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Re: Puget Sound Energy Comments on Washington Department of Ecology's Updated Draft Rule Language for Electricity Imports and Centralized Electricity Markets in its Cap-and-Invest Program Updates and Linkage Rulemaking

On April 20, 2026, the Washington Department of Ecology ("Ecology") issued the Draft Proposed Changes to the Reporting and Emissions of Greenhouse Gases Rule for the Cap-and-Invest Program Updates and Linkage Rulemaking ("Draft Rules") for public comment and review. Puget Sound Energy ("PSE") appreciates the opportunity to provide feedback on the Draft Rules and supports Ecology's efforts to refine the rules in support of Linkage. PSE appreciates Ecology's taking additional time to allow further discussion and development of market surplus and storage systems. Ecology should begin discussions to develop guidelines for storage resources following this rulemaking, with a target to get reporting guidance in place January 2028 to align with Washington reporting entities' timelines to join organized day-ahead electricity markets.

PSE supports the direction of Ecology's changes to the Draft Rules, however the Draft Rules do not resolve issues that need to be addressed regarding emissions accounting associated with electricity imports from a federal power marketing administration, data protection, and reporting timelines.

First, Ecology's removal of subsection (2)(f)(xii)(C), which it proposed in its June 2025 workshop, which stated that electricity provided by the federal power marketing administration in a centralized electricity market ("CEM") will be treated as a specified source, raises uncertainty regarding the treatment of pro-rata attribution. Absent that language, the Draft Rules create uncertainty that could cause reported emissions to be higher than emissions associated with the resources in the market as well as increased compliance costs associated with the pro-rata allocated imports from CEMs.

Second, the Draft Rules include a provision requiring balancing authorities to provide written authorization for a data sharing agreement under section (1)(d). While PSE understands the need for Ecology to validate and analyze emissions data, the proposed language is too broad in scope and includes no protection for sensitive commercial pricing information. Ecology should limit the scope of information collection to the volume of MW transactions in centralized electricity market transactions, along with information on points of receipt and delivery, to avoid collecting pricing information which could raise significant anticompetitive concerns if disclosed through a Public Records Act request.

Third, the Draft Rules covering zero-emissions aggregate generation sources are overly prescriptive in prohibiting individual sources inside an aggregated source from being independently transacted. Further, the February 1 data reporting deadline increases compliance complications and does not align with the Electric Power Entity ("EPE") reporting timelines. The deadline should be removed to align reporting timelines, and individual sources within an aggregate source should be allowed to transact independently of the aggregate to prevent restricting generators from making individual direct energy sales to Washington entities.

The Draft Rules Removal of Specified Source Consideration for Uncontracted Imports from BPA Creates Uncertainty Around Emissions Reporting

Ecology's informal proposal[1] contained a subsection (2)(f)(xii)(C) which considered the energy imported under that subsection to be a specified source when provided by a federal power marketing administration ("FPMA"). Subsection (2)(f)(xii) stipulates that if the importer in the CEM is a FPMA that has not voluntarily elected to comply with the chapter, then the imported electricity is attributed to the retail provider or retail end user, either on a pro-rata or per contract basis. PSE would be one of these next-in-the-chain compliance entities for imports into Washington sourced from the Bonneville Power Administration ("BPA"). For imports under subsection (2)(f)(xii)(B) on pro-rata allocation, these imports[2] could incorrectly be interpreted to be unspecified source imports because pro-rata allocation of electricity attributed to the GHG zone is post-market, not associated with specific specified sources, and typically not tied into a specified-source claim during the transaction by the reporting entity. Further because 'bulk unspecified electricity' in subsection (2)(f)(xiii) is a new and undefined pathway, it could be interpreted that pro-rata allocated megawatt-hours under subsection (2)(f)(xii)(B) should be treated as unspecified electricity, not specified source. With the removal of subsection (2)(f)(xii)(C) and

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[1] Ecology's Cap-and-Invest Centralized electricity markets and electricity imports workshop (June 26, 2025)

[2] In the Markets+ context, these imports may be a pro-rata allocation of Type 2 specified source energy that is a pool of surplus specified source energy offered into the CEM. This is energy where the source is known but it is attributed to participants through market processes.

the designation of bulk electricity as unspecified energy, it is unclear how imports that are assigned on a pro-rata basis to a market participant should be treated under current reporting guidelines.

