

December 20, 2024

VIA On-line Submission

Attn: Nikki Harris
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Re: Powerex comments regarding Linkage Rulemaking Electricity Considerations

Powerex appreciates the opportunity to provide feedback on potential revisions to electricity topics for the linkage rulemaking. Powerex is a supplier of electricity in bilateral and organized markets in the Western Interconnection. A substantial portion of Powerex's electricity is sourced in British Columbia—a Canadian province with strong GHG policies and with predominantly hydropower resources. Powerex delivers electricity, including clean electricity that is surplus to its needs, across the Western Interconnection. Powerex welcomes the opportunity to provide these comments to Ecology in response to the questions posed as part of the linkage rulemaking.

Question Posed by Ecology

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. (e.g. An Electric Power Entity (EPE) transacting at MID-C and sinking and sourcing from both BAA X and BAA Y, “wheel throughs” would have to be separately calculated for BAA X and BAA Y even if all source PORs/PODs are associated with the MID-C area).

Powerex Response

Powerex believes a wheel-through on two e-tags is intended to result in activity equivalent to what is achievable with a wheel-through on a single e-tag. Limiting wheel-throughs to schedules entering and exiting the same Balancing Authority Area (BAA) is consistent with this principle and would simplify tracking and validation.

Powerex understands Ecology's question to infer that unspecified imports **initially** sinking at the trading hub are reported as unspecified exports on the second e-tag. Powerex is concerned that the SB 6058 definition of “Electricity wheeled through the state” does not provide any limitations on the carbon intensity of the import schedule relative to the export schedule and may lead to unintentional consequences that could undermine the integrity of the program and risk Washington's ability to link with California.

Powerex understands the SB 6058 wheel-through provision is meant to enable the equivalent treatment of at least two types of “wheeled” transactions:

1. electricity that is wheeled through Washington State using a single e-tag, and
2. electricity wheeled into and out of Washington State through a common point or trading hub on separate e-tags within the same hour.

SB 6058 requires separate schedules through a common point or trading hub to occur within the same hour, supporting equivalency to a single e-tag wheel-through. However, SB 6058 also appears to remove the existing restriction that netting (or ‘wheeling’) involves only unspecified power, whereby balancing emissions between import and export schedules can only occur if both are unspecified. This restriction prevented a situation where a specified lower-emissions export, typically supported by clean generation sources, could be artificially balanced by an unspecified or higher-carbon import. **By removing the explicit reference to unspecified power, and without additional restrictions, Powerex is concerned that the latter of the “wheeling” scenarios above may present a unique opportunity for entities to “backfill” specified (e.g., lower-emissions) exports with unspecified (e.g., higher-emissions) imports, compromising the program’s goals.**

Allowing schedules with mismatched emissions to be treated as a wheel-through could compromise Ecology’s stated goals for this rulemaking, specifically, Ecology’s ability to protect the environmental integrity of the program, capture imported emissions associated with serving WA demand, and protect against leakage.

A simplified illustration of the concern would be an unspecified import to a Washington trading hub or balancing authority, matched with a specified non-emitting direct delivery to California. If the combination of schedules were considered a “wheel-through” by Washington regulation, the net effect would be an unspecified import to the combined Washington California footprint that did not incur an emissions liability. This potential type of leakage could pose a significant obstacle to Washington's efforts to link with California's carbon program.

Proposed Clarifying Language

These consequences are avoided when a wheel-through occurs on a single e-tag (having a single generation source) or when the emissions of the exporting schedule is equal to or greater than the emissions of the importing schedule.

To maintain what Powerex understands to be the original intent of this rule and ensure the multiple e-tag wheel-through does not create a schedule where import emissions are not counted because they are matched with a lower emissions export, Ecology could consider adding explicit language to WAC 173-441-124 (2) such as:

“For electricity wheeled through the state, any netting of imports and exports on separate e-tags shall only occur between schedules of the same emissions factor. In particular, lower emissions exports may not be used to net against higher emissions imports.”

Rationale

By incorporating the above language (or similar), Powerex believes Ecology:

- *Retains flexibility in wheel-throughs:* Entities can still manage wheel-through transactions on separate e-tags, but any netting must remain “like-for-like” (i.e., unspecified with unspecified, specified with specified).
- *Supports accurate GHG accounting:* By preventing the mixing and backfilling of differing emissions intensities, stakeholders maintain confidence in the reported GHG emissions and the environmental claims associated with specified exports.
- *Preserves credibility and opportunity for linkage:* By preventing backfilling, Ecology maintains transparency, and supports the credibility and consistency needed for potential future linkage with California’s carbon program.

Conclusion

Powerex strongly believes a wheel-through on two e-tags should not enable any transaction, beyond scheduling flexibility, that a participant could not achieve with a wheel-through occurring on a single e-tag. In the spirit of this principle and to maintain the integrity of Washington’s carbon program, Powerex strongly encourages Ecology to explicitly clarify that higher intensity imports (for example, unspecified imports) cannot be used to net against (backfill) specified lower intensity exports. Without such safeguards, there is a risk of undermining the program’s environmental objectives and its ability to accurately capture imported emissions serving Washington’s demand.

Powerex looks forward to continuing to work with Ecology as it completes its rulemaking and welcomes any opportunity to discuss these issues further, should that be useful for Ecology.

Sincerely,

Shelby Kitt
Market Policy Analyst
Powerex