

Climate Pollution Reduction Program
Washington Department of Ecology
P.O. Box 47600, Olympia, WA 98504-7600

Re: Feedback requested on centralized electricity markets and electricity imports

TEA appreciates the opportunity to comment on Ecology's proposed updates to electric power entity (EPE) reporting rules as part of the Cap-and-Invest Program Updates and Linkage Rulemaking. We offer the following comments organized by topic area. Where we do not have substantive comments, we have noted our general position briefly. In general, we encourage Ecology to prioritize approaches that minimize unnecessary verification burden while preserving the environmental integrity of the program.

1. Electricity Wheeled Through the State

Treatment of PORs/PODs in Multi-State Balancing Authorities

We support including PORs and PODs that are physically located within Washington but within a multi-state balancing authority area (BAA) — such as the POPDImport/Pend Oreille POR/POD within Avista's BAA and the Cowlitz POR/POD within BPA's BAA — within the definition of 'electricity wheeled through the state.' These points are located in Washington and serve Washington load, and their exclusion would create a gap inconsistent with the program's intent to capture emissions associated with serving Washington demand.

We agree that PORs/PODs associated with a multi-state BAA's common system power pool — such as MIDC-NNH for PacifiCorp's BAA or AVA.SYS for Avista's BAA — should be treated differently, as these are not Washington-specific points. We encourage Ecology to make this distinction explicit in rule or guidance to avoid ambiguity in implementation.

Entities Other Than the BAA Engaging in Wheel-Throughs

Entities other than the multi-state BAA itself do engage in wheel-throughs that sink or source from PORs/PODs located fully within Washington but within a multi-state BAA. These entities largely do not use system emission factors and therefore the wheel-through concept applies to them differently than it does to the BAA itself.

Wheel-Throughs Exported to a Linked Jurisdiction

We support the proposed treatment of wheel-throughs exported to a linked jurisdiction consistent with the first jurisdictional approach, and agree that such transactions should not

incur a double compliance obligation. We encourage Ecology to confirm this treatment in rule text rather than guidance alone, given its significance for cross-border scheduling.

Regarding application of the wheel-through concept to MJRP and ACS emission factor calculations, Ecology should focus on ensuring that unspecified imports and unspecified exports are properly accounted for, as it is the net of these that drives the calculated system emission factor.

2. Energy Storage Systems

ESS imports are on the near-term horizon and Ecology should prioritize incorporating a framework in this rulemaking. We support the general framework proposed. However, we recommend that Ecology revisit the emission factor methodology as the framework is finalized, as centralized electricity market designs are likely to utilize more granular emission factors than those currently contemplated, and the ESS framework should be designed to accommodate these.

3. Aggregated Zero-Emissions Generation Sources

We support incorporating an aggregated zero-emissions generation sources framework consistent with CARB's proposal. This framework would meaningfully reduce reporting burden for entities that operate multiple hydroelectric resources, which would otherwise be required to register and report each facility individually. Aggregated treatment for zero-emissions sources is a practical simplification that preserves environmental integrity while lowering administrative complexity.

4. Composite Source Generation Sources

A resource located in Washington does not meet the definition of imported electricity, and therefore specified source import requirements are not relevant to how composite source accounting should be structured. Ecology should keep this distinction clear in any framework it develops.

Additionally, we urge Ecology to ensure that composite source accounting does not inadvertently capture Washington-located resources that are not owned or operated by the BAA operator. A composite source POR should not be assumed to encompass all resources within a BAA's footprint. Any entity using composite source accounting must clearly document which resources are included and demonstrate that it has acquired the output of each such resource.

5. FPMA Backstop: Centralized Electricity Markets

We do not have substantive concerns with the revised approach to the FPMA backstop, including the expansion of the electricity importer definition to encompass retail end users in addition to retail providers. We support deferring the pro rata attribution methodology to guidance, provided that guidance is developed in consultation with market participants and market operators before taking effect. We note that the methodology should avoid creating overlapping compliance obligations and should be clearly distinguishable from obligations already assigned to deemed market importers.

6. "Electricity Importer" Definition: Non-CEMs

We do not have substantive concerns with the proposed reorganization and clarification of the electricity importer definition. We note that the new subsection (f)(xi) — addressing electricity scheduled via e-tag to discrete Washington load or a Washington designated scheduling point inside a multi-state BAA not served by an MJRP — fills an important gap and we support its inclusion.

7. Unspecified Imports from CEMs: Point-of-Regulation

We support the proposed approach of assigning unspecified CEM imports attributed to Washington's GHG zone to retail providers or retail end users via pro rata attribution. This is a reasonable framework given that unspecified imports are, by definition, not tied to a specific resource or scheduling coordinator, and assigning the obligation to load-serving entities is consistent with the program's broader structure.

