PACIFIC POWER
A DIVISION OF PACIFICORP

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Submitted via Ecology's Online Public Comment Form

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Climate Pollution Reduction Program
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Re: PacifiCorp's Informal Comments on Ecology's March 6, 2025, Electricity Forum focused on electricity imports and centralized energy markets

On March 6, 2025, the Washington Department of Ecology (Ecology) hosted an electricity forum discussion for the sector to gather information on electricity imports and centralized electricity markets (CEMs). On March 7, 2025, Ecology posted a list of detailed questions and considerations, many of which were specific to the reporting and business practices of multijurisdictional retail providers (MJRPs). PacifiCorp is an MJRP regulated commensurate with its service of retail customers in Washington, as well as its wholesale purchase and sales activity, and function as an operator of two balancing authority areas (BAAs), one of which spans across Washington, Oregon and California. PacifiCorp also currently participates in the Western Energy Imbalance Market (WEIM) and is committed to participate in the Extended Day Ahead Market (EDAM).

PacifiCorp applauds Ecology's continued facilitation of the Cap-and-Invest Electricity Forums and appreciates Ecology's recognition of the unique position and complexities of MJRPs. In addition, as Ecology continues to implement the Climate Commitment Act (CCA), PacifiCorp requests that Ecology maintain consideration of the Clean Energy Transformation Act (CETA) as the "key driver" of decarbonization in the utility sector, not the CCA.[1] PacifiCorp's responses below to the questions raised by Ecology weigh the considerations posed by the agency and provide a foundation for the long-term success and durability of the CCA and its policy objectives.

Defining GHG Zone and treatment of system power

1. **How should the WA GHG Zone be defined within CEMs and how does this interface with existing reporting frameworks?**

As an initial matter, PacifiCorp contends that the existing CCA regulations, including those that define which emissions carry an obligation under the program, are sufficient to allow centralized energy market participants to appropriately bid resources into and out of Washington and advance the CCA's policy objectives. Organized markets, including the WEIM, continue to

[1] *Washington State Climate Commitment Act, Summary of Market Modeling and Analysis of the Proposed Cap and Invest Program*, September 2022. Available here: https://apps.ecology.wa.gov/publications/SummaryPages/2202038.html

prove that they drive reductions in system emissions and renewable resource curtailment.[2] Furthermore, the EDAM is expected to have similar positive benefits on emission reductions when it goes live in 2026 and as trading patterns become more efficient.[3] Therefore, Ecology does not need to promulgate a rule defining "GHG Zone" or "GHG Pricing Zone." Insofar as any additional informal guidance is needed, PacifiCorp strongly recommends that the definition of the GHG Zone remain consistent with an imported electricity compliance reporting framework, which is already widely accepted by market participants[4] and reflected in the CCA and Ecology's existing rules.

The GHG Zone should be defined in guidance consistent with existing state law and an imported electricity framework, rendering PacifiCorp's system as outside the GHG Zone. The clear intent of the CCA is to regulate emissions generated in the state or associated with energy consumed in the state. The CCA defines "imported electricity" as electricity generated outside the state of Washington with a final point of delivery within the state, including electricity from an organized market, such as the WEIM.[5] Ecology cannot create any definition of the GHG Zone that is inconsistent with this statutory definition. Furthermore, Ecology's own rules currently necessitate an imported electricity framework, defining, for example, MJRP system power (excluding in-state facilities) that serves WA retail sales as imported power.[6] PacifiCorp has relied on the existing imported electricity framework as defining the WA GHG Zone in its planning and procurement activities. In addition, PacifiCorp has invested significant resources planning all the necessary EDAM systems, infrastructure, strategy, and network updates and upgrades under the current statute and rule that states PacifiCorp's MJRP system and BAAs are considered outside the GHG Zone. Any change away from an imported electricity framework will have major disruptions to PacifiCorp's participation in centralized electricity markets and its allocation of energy and emissions to customers.

