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BPA Comments on Ecology proposed legislation



## Department of Energy

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### **Re: Comments on the Climate Commitment Act (CCA) “Agency Request Legislation”**

BPA appreciates the opportunity to comment on Ecology’s “agency request legislation” regarding proposed changes to the Climate Commitment Act (CCA). As a general matter, BPA supports Ecology taking necessary steps to enable potential linkage with the California Air Resource Board’s (CARB) cap-and-trade program. However, BPA has comments on three aspects of Ecology’s proposed changes. The first, and most serious, are BPA’s concerns with the new section 1(27)(e), which would inappropriately add a new role for BPA as an electricity importer when it is providing balancing services to Washington generation within BPA’s multi-state Balancing Authority Area. The other two areas of BPA’s comment contain questions and clarifications. BPA has included a redline of the electricity importer section with its suggested revisions as an attachment to this letter.

#### **1) New section 1(27)(e), regarding electricity importer for “balancing energy”**

BPA strongly urges Ecology to omit the proposed language in section 1(27)(e). It is inappropriate for a balancing authority to be considered the electricity importer for balancing energy provided because 1) the balancing authority is not a typical buyer or seller of energy, rather it is providing a critical reliability function subject to mandatory reliability standards adopted by the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC) (enforced by Western Electricity Coordinating Council (WECC) in the Western Interconnection); 2) the generator/load imbalance and resulting use of balancing energy is being caused by individual loads and generating units within the balancing authority area, not the balancing authority itself; 3) the balancing authority is not necessarily the source of the balancing energy; as described below, there is no way to know what resource or load is providing balancing energy; and 4) it creates cost

recovery issues for balancing authorities. Identifying the source of balancing energy for resources and loads (for example, whether it is being provided by resources from the EIM or from resources within a balancing authority area), who the appropriate electricity importer is, what the emissions factor should be for the energy, and whether appropriate data exists to support such determinations are interrelated and warrant further discussion among stakeholders.

*First*, BPA believes it is inappropriate to subject balancing authorities to the additional burden of state cap-and-invest program compliance for providing an essential reliability service governed by mandatory federal standards. NERC defines a “Balancing Authority” as “[t]he responsible entity that integrates resource plans ahead of time, maintains Demand and resource balance within a Balancing Authority Area, and supports Interconnection frequency in real time.” Balancing authorities are integral for maintaining the reliability of the transmission grid. They are subject to a number of mandatory federal standards, and are subject to enforcement actions by WECC, NERC, and FERC for non-compliance. Balancing authorities are not traditional buyers or sellers of energy. Placing this additional state compliance burden on them distracts from their core mission to maintain reliability.

*Second*, balancing authorities providing services in Washington are not importing additional energy into the state. A balancing authority’s role is only to correct for error; in other words, a balancing authority’s use of energy should be a net zero for the balancing authority area. Loads and resources within Washington schedule their expected demand and output, and balancing authorities make up for the difference between the expected and actual amounts. Thus, balancing authorities should not be held responsible for a resource’s error and providing services essential for maintaining reliability.

*Third*, balancing authorities are not always the provider of balancing energy. Balancing energy comes in two forms, regulation and non-regulation energy. “Balancing energy,” as used in section 1(27)(e), is an imprecise term that BPA assumes refers to both regulation and non-regulation energy. It is also unclear if the definition of balancing energy is intended to include both the upward (providing energy for resources that generate below the scheduled amount) and downward (withholding energy for resources that generate above the scheduled amount) provision of regulation and non-regulation energy. In BPA’s Balancing Authority Area regulation energy is provided on a sub-five minute basis and is supplied by federal resources. Non-regulation energy is supplied by the EIM every 5 minutes, which may or may not include the dispatch of federal resources. E-tags are not used in the context of regulation energy or non-regulation energy (there is no e-tag between a generating unit that may be providing energy and the generating unit or load serving entity using the services).

Regulation is provided by federal resources and dispatched for the Area Control Error (ACE)

of the entire balancing authority area and not specifically for each generator's station control error. One generator may be under-generating and have a negative station control error, but another generator may be over-generating (or load may be under-running), resulting in a BPA balancing area ACE of zero with no regulation dispatch. BPA does have data on each generator's station control error, but does not believe it is possible to delineate whether that station control error was met by load under-running, other non-federal generators in the balancing authority area, or federal generators. Given these data and tracking problems, BPA cannot determine the source of the energy being provided to a particular individual generating unit or load for what section 1(27)(e) refers to as "balancing energy for a resource located in the state of Washington . . . ."

Similar data and tracking problems exist for non-regulation energy provided by the EIM. BPA does not believe it is possible to delineate the source of the imbalance energy provided and BPA would not know how the energy could or should be attributed to individual generators or loads in BPA's balancing authority area. At times the balancing authority area is importing and the energy is provided entirely by participating resources outside of BPA's balancing authority area. At other times, the balancing area as a whole is exporting energy and federal resources are dispatched for other EIM participating resources. Thus, BPA cannot determine the source of non-regulation energy that would constitute what section 1(27)(e) refers to as "balancing energy for a resource located in the state of Washington. . . ."