We strongly recommend, however, that Ecology develop the pro rata attribution methodology through a formal consultation process with market participants, market operators, and affected retail providers before it is applied. The methodology must be transparent, predictable, and based on data that retail providers can access through existing market settlement and reporting systems. We would have concerns with any approach that requires retail providers to independently reconstruct attribution data that is not already available through standard market reports.

We note that Ecology should also clearly delineate the boundary between obligations assigned to deemed market importers for specified CEM imports and pro rata obligations assigned to retail providers for unspecified CEM imports, to avoid any risk of double-counting for the same MWh.

Ecology must also develop guidance for market operators on the appropriate emission factor to be used in market optimization, and ensure it is aligned with the emission factor used to calculate the compliance obligation for retail providers. Consistency between these two factors is essential to avoid incentive distortions in market dispatch.

More broadly, the allocation of bulk imports through centralized electricity markets is conceptually distinct from bilaterally transacted unspecified imports. These two categories of unspecified imports arise through fundamentally different commercial and operational mechanisms and should be distinguished accordingly in both rule and guidance.

8. "Deemed Market Importer" Definition

TEA previously submitted comments suggesting that Ecology consider modifying the 'deemed market importer' definition to identify the 'asset owner' rather than the market participant that offers or schedules a resource into a centralized electricity market. Upon further consideration and consultation with other market participants, we are withdrawing that specific suggestion. However, we do not support retaining the current definition without modification, and we urge Ecology to address a significant structural gap before this rule takes effect.

The core issue is that the current definition does not distinguish between a market participant scheduling its own resources and a market participant acting as a scheduling agent on behalf of a separate reporting entity that owns or controls the underlying resource. This distinction is critical. Where a third-party scheduling agent interfaces with a centralized electricity market on behalf of a client, the current definition would assign the deemed market importer designation — and the associated carbon compliance obligation — to the scheduling agent rather than to the client whose resource is being scheduled.

This creates two serious and unacceptable consequences for organizations that provide third-party scheduling services:

- Carbon obligation misattribution - Under the current definition, a scheduling agent would inherit the carbon compliance obligation for a client's generation resource despite not being the resource off-taker and bearing no responsibility for the associated emissions. This is inconsistent with the program's intent to assign compliance obligations to the party responsible for the emissions in question.
- Unintended corporate association - We are concerned that Ecology has not fully considered the potential for assigning the compliance obligation to a scheduling agent to create a corporate association between the agent and its client under the Cap-and-Invest Program. Such an association would affect both parties' compliance situations in ways that are unintended and inappropriate, given that the scheduling agent is not the party responsible for emissions from the imported resource.

If Ecology retains the current framework, we ask that Ecology establish a clear mechanism by which reporting entities can distinguish within their submissions between two distinct situations:

- Scheduling own resources - the market participant is scheduling resources it owns, operates, or controls, and is properly the deemed market importer bearing the full compliance obligation; and

- Scheduling as agent - the market participant is interfacing with the market solely as a scheduling agent on behalf of a separate reporting entity, and the carbon compliance obligation should be attributed to that client entity, not the scheduling agent.

Such a mechanism should be implementable without introducing new verification burdens. It could take the form of a disclosure flag or attribution field in the reporting framework, with documentation requirements tied to existing commercial agreements and standard market settlement records. The key requirement is that it gives scheduling agents a clear, reliable way to avoid inadvertently taking on their clients' carbon obligations and the program associations that would follow.

Without such a mechanism, scheduling agents face a choice between withdrawing from third-party scheduling services to avoid inherited carbon liability, or bearing compliance obligations and program associations that are wholly inconsistent with their role. Neither outcome serves the program's goals or Washington's electricity markets. We strongly urge Ecology to resolve this before the January 1, 2027 effective date and welcome the opportunity to consult with Ecology staff on workable approaches.

9. "Dynamic Tag" Definition

We support defining 'dynamically tagged power' in this rulemaking to improve clarity and align with CARB's proposed definition.

10. Specified Source Registration

We support Ecology's proposal to simplify specified source registration requirements, including the proposed deletion of WAC 173-441-124(3)(f)(i)(E)-(L) and WAC 173-441-124(3)(f)(ii). Reducing unnecessary verification and documentation requirements is consistent with Ecology's program goals and will lower administrative burden without compromising environmental integrity. We encourage Ecology to align these simplifications with CARB's proposed MRR updates wherever practicable.



Closing

TEA appreciates Ecology's continued engagement with stakeholders on these complex issues. We are available to meet with Ecology staff to discuss any of the above comments in further detail, particularly with regard to the specific concerns we have raised in Section 8 above.

Sincerely,

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