Avista Corp

See attached comments from Avista. Thanks!

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December 20, 2024

Andy Hayes
Department of Ecology
Cap and Invest Policy Section Manager
P.O. Box 47600
Olympia, WA 98504-7600

Re: Linkage Rulemaking – Electricity Considerations

Dear Mr. Hayes,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in response to the Department of Ecology (Ecology) workshop held on November 19, 2024. Avista appreciates the opportunity to provide input on issues related to the reporting and coverage of electric energy under the Climate Commitment Act.

We agree with the stated considerations in the Nov. 19 presentation to recognize the complexity and liquidity of energy flows, ensure consistent treatment of electric power entities, protect environmental integrity of the program and protect against leakage and enable linkage with other jurisdictions. It is important that calculations and reporting accurately reflect the emissions associated with serving Washington loads and that they not overstate emissions by including contracted power that ultimately is not consumed in Washington. Overstating emissions causes inverse leakage, which is to say emissions not attributable to Washington are captured under the program and included in the covered entities compliance obligation. Based on Avista's 2023 CCA reporting, absent thoughtful regulatory language, the overstatement will be significant.

Avista appreciates the opportunity to offer the following responses to Ecology's requests for feedback:

In reference to "electricity wheeled through the state" on separate e-tags

• How should Ecology implement the term "common point"?

"Common point" should refer to: 1) a single Point of Receipt/Point of Delivery representing all PORs/PODs within the same Authority Area (BAA) located entirely within Washington, and for MJRP utilities, 2) a second Point of Receipt/Point of Delivery representing all PORs/PODs within the same Authority Area (BAA) deemed outside Washington. This approach ensures large volumes of power contracted in support of utility hedging programs, but not ultimately flowed to serve loads in Washington and do not generate emissions, are not counted in emissions reporting. Please see Avista's previous comments on the Linkage topic, dated September 17, 2024, for further explanation on the impacts of including utility hedging volumes in emissions reporting.

• How should Ecology implement the term "trading hub" specific to the MID-C area?
On May 24, 2023, Ecology affirmed:

> *"that the scenarios identified in the [March 1, 2023 industry "Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act"] white paper represent electricity imports that should be reported under the Climate Commitment Act (CCA) and believes that the approach for identifying the appropriate electricity importer as set forth in the white paper is reasonable. As a result, Ecology will accept emissions reports that rely on the proposals set forth in the white paper."*

Avista believes Ecology should look at the white paper and any new language should reflect and not conflict with it.

• 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 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).
Separate accounting by BAAs will over-state WA emissions. Each reporting entity should define wheel throughs at a common point, ignoring BAA designation.

• In the calculation of greenhouse gas emissions associated with imported electricity for MJRPs (i.e., MJRP emission factor calculation), should "wheel throughs" considerations be provided for unspecified electricity purchases sunk to an MJRP's system?
Yes. Only energy used in support of Washington loads should be included in MJRP emission factor calculations. Therefore, wheel-through energy should be explicitly excluded in rule. Absent this exclusion the emissions factor has the potential to be severely biased by the unspecified emissions

rate being applied to large volumes of "phantom" eTags that don't result in physical delivery of energy.

• If so, should "wheel throughs" in the MJRP 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?
Yes.

For balancing energy provided to in-state generators by a MJRP, a multistate BAA without retail load in WA, or a federal system
• Is balancing energy provided by the multistate BAA associated with "system energy"?
Yes. However, balancing energy described here is not associated with Washington load service. It is associated with in-state generator over-scheduling. Balancing energy emission obligations should be the responsibility of the generator. Such balancing energy should be removed from the compliance obligation of the BAA and assigned to the facility. There is no means otherwise for a BAA to recover these costs, as FERC tariffs do not presently, and are unlikely in the future, to address CCA costs.

• Would it be appropriate to apply a system emission factor or an unspecified emission factor to any balancing energy provided by the multistate BAA?
Yes. For BAAs it makes the best sense to use a system emission factor, as it will reflect average emission levels for the system, inclusive of balancing energy. However, it will likely be necessary to use the unspecified emissions factor for third-party generators who would be responsible for balancing energy under Avista's recommendation, as third-party generators will not have access to the system emissions factor of their BAA.

• Is balancing energy provided by the multistate BAA generally associated with certain resources (e.g. hydro power or centralized electricity market purchases)?
No. Balancing energy emissions are dependent on system conditions at the time of imbalance. Balancing energy is not likely sourced from a single resource, even within the same hour.

• Is balancing energy provided by the multistate BAA fully accounted for by other aspects of EPE reporting?
Not necessarily. Our understanding is that some reporters/verifiers have singled out imbalance energy for in-Washington deliveries, and accounted for the emissions associated with it, but that the approach is not uniform across reporters. Clarification therefore could be helpful. Avista's 2023 reporting used the lesser-of approach to define imbalance energy associated with specified sales to in-Washington loads and accounted for emissions associated with this imbalance using the unspecified imports rate. We do not today have third-party generators scheduling power to third-party entities,

but this approach likely could be extended in the case where a third-party generator does exist. This topic is timely, as Avista expects third-party generators to export power from our system in 2025.

For MJRP reporting within the MJRP tool

• 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?

It is only retail sales by the MJRP to WA customers. However, in Avista's 2023 MJRP reporting we reported balancing energy as additional Unspecified Imports. Using this approach, possibly with clarifications in rules described in the question prior to this, there would not be a need to address balancing energy further in the MJRP tool.

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

Yes, it does so where balancing energy is counted as unspecified power in the method described above.

• 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?

By making the generator responsible for balancing energy using the unspecified import emissions rate, and by commensurately removing this obligation from the BAA for third-party generators, Washington retail customers are protected from these costs not associated with BAA-served loads.

Thank you for the opportunity to provide input regarding the calculation and reporting of imported electricity, and we look forward to further discussions to ensure effective implementation of the CCA.

Sincerely,

/s/ Kevin Holland

Kevin Holland
Director of Energy Supply
Avista Corp