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Attention: Washington Department of Ecology

Re: Cap-and-Invest Program Updates and Linkage Rulemaking

TransAlta Energy Marketing U.S. (TEMUS) appreciates this opportunity to submit comments on the Cap-and-Invest Program Updates and Linkage rulemaking. TransAlta owns and operates over 700 MW of generation capacity in Washington and transacts physical and financial wholesale power across multiple electricity markets, as well as trading in environmental markets across Canada and the US. Given its activities in Washington state and in connected electricity markets across the western United States, TransAlta has a vested interest in understanding the proposed impacts and requirements of linkage with Québec and California.

OATI Point-State Mapping Report

To comply with the requirements under WAC-441, it is necessary to purchase the Point-state Mapping Report from Open Access Technology International (OATI). Given that the compliance scheme relies on the verification of e-tags, the only way to ensure accuracy requirements under WAC 173-441-085(3)(b) 1 is to use this Report to identify all the Point of Receipt (POR) and Point of Delivery (POD) within the state. Thus, because accuracy and compliance with Ecology's Rules is virtually impossible without it, this Report should be made available to all Electric Power Entities (EPE) each year. The Report is not publicly available but can be purchased at the current cost of approximately $10,000 per year per state. This is a non-trivial cost for market participants, especially independent power producers generating a relatively small amount of energy. TEMUS recommends that the cost be included in Ecology's annual reporting fee under RCW 70A.15.2200 (2)

Registration Requirements

TEMUS recommends that Ecology adopt minor revisions to the program registration requirements to align with California. Like California under Title 17-9583(c)(5), WAC 173-446-130(8) allows the designation of an in-state agent to be appointed as an account representative for covered entities located outside the state. However, WAC-446-130(1)(b)(iv) appears to still require account representatives to hold an account with a US bank based on a primary address in Washington state. TEMUS recommends that Ecology amend this requirement to mirror the alternative provided in California under 17- 95834(b)(4)(B):

> Exception to open bank account in the United States: This applies to a Registrant who will only represent a covered entity located outside of the United States that has no authorized personnel residing in the United States and that cannot provide proof of an open bank account in the United States. Registrant may provide proof of an open, personal bank account in the country in which the covered entity is located. The Registrant's employer must also submit an attestation signed by an officer or director along with the proof of open bank account documentation. Refer to Section 95834(b)(4)(B) of the regulations for further details.

In addition, California recognizes the registration of covered entities in linked jurisdictions under 95830(g)(4). TEMUS recommends that Ecology revises the registration requirements so that registration in a linked jurisdiction is recognized and covered entities are not required to register separately in every linked jurisdiction.

Specified Imports Threshold

TEMUS recommends that Ecology provide clarity in WAC 173-446-030(1)(c) regarding applicability to first jurisdictional importers.

Subsections (i) and (ii) appear to separate emissions into two categories, specified in subsection (i) and unspecified in subsection (ii):

> (i) Whose cumulative annual total of covered emissions associated with the imported electricity for any calendar year from specified sources and qualifying unspecified electricity purchased from a federal power marketing administration equal or exceed 25,000 metric tons of carbon dioxide equivalent per year. Qualifying unspecified electricity is electricity purchased from a federal power marketing administration pursuant to section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-501, that Ecology determines is not from a specified source;
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> (ii) Whose cumulative annual total of covered emissions from emissions year 2025 or any subsequent year associated with imported electricity from unspecified sources exceeds 0 metric tons of carbon dioxide equivalent per year;

However, it is unclear how the applicability threshold of 25,000 MT in subsection (i) is applied in conjunction with subsection (ii). There are two possible interpretations of the emission obligation in a situation in which an electricity importer accumulates specified electricity imports less than 25,000 metric tons of carbon dioxide equivalent per year ($MTCO_{2e}$/yr) but imports some amount of unspecified electricity greater than 0 $MTCO_{2e}$/yr:

1. All imported quantities from specified sources less than 25,000 $MTCO_{2e}$/yr *and* imports from unspecified sources incur emission obligations;

2. Specified imports less than 25,000 $MTCO_{2e}$/yr are exempt from emission obligations but unspecified imports do incur emission obligations.

The second interpretation above aligns with the originating legislation in RCW 70A.65.080(1)(c)(i):

> (A) For specified sources, the cumulative annual total of emissions associated with the imported electricity exceeds 25,000 metric tons of carbon dioxide equivalent;
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> (B) For unspecified sources, the cumulative annual total of emissions associated with the imported electricity exceeds 0 metric tons of carbon dioxide equivalent; or
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> (C) For electricity purchased from a federal power marketing administration pursuant to section 5(b) of the Pacific Northwest electric power planning and conservation act of 1980, P.L. 96-501, if the department determines such electricity is not from a specified source, the cumulative annual total of emissions associated with the imported electricity exceeds 25,000 metric tons of carbon dioxide equivalent.

TransAlta recommends that WAC 173-446-030(1)(c) be rewritten to make it unambiguous that the coverage criteria is applied *separately* under each category (i.e., subsection (i) and (ii)) and is not combined.

As Ecology is aware, the western electricity market is complex and transmission paths are often congested. While TEMUS makes best effort to import non-emitting energy, sometimes these day-ahead schedules are cut in real-time and TEMUS must source emitting energy as a substitute. These volumes are relatively small but the first interpretation of the draft rules would create compliance burden disproportionate to the amount emissions imported.

Qualifying Unspecified Imports from a Federal Power Marketing Administration

TEMUS recommends that Ecology provide clarity in WAC 173-446-030(1)(c)(i) regarding the classification of imported power from federal power marketing administrations (PMA).

The draft rules infer that Ecology will delineate electricity sourced from a PMA into specified or unspecified. Because this affects compliance obligations, it is important for Ecology to make very clear how this delineation process would occur, and when.

While TEMUS appreciates that Ecology cannot anticipate all possible market situations, the worst outcome for a market participant is to have an import that they believed to be specified deemed as unspecified months after the transaction.

Balancing Energy

TEMUS agrees with Ecology's decision to remove the (previously) proposed "balancing energy" provision in electricity importer definition of the draft rules.[1] TEMUS concurs with Ecology's assessment that the administratively complex

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[1] Stakeholder workshop on Cap-and-Invest: Electricity Imports and Centralized Electricity Markets, June 26, 2025

accounting needed to account for these emissions does not justify the level of emissions captured.

Wheel-throughs

TEMUS supports the drafted language in WAC 441-124 (mm) because it supports current commercial practices:

> "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.

Further refinement on wheel-throughs may not be able to capture the complexity of electricity transactions as they proceed from day-ahead into real-time in a linear fashion, especially as Washington Balancing Area Authorities transition into different regional centralized markets, each with different rules.

Tech Neutral

TEMUS recommends that Ecology adopt a "technology neutral" approach and incorporate flexibility for emerging emission reduction technologies such as carbon capture or renewable fuels. Such an approach could support the development of resources needed for reliability and grid stability while still progressing towards Washington's climate goals.

Yours truly,

TRANSALTA USA INC.

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