At the May 5, 2026 workshop on the Draft Rules, Ecology noted that subsection (2)(f)(xii)(C) was removed because it was redundant when considering other reporting guidance. BPA's Asset Controlling Supplier ("ACS") energy is already considered a specified source. PSE appreciates the desire to eliminate redundancy, but in this instance the certainty provided by having section (2)(f)(xii)(C) in rules is beneficial when discussing and developing rules for a pro-rata market allocation. The pro-rata allocation is still a work in progress, making the unambiguous inclusion of the removed subsection (2)(f)(xii)(C) critical to provide certainty in both reporting and market development discussions.

The unspecified emissions rate is nearly twenty times higher than the specified rate for BPA ACS power. As written, without subsection C the Draft Rules have the potential to overstate Washington imported emissions and expose Washington utilities to overstated emissions obligations because of uncertainty in which energy imported from BPA can be declared as specified source. Whether the pro-rata allocation should be considered specified source or bulk energy could have a significant impact on compliance costs and overstate statewide reported emissions.

Ecology should restore subsection (2)(f)(xii)(C) to the Draft Rules.

The Draft Rule's Requirements for Data Sharing Should Have a Narrower Focus to Obviate Concerns with Disclosure of Commercially Sensitive Pricing Data

The Draft Rules included a new subsection WAC 173-441-124(1)(d) under general requirements which requires Washington balancing authorities to provide written authorization for data sharing to support verification and analysis of market transactions and associated emissions. The Draft Rule language is broad, suggesting it could cover any market transactions. Further, the Draft Rule does not include any protections for sensitive commercial pricing data.

Market transactions can include commercially sensitive information on resource bid components, such as startup costs and fuel costs, that can advantage other generators and disadvantage the utility when the information is disclosed. Ecology does not need to gather pricing data to verify and perform analysis on market emissions. The Draft Rules should specify the information that needs to be collected and exclude pricing information from that category, or at minimum, include protections preventing commercially sensitive pricing data from being disclosed under a Washington Public Records Act request.

At the May 5, 2026 workshop meeting on the Draft Rules, Ecology explained that one intention of the required data sharing agreements was to enable Ecology to map points of delivery

("PODs") and points of receipt ("PORs") in Washington. The Draft Rules should include more specific rule language that asks for only the information needed to achieve this objective.

Ecology should consider the following additions to the draft language:

> *(d) For emissions year 2027 and forward, a balancing authority operating in Washington must provide written authorization for data sharing <u>of the amount of electricity, excluding pricing information, along with information on point of delivery and point of receipt</u> to support verification and analysis of <u>market import transactions and centralized energy</u> market transactions and associated emissions, and such authorization must be renewed and submitted to Ecology once every two years.*

This adjustment prevents commercially sensitive data from being collected and is in alignment with verifications methods used in other areas of the rules, such as verifying composite resources.[3]

The Draft Rules for Zero Emissions Aggregation Requirement are Regulatorily Burdensome and Impose Unnecessary Timeline Restrictions

The Draft Rules included section WAC 173-441-124(3)(a)(xii) on aggregated zero-emissions generation sources, providing rules which outline certain requirements that zero-emissions generation sources must be followed to be collectively claimed at a single specified source. The Draft Rules include restrictions on the independent supply of individual resources in the aggregate source, require the aggregate source to have a unique e-tag, and outline annual reporting requirements of allocated meter data and written contracts.

PSE remains concerned that these requirements are overly prescriptive, particularly with respect to renewable and zero-emission resources and with the requirements in WAC 173-441-124(3)(a)(xii)(C) and (E). Subsection (3)(a)(xii)(C) prevents the output of any source included in the aggregated source from being individually supplied to serve load independently of the aggregated source. Subsection (3)(a)(xii)(E) requires the Generation Providing Entity ("GPE") of an aggregate source to maintain meter data and provide detailed reporting no later than February 1 each year. As drafted, these provisions may unnecessarily limit flexibility in how zero-emission resources are transacted and reported, while creating additional compliance obligations that may not meaningfully improve the accuracy or integrity of reported data.