The treatment of PacifiCorp's system as an MJRP outside the GHG zone is critical for its operation of the PacifiCorp West BAA (PACW) that covers Washington, Oregon and California. BAAs must manage system conditions, including increasingly volatile demand and supply, and maintain system reliability and efficiency, irrespective of state boundaries or GHG Zones. Tracking the sources of frequently dispatched power to operate the BAA – and the physical electrons associated with the sources' power – is impractical, unnecessary, and prohibitively expensive. In recognition of this complexity, the CCA focuses on the emissions associated with energy used or allocated to serve Washington customers and does not focus on the physical energy

[2] California ISO *Western Energy Imbalance Market Benefits Report, Fourth Quarter 2024*, available here: https://www.westerneim.com/Documents/iso-western-energy-imbalance-market-benefits-report-q4-2024.pdf
[3] *Extended Day-Ahead Market Benefits Study*, August 30, 2023, modeling EDAM's expected reduction in midday solar curtailment and increased gas generation efficiency during overnight hours. Available here: https://www.brattle.com/wp-content/uploads/2023/09/Extended-Day-Ahead-Market-Benefit-Study.pdf
[4] *Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act*, March 1, 2023, available here: https://ecology.wa.gov/getattachment/b32c1b44-a03d-4103-b919-d5b8245c8e7a/202304EPEWhitePaper.pdf
[5] RCW 70A.65.010(43)(a)
[6] WAC 173-441-124(2)(q)(v)

that that does not. One Ecology considering the exclusion of energy wheeled through the state from the compliance obligation calculation.[7]

2. What load and what generation resources should be included in the WA GHG Zone for

c. Multi-state BAAs that are also multijurisdictional retail providers

As an MJRP that also operates a multi-state BAA, PacifiCorp's load should continue to be considered outside the GHG Zone because it applies a Washington retail load share of the PacifiCorp system as an "import" to Washington, which is inclusive of market transactions, pursuant to existing statutory definitions and Ecology's rules. RCW 70A.65.010(43)(e) and WAC 173-441-124(2)(q)(v) both state that the allocation of specific facilities to Washington's retail load will be allocated based on cost allocation methodology approved by the Washington Utilities and Transportation Commission. Conversely, including part of an MJRP's load as inside the GHG Zone would require an unsanctioned accounting scheme for the assignment of emissions and costs, breaking the approved six-state cost allocation methodology and disallowing equitable sharing of the complete PacifiCorp system. PacifiCorp cautions Ecology against attempting to impose a market dispatch paradigm to a cost allocation methodology.

PacifiCorp does not physically operate resources or make CEM purchases for a particular state's load but rather for the entire BAA through its common pool of resources and power purchases. A CEM purchase brought in though Washington is – and should continue to be – accounted for the same as a CEM purchase brought in through Oregon or California. PacifiCorp demand served through a centralized electricity market could be delivered to any of the three states PACW covers but that energy is a shared resource all three states all rely on and pay for. Having different accounting treatments for where the CEM enters PacifiCorp's system has cost implications for PACW BAA customers in other states.

Ecology's treatment of the GHG Zone should be consistent with California's treatment, which also excludes MJRP's load from the GHG Zone. The California Independent System Operator's (CAISO) WEIM, of which PacifiCorp is a participating entity, recognizes the complexity of multistate BAAs and allows MJRPs that span multiple states to have their load served in the state of California without the use of GHG bid adders, and treats them as outside the GHG Zone. In addition, the California Air Resources Board (CARB) recognizes that MJRPs operate as a "system" and assigns emissions to the energy used from imports[8] in the same way Ecology does. CARB does not distinguish between centralized electricity market purchases that are delivered to the company in California or the other five states in PacifiCorp's service territory because it respects the multistate cost allocation protocol and implication a different treatment would have on other states. If Washington's MJRP or CEM treatment differs from California's MJRP treatment, then there is risk for leakage and double-counting, both of which can have real harm to

[7] Ecology July 1, 2024 draft rules WAC 173-441-124(2)
[8] CCR Title 17 § 95111(b)(4)

customers, through missed emissions and increased costs, or to agencies seeking the most accurate state emission tracking.

