Department of Energy

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Re: Comments in Response to Ecology's November 19, 2024 Workshop

BPA appreciates the Washington Department of Ecology (Ecology) eliciting specific feedback from industry on important questions related to how wheel-through energy and balancing energy should be treated under Ecology's cap-and-invest program. BPA provides responses below to the questions Ecology raised for feedback in its November 19, 2024 workshop.

Electricity Wheeled through the State on Separate E-tags

BPA reiterates the concerns it shared with Ecology in BPA's November 8, 2024 letter. Specifically, that enabling hourly netting of certain transactions in the current definition of "Electricity Wheeled through the State:"

a. Potentially creates risks for linkage with California's cap-and-trade program as the California Air Resource Board's (CARB) rules do not allow for netting, aside from transactions on a single e-tag; and
b. Would distinctly disadvantage BPA Washington customers, particularly those that are solely dependent on BPA for their energy needs. This is because, compared to other utilities inside Washington, the rules currently do not allow BPA as an Asset Controlling Supplier (ACS) to utilize similar wheel-through netting in its reported GHG emissions.

BPA understands that the specific language in proposed WAC 173-441-124 (2)(nn) repeats language from SB 6058: "'Electricity wheeled through the state' means electricity… wheeled into and out of Washington at a common point or trading hub on the power system on

separate e-tags within the same hour." However, depending on how Ecology implements this language, there is a serious possibility that the language will unfairly enable netting of hourly transactions only for utilities that can sink and source electricity inside of Washington, resulting in these utilities being able to net out unspecified imports and thus reduce their reported emissions. This ability creates advantages for some utilities through reporting rules that enable those utilities to net wholesale power transactions while others cannot.

1. **How should Ecology implement the term "trading hub" specific to the MID-C area? For unspecified imports initially sinking at a trading hub, should "wheel throughs" be limited to occurring into and out of the same BAA at the trading hub?**

Only Mid-C utilities and some entities with shares or scheduling rights with the Mid-C utilities can both source *and* sink at a Mid-C trading hub. For more information, see section 2.3.1 and 2.3.2 of the Western Power Trading Forum's "Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act," March 1, 2023. Given this, implementation of the term "trading hub" leads to only those entities having the ability to use the wheel through language in SB 6058/ WAC 173-441-124 (2)(nn) as it applies to transactions at a trading hub. Other entities, including BPA, trade electricity at the Mid-C trading hub but cannot sink electricity at the Mid-C trading hub. The sink/source trading and scheduling hub used by BPA could be interpreted under the Climate Commitment Act to be located outside Washington, thus rendering the existing wheel-through netting language in SB 6058/ WAC 173-441-124 (2)(nn) invalid for transactions that BPA wheels-through its system on two separate tags.

2. **How should Ecology implement the term "common point"?**

Ecology suggests in its November 19, 2024 presentation that the wheel-through language could not apply to a multistate Balancing Authority Area (BAA) (including a federal Power Marketing Administration or PMA) because "electricity initially sunk to or provided from a federal system or MS-BAA system is not considered delivered to or delivered from WA." The statutory language that seems to be in question is referring to what constitutes imported electricity as opposed to in-state generation. *See* RCW 70A.65.010 42(c). BPA's BAA is partially physically located in Washington and there are Washington retail utilities in BPA's BAA that buy and sell power. Given this, BPA suggests one means of achieving equitable results under proposed WAC 173-441-124 (2)(nn) is to implement the term "common point" in a way that also includes energy sourced and sunk to a multistate BAA that is partially located in Washington.

3. **In the calculation of greenhouse gas emissions associated with imported electricity for [an ACS] (i.e., [ACS] emission factor calculation), should**

"wheel throughs" considerations be provided for unspecified electricity purchases sunk to an [ACS] system? If so, should "wheel throughs" in the [ACS] emission factor calculation align with implementation of "wheel throughs" on separate e-tags for electricity that is initially delivered to a point considered within WA?

BPA is not a Multijurisdictional Retail Provider (MJRP) and thus responds to this question by equating the question to an ACS and the ACS emission factor calculation.

