Western Power Trading Forum

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Comments of the Western Power Trading Forum on Linkage Rulemaking Electricity Considerations

December 20, 2024

The Western Power Trading Forum[1] (WPTF) appreciates the opportunity to provide input to the Washington Department of Ecology (Ecology) on its questions related to electricity issues under the Linkage rulemaking.

"Electricity wheeled through the state"
SB 6058 adopted the following definition of "electricity wheeled through the state" in statute: *"Electricity wheeled through the state" means electricity that is generated outside the state of Washington and delivered into Washington with the final point of delivery outside Washington including, but not limited to electricity wheeled through the state on a single NERC e-tag, or 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.*

In reference to "electricity wheeled through the state" on separate e-tags, Ecology requests interested parties provide feedback on:

1) **How should Ecology implement the term "common point"? Should "common point" include or refer to: a single Point of Receipt/Point of Delivery (POR/POD); any PORs/PODs within the same Balancing Authority Area (BAA) located entirely within WA; or something else?**

   Although some BAAs use a single POR/POD for transfers into and out of the BAA, it is not uncommon for a BAA to have multiple PORs/PODs that are used. Additionally, scheduling points on the transmission system change frequently. We therefore suggest that "common point" be considered as referring to any PORs/PODs within the same BAA.

   We also recommend that implementation of "common point" be limited to BAAs located entirely within Washington. As discussed in the Electricity Imports Whitepaper, multistate BAAs must generally be treated as being located entirely outside Washington. This is because in most circumstances, energy that is sourced from a multistate BAA cannot be determined to have originated from a Washington resource. Similarly, energy that sinks into a multistate BAA generally cannot be considered to sink in Washington, as that energy may be serving load outside of Washington. Thus, while energy can be wheeled through a multistate BAA, this energy is not the same as a wheel-through Washington. (See also our response to question 4 below.)

   The exception to the general rule would occur when a POR/POD associated with a Washington resource or a Washington load within a multistate BAA is identified on a tag. For instance, an entity that has a scheduling point associated with that Washington resource within the multistate BAA[2]. can both source and sink energy from that scheduling point. The corresponding tags would thus show energy that originates from that Washington resource (and is thus an export if the tag sinks outside Washington), or energy that sinks to that resource's scheduling point (and is thus an import if the electricity originates outside Washington). Likewise, some of BPA's larger utility

[1] WPTF is a diverse organization comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West. WPTF has over 120 members participating in power markets within the west and across the United States.
[2] The White Paper attachment provided several example tags where scheduling points in multistate BAAs were associate with specific Washington resources. In these examples, the entity that that operate the multistate BAA was also a PSE on a tag. It is feasible that another entity could establish arrangements with the Balancing Authority to use a designated scheduling point within the multistate BAA.

customers have designated scheduling points within BPA's BAA that they use to schedule other wholesale purchases and sales. Under either scenario, where an entity with this type of arrangement can show both an export and an import to the Washington scheduling point within the multistate BAA, the import and export together should be considered a legitimate wheel-through.

Ecology must ensure that the revised reporting rule provides sufficient clarity around electricity imports and exports to give effect to the wheel through provisions in SB6058. In our September 2024 comments, in addition to a definition of "Common Point, WPTF also suggested new definitions of "Electricity Generated outside of Washington state" and "Final Point of Delivery in Washington". Taken together, we believe these definitions will provide much needed clarity for electricity imports and exports generally, as well as for electricity wheeled-through the state.

Lastly, WPTF considers that the intent of the wheel-through provision in SB 6058 is to enable electricity wheeled into and out of Washington state through a common point or trading hub on separate e-tags within the same hour to be treated equivalently to electricity that is wheeled through Washington state using a single e-tag.

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, Ecology must also establish regulations to prevent separate e-tags from enabling higher-emissions imports (on the first e-tag) into Washington State to be classified as a wheel-through when paired with lower-emissions exports (on the second e-tag) via a common point or trading hub. If such schedules with mismatched emission were treated as a wheel-through, it could risk the environmental integrity of the program and hinder potential linkage with California.

2) **How should Ecology implement the term "trading hub" specific to the MID-Columbia (MID-C) area? Should trading hub refer to: the MID-C adjacency only; a broader set of PORs/PODs associated with MID-C transactions. If so, how should these be defined; or something else?**

Because of the large amount of hydroelectric generation capacity and the large number of entities that have transmission access to the MID-C area, several entities use that area for 'hubbing' arrangements. These arrangements allow those entities to both source from and sink energy to the MID-C area using either a specific MID-C Source POR/Sink POD within a multistate BAA, or the BAA of one of the MID-C PUDs. Although the SB 6058 language refers to a common point or trading hub, WPTF believes that this was intended to recognize the hubbing practice as a legitimate way of wheeling electricity through the state.