If Ecology changes the definition of the GHG Zone away from the imported electricity framework and requires an MJRP to be partially in the GHG Zone, it would result in major disruptive system changes to those affected companies. For example, if PACW was covered in the GHG Zone, PACW would likely need to split into two separate PACW BAAs – a Washington only BAA and an Oregon and California BAA. The consequences of such a decision would have cascading implications and lead to a complete change in the operational procedures of managing a subset of the entire PacifiCorp system. For example, the breakup would lead to reliability issues as it would change the way PACW manages its contingency reserves, which are an instrument that maintain reliability in Oregon and California; require Northern American Electric Reliability Corporation and Federal Energy Regulatory Commission approval; and break the six-state cost allocation protocol that PacifiCorp relies on to assign costs to customers and meet the Clean Energy Transformation Act (CETA) targets and other state's clean energy goals. A GHG Zone that included all of PACW – including Oregon and California - would likely be an overstep of the agency's authority to regulate emissions and impose additional costs on other states.

While e-tags may be praised as a solution, they may not always correctly determine what resources served what load. For example, if PacifiCorp schedules 500 MW of wind to be delivered from the PacifiCorp East (PACE) BAA that serves Utah, Idaho and Wyoming to its PacifiCorp West (PACW) BAA and only 200 MW of wind materializes, there is no way of knowing what the other 300 MW are made up of. PacifiCorp uses e-tags to transfer between its two BAAs but the tag is not tied to specific generation resources but rather the pool of PACE resources for meeting PACW demand. This practice is further supported through annual cost allocation of energy and emissions, and any real-time tracking via e-tags would break that protocol. E-tags would not be helpful in determining how a BAA partially in a GHG Zone could account for what resources Washington customers use.

Similar to its load, PacifiCorp's system resources (excluding in-state facilities) should continue to be considered outside the GHG Zone. RCW 70A.65.010(43)(e) and WAC 173-441-124(2)(q)(v) provide ample support that generation from in-state facilities contributing to a common system power pool does not count as "imported electricity" and emitting electric generation is a covered entity under RCW 70A.65.080(1)(a). Generation outside Washington state should not be included in the GHG Zone as those resources are not subject to Washington's laws and may not result in energy being used in Washington.

Understanding CEMs and MJRP interactions

1. **How does an MJRP represent load in a CEM? Should WA retail load for an MJRP be represented as within the WA GHG Zone?**

Washington load for an MJRP should not be represented as within the Washington GHG Zone for all the reasons stated above.

2. **When attribution to the WA GHG Zone is enabled by CEMs, how should imported MJRP system energy and emissions be accounted for within the Cap-and-Invest Program?**

In WEIM and EDAM, energy transferred into the Washington GHG Zone by MJRPs should be considered as an import into the state. Attribution occurs when resources outside a GHG Zone are assigned to have served load within a GHG Zone and therefore have a GHG bid adder associated with a resource.

Current WEIM and EDAM designs do not permit MJRP system energy sales to the GHG Zone. WEIM and EDAM will dispatch power to Washington's GHG Zone on a resource specific (or "specified") basis. Currently, Ecology ensures MJRPs report WEIM specified sales, removing the associated MWh and emissions from the MJRP system calculation. 173-441-124(3)(b)(iv). EDAM's specified sales should be accounted for in the same way.

Energy transfers to an MJRP through a CEM should be accounted for as an unspecified purchase and recognized as part of the common power pool used to serve the CEM footprint because MJRPs are outside the GHG Zone. CEM imports to a MJRP from WEIM or EDAM will not come on a specified basis. There is further discussion below on how to measure emissions from those unspecified purchases.

   a. **Should MJRP participation in a day-ahead or real-time only CEM impact the usefulness or calculation of emissions associated with imported system power serving WA retail load?**

For WEIM and EDAM, MJRP participation in a day-ahead or real-time only CEM should not impact the usefulness or calculation of emissions associated with imported system power serving Washington load. WAC 173-441-124(3)(b)(iv) determines the emissions factor for the common pool of resources used to serve Washington retail load – including CEM purchases – and electricity dispatched from a CEM to an MJRP contributes to that common system power of "imports" from outside Washington. For WEIM and EDAM, PacifiCorp supports that WEIM or EDAM energy and emissions be included in the out of state calculation determined under "EFMJRP- not WA" as CEM purchases contribute to the common pool of resources. WEIM and EDAM energy is used to serve retail customers so WEIM and EDAM energy and emissions should not be included in "MWhWSP – not WA" section as that is only for energy that is not used to serve retail customers.

b. If an MJRP participates in a day-ahead CEM, would all energy and emissions associated with MJRP system imports to WA retail load be accounted for by attribution of MJRP generation to the WA GHG Zone?