If Washington enables netting of transactions on separate e-tags as described in proposed WAC 173-441-124 (2)(nn) then Ecology should allow an ACS the same scheduling and netting parity. ACS entities with "common points" (which may be inside or outside Washington) should be afforded the ability to exclude energy wheeled into and out of the ACS entity's "common points" on separate e-tags within the same hour in the ACS reporting, just as the wheel-through definition allows Washington utilities to do for their GHG reporting. In other words, Washington's rules should allow an entity reporting as an ACS to exclude power wheeled into and out of its system on separate e-tags within the same hour.

BPA suggests Ecology's rules need to explicitly allow for this wheel-through language in the ACS reporting section. BPA's current ACS emission factor calculation for Washington includes all unspecified electricity transactions sunk to BPA's system without the ability to net those transactions against unspecified transactions sourced from BPA's system within the same hour.

Balancing Energy

BPA provided Ecology with extensive comments on balancing energy in both its December 22, 2023 comments on the Agency Request Legislation and its September 27, 2024 comments on the linkage rulemaking. BPA generally refers Ecology to those prior comments for information on balancing energy provided in BPA's BAA.

BPA reiterates that "balancing energy" is an imprecise term that BPA assumes is intended to cover both regulation energy and non-regulation energy. Regulation energy is energy provided on a 5-minute dispatch basis to deal with actual system conditions through Automatic Generation Control and is provided through a BAA's own resources and not subject to market dispatches. In BPA's BAA, non-regulation energy is provided by the Western EIM and is settled on 5-minute intervals. It is important for Ecology to keep these distinctions in mind as it considers if and how regulation and non-regulation energy should be regulated under Washington's cap-and-invest program.

1. **Should Ecology amend WAC 173-441 to separately account for balancing energy provided to in-state generators in EPE reporting?**

BPA believes it would be reasonable for Ecology to not amend WAC 173-441 and thus not separately account for balancing energy that is not already accounted for through an energy imbalance market.

Balancing energy is an area where Washington's cap-and-invest program cannot use California's cap-and-trade program as a model. In California, the BAAs generally align with state boundaries, whereas in Washington there are BAAs that span multiple states. The existence of these multistate BAAs necessitates different considerations and rules between California's cap-and-trade program and Washington's cap-and-invest program. BPA will discuss these considerations separately for regulation and non-regulation energy.

Regulation energy

In BAAs primarily located wholly within the state boundaries, regulation energy is provided by in-state resources and loads. Conversely, for multistate BAAs regulation energy for in-state generators is, in part, provided by out-of-state resources and loads and thus could, in part, be considered imported electricity. Regulation energy is a relatively small amount of energy. In 2023, the total annual regulation energy provided by the federal dams for sub-5 minute under-generation and over-consumption by load in BPA's entire BAA was about 325,000 megawatt hours.[1] Comparatively, total federal generation[2] in 2023 was over 65,000,000 megawatt hours and BPA sales to its preference customers located in Washington was about 38,000,000 megawatt hours. Thus, it appears emissions associated with regulation energy would have relatively insignificant impact on Washington's abilities to meet its climate goals, and any such benefits are likely to be outweighed by the complexities and administrative costs of attempting to regulate such imports.

Non-regulation energy

Where non-regulation energy is provided to in-state resources by an energy imbalance market, such as the Western EIM, such amounts are measurable and reportable. BPA understands non-regulation energy provided to generating units will be part of the total volume of specified resource attribution to Washington under the CAISO's market

[1] BPA provides these estimates to demonstrate relative magnitude of balancing energy provided by the federal dams. These amounts represent federal system deployments to meet net, sub-5 minute under-generation and over-consumption by load for BPA's BAA.
[2] Includes the federal dams and Columbia Generating Station.

design. Thus, the deemed market importer and specified resource and associated emissions should by default be captured by the CAISO's attribution framework once implemented.