Defining "common point" as any POR/PODs within a BAA located entirely inside Washington is sufficient to address wheels pursuant to hubbing arrangements of entities that use the BAAs of the MID-C PUDs. For entities that hub using a MID-C POR/POD of a multistate BAA, those transactions are not subject to the CCA unless they originate from a Washington resource or sink in Washington. Rather than define "trading hub", WPTF instead recommends that Ecology formalize provisions to enable entities to use the lesser-of analysis to show that electricity and any associated emissions sourced from a 'composite source POR' in a multistate BAA was separately accounted because it was partially (or completely) supplied from a Washington resource.

3) **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).**

   As explained above, WPTF supports limiting wheel-throughs to PORs/PODs within the same BAA. We do not consider it necessary or appropriate to limit this to the MID-C PUD BAAs or multistate BAA at the MID-C trading hub, as utilities that do not have transmission access to MID-C may still engage in wheeling through their BAAs.

4) **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? 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?**

   Although wheels through an MJRP (or an ACS) system are not wheels through Washington, both MJRPs an ACSs should be able to take wheel throughs of unspecified purchases and sales in the same hour in calculating the 'common system pool' or ACS emission factors.

   MJRPs operate multistate BAAs. As discussed in 1 above, energy may be wheeled-through these BAAs, but that is not subject to regulation under the Climate Commitment Act. Energy that is wheeled-through an MJRP BAA should factor into the calculation of the MJRP emission factor. If the MJRP emission factor is calculated based on a rolled up hourly data, then it would be appropriate to align the rules for considering MJRP wheel-throughs that occur within the same hour in this calculation with the general wheel-through requirements.

   WPTF also notes that the current reporting rule does not seem to provide for the netting of "wheel throughs" on separate e-tags for wholesale unspecified sales in Ecology's calculation of the system emission factor for Asset Controlling Suppliers. Because the calculation of the emission factor for the common system power pool for MJRPs takes into account both purchases and sales of unspecified electricity, so should the calculation of any ACS emission factor. In other words, the reporting rules should allow an ACS to exclude power wheeled into and out of its system on separate e-tags within the same hour. Failure to account for an Asset Controlling Supplier's unspecified sales could inappropriately inflate the resulting emission factor.

"Balancing Energy"
Ecology requests multistate BAAs and interested parties provide feedback on the following topics. This information will help Ecology determine if and how balancing energy may be separately accounted for in electricity reporting as enabled by SB 6058.

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

5) **Is balancing energy provided by the multistate BAA associated with "system energy"?**

In general, WPTF believes that the answer is yes. However, a generator that receives balancing energy should be able to demonstrate that it was provided by a resource located in Washington or by a specified source.

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

WPTF considers that, to the extent possible, it would be desirable to avoid assigning an unspecified emission factor for balancing energy for several reasons. First, as more and more states adopt programs to address electric sector GHG emissions, there is increasing demand to develop better accounting of these emissions. The ongoing efforts in the CAISO EDAM and SPP Markets+ initiatives to develop robust GHG accounting frameworks are evidence of this. As these accounting systems evolve, Ecology and other regulators should be able to calculate and use more accurate emission factors without the need to rely on default values. Second, we believe that some entities that operate multistate BAA may wish to use an emission factor that more accurately reflects their specific system or demonstrate that balancing energy was provided by a specific resource. Provisions for balancing energy should support use of more accurate market, BAA system, or resource-specific emission factors.

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

Entities that operate multistate BAAs may use different practices for providing balancing energy for resources within their footprint, as discussed in our response to question 7 above. Ecology should consult with those entities.

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

To our knowledge, balancing energy provided by multistate BAAs is not a specifically defined term, nor required to be accounted for under the current rule. For MJRPs, the calculation of emissions associated with Washington retail load does not include any MW of energy provided as balancing services to IPP-owned resources (nor any associated emissions). Similarly, the workbook that BPA provides for its Washington utility customers also does not address balancing services provided to Washington resources owned by other entities. Without an explicit requirement for Washington resources within the multistate BAAs to calculate and report balancing energy, this energy and any associated emissions will be missed. This omission could impair linkage to California. It also disadvantage importers of energy from zero emitting resources located out of state because balancing energy and associated emissions for those resources must always be reported and incurs a compliance obligation.

9) Ecology also requests feedback from MJRPs on some of the details of their specific MJRP reporting including

• 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?

• 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?

• Foes 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.