*Fourth*, section 1(27)(e) creates cost recovery issues for balancing authorities. Should Ecology's proposed language be adopted, and if BPA voluntarily elects to be the electricity importer, BPA would need to recover the associated costs from its transmission customers. This would require a BPA rate case and a proposal for a cost recovery mechanism assigning costs only to those customers consuming balancing energy. Not only will such a process consume a significant amount of BPA and customer staff resources, but a targeted rate mechanism of this kind will require costly customization of BPA's billing systems.

For these reasons, BPA urges Ecology to withdraw its currently proposed language in section 1(27)(e). If Ecology continues to pursue including balancing energy as a covered electricity import under the program, BPA suggests Ecology begin by addressing this complex topic in a future workshop. Ecology could use the new proposed language in section (1)(27)(k) to make a determination of an appropriate electricity importer in a later rulemaking.

Finally, BPA also reminds Ecology that the Washington legislature intended BPA to have the ability to voluntarily elect to be an electricity importer under the program. The proposed language of 1(27)(e) does not support the legislature's intent in this regard. If Ecology does not withdraw this language, Ecology will need to add language providing for an alternative electricity importer in the event BPA does not elect to take on this role.

## 2) Electricity Import Threshold in Section 2(c)

BPA supports aligning the threshold for imported electricity with CARB's threshold to the extent Ecology has determined it is necessary for linkage. Ecology correctly notes in other materials that CARB does not have a threshold for unspecified imports into the state. However, Ecology's threshold for specified imports as proposed does not align with CARB's definition. CARB's program rules state that any specified import is covered if the generating unit itself emits over 25,000 MT CO<sub>2e</sub> per year. *See* Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms §95812(c)(2)(A).

## 3) Clarification to Electricity Importer Language in New Section 1(27)(c)

BPA understands the new 1(27)(c) electricity importer language is necessary to identify an electricity importer in certain situations. For example, where a Washington consumer-owned utility in BPA's balancing authority area purchases non-federal energy for its retail load and that energy sinks in BPA's balancing authority area. BPA believes the language generally covers that situation but suggests a minor edit for readability. Ecology should consider creating a definition for multi-state balancing authority area and utilize that definition in lieu of the longer descriptive wording being used.

Additionally, BPA requests Ecology include in subsection (g) a reference to the new (c). It is possible that a consumer-owned utility in BPA's balancing authority area purchases surplus power from BPA's trading floor. An electricity importer is not always captured in this scenario because the surplus sale is not captured under (h) and (i) as it is not a sale pursuant to section 5(b) or 5(d) of the Northwest Power Act.

BPA would be happy to discuss these comments further with Ecology in January. Please feel free to contact me at 503.230.4358 if you have any questions.

Thank you,



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**Attachment: suggested BPA revisions to Electricity Importer definition, based on Ecology's draft.**

(27) "Electricity importer" means:

(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 Washington;

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

(c) For electricity that is imported to a designated scheduling point in the state of Washington that is located inside a multi-state balancing authority area ~~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 located inside the state of Washington;

(d) For electricity importer through a centralized market, the electricity importer will be defined by rule consistent with the rules required under RCW 70A.65.080(1)(c);

~~(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, 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;~~

(f) For electricity from facilities allocated to serve retail electricity customers of a multijurisdictional electric company, the electricity importer is the multijurisdictional electric company;

(g) If the importer identified under (a) or (c) of this subsection is a federal power marketing administration over which the state of Washington does not have jurisdiction, and the federal power marketing administration has not voluntarily elected to comply with the program, then the electricity importer is the next purchasing-selling entity in the physical path on the NERC e-tag, or if no additional purchasing-selling entity over which the state of Washington has jurisdiction, then the electricity importer is the electric utility that operates the Washington transmission or distribution system, or the generation balancing authority;

(h) For electricity that is imported into the state by a federal power marketing administration and sold to a public body or cooperative customer or direct service industrial customer located in Washington pursuant to section 5(b) or (d) of the Pacific Northwest electric power planning and conservation act of 1980, P.L. 96-501, the electricity importer is the federal marketing administration;

(i) If the importer identified under (h) of this subsection has not voluntarily elected to comply with the program, then the electricity importer is the public body or cooperative customer or direct service industrial customer;

(j) For electricity from facilities allocated to a consumer-owned utility inside the state of Washington from a multijurisdictional consumer-owned utility, the electricity importer is the consumer-owned utility inside the state of Washington; or

(k) For imported electricity not otherwise assigned an electricity importer by this section, the electricity importer must be defined by the department by rule.

New Definition:

(50) “Multi-state balancing authority area” means a balancing authority area that provides services to resources and load located both within and outside the State of Washington.