2. **If Ecology decides to separately account for balancing energy provided to in-state generators by multistate BAAs, Ecology may define the resource owner or operator, and not the multistate BAA, as the entity responsible for emissions associated with the balancing energy.**

BPA supports this approach. The resource owner or operator should be the entity responsible for any emissions associated with balancing energy as opposed to the balancing authority. For more on this, BPA refers Ecology to BPA's December 22, 2023 comments. To summarize, balancing energy is a service required by a Transmission Service Provider's Tariff and reliability standards adopted by the North American Electric Reliability Corporation. A balancing authority's role is only to correct for error; loads and resources within Washington schedule their expected demand and output, and balancing authorities ensure reliability by making up for the difference between the expected and actual amounts. Thus, the generator/load imbalance and resulting use of balancing energy is being caused by individual loads and generating units within the BAA not the balancing authority itself.

3. **For balancing energy provided to in-state generators by a MJRP, a multistate BAA without retail load in WA, or a federal system**

    a. **Is balancing energy provided by the multistate BAA associated with "system energy"?**

Yes and no. BPA sets aside capacity from the federal dams to provide both regulation and non-regulation energy. Regulation energy is dispatched exclusively from the federal dams and non-regulation energy comes from the EIM, which may or may not be energy from the federal dams. The federal dams provide the Regulation services (capacity and energy) for the net imbalance of the entire BAA. However, it is difficult to determine an exact source for regulation energy provided to a specific generating unit (or a subgroup of units like "all in-state generators") because an individual generating unit's negative imbalance could be met by load in BPA's BAA under-running, other non-federal generators in BPA's BAA over-running, or increased dispatch of federal generators. Regulation is dispatched for the net Area Control Error (ACE) of the entire BAA and not specifically for each generator's station control error.

    b. **Would it be appropriate to apply a system emission factor or an unspecified emission factor to any balancing energy provided by the multistate BAA?**

At this time BPA does not have a perspective on what emissions factor should apply to regulation energy provided by a multistate BAA. Rather, BPA is providing information in these comments so that Ecology can make an informed decision on what emission factor would be most appropriate.

c. Is balancing energy provided by the multistate BAA generally associated with certain resources (e.g. hydro power or centralized electricity market purchases)?

As stated above, regulation energy is dispatched exclusively from the federal dams for the net imbalance of BPA's BAA. Non-regulation energy comes from the EIM and there is currently no direct link between dispatch of a specific resource and an individual load or generator imbalance. However, BPA understands non-regulation balancing energy will be part of the total volume of specified resource attribution to Washington under the CAISO's market design. Thus, the deemed market importer and specified resource and associated emissions should by default be captured by the CAISO's attribution framework once implemented.

d. Is balancing energy provided by the multistate BAA fully accounted for by other aspects of EPE reporting?

To BPA's knowledge, balancing energy provided to in-state generators by a multistate BAA is not fully accounted for in other aspects of EPE reporting.

4. For [ACS] reporting within the [ACS] tool

BPA is not a MJRP and thus responds to this question by equating the question to ACS reporting.

a. Does the value reported as "WA Retail Sales, MWh" include all electricity provided by the system to WA state, including any balancing power provided to in-state resources, or only retail sales by the MJRP to WA customers?

No comment – not applicable to BPA.

b. Do the resources included in the calculation of the [ACS] emission factor (EF) include all resources contributing to system power, including system power used to provide balancing energy to in-state generators?

No, the ACS emission factor calculation does not contain all resources that contribute to providing balancing energy for an individual generating unit in BPA's BAA. Generation from the federal dams is included in BPA's ACS reporting. The ACS emission factor also includes additional federal generation and purchases that are not related to Regulation services. The ACS emission factor does not include nonfederal generators that would be contributing to the ACE for BPA's BAA and thus potentially a source of some balancing energy provided to in-state generators. The ACS emission factor currently includes EIM purchases for load imbalance but does not include non-regulation energy provided for generator imbalance in BPA's BAA.

c. Does the cost allocation method or cost allocation factor account for balancing energy provided to in-state generators separate from costs attributed to WA retail customers?

No comment – not applicable to BPA.

BPA appreciates Ecology staff's continued work on these rules and willingness to engage with BPA on these complex issues. Please contact me or Melissa Skelton at 360-649-3863 or MDSkelton@bpa.gov if there are any questions on these comments.

Thank you,

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