Both WEIM and EDAM do not allow system or unspecified imports of MJRP generation to the GHG Zone so all imports to the GHG Zone are done on a specified basis and would be fully accounted for by attribution.

PacifiCorp expects reporting templates to correctly deduct CEM sales into the WA GHG Zone from the MJRP system calculation and add the import to the MJRP's total obligation. Ecology's Workbook TWO, which is used by MJRPs, adds owned generation and power purchases and deducts specified sales to calculate the system emission factor used to serve an MJRP's Washington retail load. When Washington has a GHG Zone under WEIM and EDAM, specified sales to the Washington GHG Zone are expected to be deducted from the MJRP calculation via the specified sales tab. This same energy will be reported as an import to the state by the MJRP in the Electric Power Entity Workbook ONE, thereby carrying an obligation. The energy used to calculate the MJRP system emissions factor after removing specified sales is the best representation of the energy and emissions used to serve Washington retail load.

If a market operator accounts for the dispatched, or "residual", market emission factor for energy delivered outside the GHG Zone, PacifiCorp supports Ecology incorporating this methodology into Workbook TWO as those centralized electricity market purchases are part of the MJRP system used to serve customers. However, given that the method for residual calculations is still under consideration, it is premature to determine how it will be incorporated at this time.

Unspecified imports from CEMs

While WEIM and EDAM will not have unspecified imports into Washington, PacifiCorp believes compliance should be based on the actual emissions and output of all energy in a market's supply. Null power is a term generally used for REC-based compliance programs like CETA and the Washington Utilities and Transportation Commission is currently in a rulemaking process to determine how utilities can use clean energy offered into CEMs without double counting the clean attributes. While the issue of null power is important, it is not relevant for consideration in a non-REC based compliance program like the CCA.

Further, residual emission factors should not treat renewable energy where a REC has been retired for compliance purposes as null power as there were no emissions created in the first place. Adding emissions to energy that never emitted in the first place will make meeting requirements in states with REC-based and emission-based targets more difficult.

Potential EF (emission factor) pathways

PacifiCorp supports CEMs developing a dynamic emissions factor that is a better reflection of the dispatched market mix for a given interval. To date, neither WEIM nor EDAM has adopted a dynamic emission factor. However, PacifiCorp is an active participant in the CAISO GHG working group to develop an acceptable approach using data that accounts for resources that are contracted to serve a BAA prior to market transfers occurring.

A dynamic emissions factor can also reflect an increasingly clean grid. Static emission factors are helpful for truly unknown electricity, but CEMs can determine the mix of resources that were dispatched. However, a dynamic emission factor will be a more accurate reflection of the emissions used to serve Washington and will lower the state's emissions as the grid continues to transition to low- and zero-carbon generation. A dynamic emission factor will also assist in compliance with non-price-based clean energy laws, like Oregon's HB 2021, which sets an emissions reduction target for investor-owned utilities.

Emissions leakage

PacifiCorp reiterates all past comments on emissions leakage and recommends Ecology revisit the topic after EDAM and Markets+ markets begin operating. EDAM stakeholders worked for months to minimize leakage through design features by including a net export constraint and GHG reference pass. Once market data is available, Ecology and stakeholders can determine if, and to what extent, leakage is occurring, whether to address it, and how best to address it.

Conclusion

PacifiCorp appreciates the opportunity to provide comments in response to Ecology's questionnaire. Thank you for your thoughtful consideration of this program. We look forward to further discussion.

Sincerely,

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