With respect to WAC 173-441-124(3)(a)(xii)(C), PSE interprets the provision to mean that once a source, or group of sources, elects to be treated as aggregated generation, those individual sources may no longer transact independently under the specified source provisions when

[3] The proposed method under section (3) subsection (a)(xiii)(D)(II) includes providing the amount of electricity from Washington resources.

delivered to Washington load. This would prevent an individual unit within an aggregated group from making a direct specified sale to another Washington entity. PSE is concerned that such a restriction is overly limiting and could discourage or prevent the delivery of zero-emission energy into Washington. Ecology should broaden this provision to allow specified source claims from both aggregated and individual sources, provided that appropriate data is maintained to ensure accurate accounting of these sources.

Allowing both aggregated and individual sources would not compromise reporting integrity if the appropriate safeguards remain in place. Aggregated generation sources would still be required to maintain the necessary data and supplemental documentation as stipulated under (3)(a)(xii)(E)(III) to demonstrate that neither the aggregate resource nor any individual resource exceeded its hourly energy delivery. These records would also support accurate reporting in the aggregate contribution report and confirm the total amount of aggregate imports from each individual source. This approach would preserve Ecology's, and ultimately the verifier's, ability to verify the data while avoiding unnecessary restrictions on market transactions involving zero-emission resources.

In previous comments, PSE provided feedback on the proposal regarding WAC 173-441-124(3)(a)(xii)(E), which requires that certain data necessary to claim a specified source zero-emission aggregation resource be provided to the reporter no later than February 1. PSE is raising these points again here because these are important issues that remain unaddressed.[4] Consistent with PSE's prior feedback to Ecology on February 20, 2026, PSE recommends that Ecology not establish a fixed regulatory reporting deadline of February 1. This deadline is too restrictive and does not align well with the broader EPE reporting timeline.

A separate deadline for this data is not necessary. Reporting entities already understand that meter data and supporting documentation are required to make a valid specified source claim, and it is necessary to submit a complete and accurate EPE report. As proposed, The Draft Rules are unclear on whether data provided to a reporting entity after the February 1 deadline can still be claimed as an aggregated zero-emissions specified source. The Draft Rules could be interpreted such that data received after this February 1 deadline could disallow the aggregate source as specified source, which would be unnecessarily restrictive on reporting entities. Ecology should remove the February 1 reporting deadline or, if Ecology determines that a regulatory deadline is necessary, PSE suggests setting the deadline to May 1 which is 30 days before the June 1 EPE reporting deadline instead of a February 1 deadline to better align with existing EPE reporting processes.

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[4] Puget Sound Energy, *"RE: PSE comments on Ecology's Request for Feedback on its Program Updates and Linkage Rulemaking – Centralized electricity markets and electricity imports"* (February 20, 2026), available here: https://ecology.commentinput.com/comment/extra?id=3EcWra5QH

Ecology Should Aim to Develop Guidance to consider Energy Storage Systems as Specified Source by the End of 2027

At the May 5 workshop, Ecology noted that energy storage systems were removed from Draft Rules due to mixed stakeholder feedback on directly incorporating rules being proposed by the California Air Resources Board ("CARB"). PSE appreciates Ecology allowing more time for discussion of energy storage rules, which can occur after the work on the Draft Rules concludes. Still, this work is important to do promptly considering entities joining day-ahead CEMs and procuring energy storage systems in the coming years. As such, Ecology should aim to begin these discussions this year. Ecology should develop guidance for reporting entities to account for energy storage as specified source by the end of 2027 that can be effective on January 1, 2028. This will prevent all CEM storage imports from defaulting to the unspecified emissions rate.

PSE appreciates the work Ecology has done refining the Draft Rules, but there are still some outstanding issues that should be addressed. Specifically, Ecology should restore subsection (2)(f)(xii)(C) to the Draft Rules, specify that the data sharing agreements would gather information on PORs/PODs and exclude pricing information from data collection, and allow individual resources within an aggregated source to be claimed as specified source independently where sufficient documentation is maintained. Ecology should also remove the February 1 reporting deadline or, if a deadline is necessary, revise the deadline to better align with the existing EPE reporting process. Finally, Ecology should target to have guidance for reporting energy storage systems as specified source by January 1, 2028. These revisions would reduce unnecessary regulatory burden, potential compliance costs, and uncertainty while preserving accurate accounting, verifier access to supporting records, and the needed flexibility to deliver clean energy resources into Washington.

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Please contact Cameron Reed at john.reed@pse.com or (425) 588-9785 for additional information about this filing. If you have any other questions, please contact me.

Sincerely,

/s/ Wendy Gerlitz

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