply because of this coincidence. The transmission customers are the beneficiaries of the import, but the multi-state utility or the retail customers of the multi-state electric utility are

proposed to bear the cost of the benefit that they do not receive. There is no necessary connection between the service provided to the transmission customers of the multi-state balancing authority area and the retail customers of the coincidental utility; the independent power producer could be serving a third party through a power purchase agreement. For example:

*Independent power producer wind farm (IWF) in WA has a Power Purchase Agreement (PPA) with TechCo.*

*IWF is in PACW in Washington and buys generator imbalances under a FERC pro forma tariff from the PACW BAA.*

*IWF sets a 100MWh schedule for the hour for which IWF buys the generator imbalance service from PACW.*

*Wind dies down, IWF generates 87MWh and takes 13MWh of uninstructed imbalance service from PACW BAA under the tariff.*

*PACW bought the 13 MWh in real-time using imported energy to supply the PACW imbalances service to IWF.*

Under proposed Section 1(27)(e), that 13MWh would count as a PacifiCorp incremental import that is attributed to PacifiCorp or PacifiCorp retail customer use. The result is:

*PacifiCorp or its retail customers would thereby pay for the allowances, for imported energy that was used not by PacifiCorp or its retail customers, but rather by IWF as generator imbalances service under PACW's tariff. And at the same time, IWF does not pay for the allowances that were needed and that it used for the 13 MWh of imported imbalance energy. And, TechCo gets a 100MWh schedule and didn't pay for the allowance cost for the 13 MWh of imported energy.*

The assignment of the import obligation should not be assigned to "load." The transmission service customer is identifiable, but the quantity of balancing energy that was supplied by imports to a transmission service customer is not.

## **B. The draft language would impact FERC-filed tariffs**

Further, the State of Washington should not seek to set transmission rates for FERC-filed tariffs through Washington law, which might be challenged before FERC. **Therefore, the bill should provide:**

(e) For electricity provided as balancing energy for a resource located in the state of Washington that is also inside a balancing authority area that is not located entirely within the state of Washington, there is no compliance obligation for an electricity importer is the balancing area authority providing for that balancing energy unless that energy is separately accounted for through other provisions in this subsection;

### **C. The draft language does not have a definition of “balancing energy”**

Additionally, with either option, there should be a definition of “balancing energy” which PacifiCorp proposes be “Energy delivered by a transmission provider to a transmission service customer under a FERC pro forma transmission service tariff.”

### **D. Source of “balancing energy” is unknown and likely includes generation located in Washington**

“Balancing energy” is from PacifiCorp BAA which includes generation located in Washington and purchases sourced from Washington. Establishing emissions in this case will be challenging since the source of energy is unknown. Making incorrect assumptions can lead to underestimating or double counting emissions in the state.

## **III. Conclusion**

In summary, before introducing the draft bill for the 2024 legislative session, the language in Section 1(27)(e) should be adjusted to avoid potential conflicts with FERC rules. It appears that Ecology’s proposal is attempting to align with the recommendations submitted by the energy industry in the March 1, 2023 White Paper. Ecology’s responsiveness is appreciated but the white paper was not all inclusive for all forms of imported power nor conclusive on who would carry the obligation. For example, the white paper highlighted that, “Consideration is needed of the appropriate emission factor to be assigned to balancing energy supplied by BPA or other multistate BAAs.” It also pointed out that more collaboration would be needed to work through multistate BAA complexities. PacifiCorp also believes a definition for balancing energy should be added to inform and guide further discussion on other possible forms of balancing energy such as for load.

Thank you for the opportunity to provide comment. PacifiCorp respectfully requests Ecology to consider the comments discussed above.

Sincerely,

/s/

Michael Wilding  
Vice President of Energy Supply Management  
PacifiCorp