

Southwest Power Pool (SPP)

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VIA ELECTRONIC SUBMISSION

Washington Dep't of Ecology
Camille Sultana
Senior Environmental Planner
Cap-and-Invest Program
CCAElectricity@ecy.wa.gov

Re: *Comment Regarding Electricity Imports and Centralized Electricity Markets*

Southwest Power Pool (“SPP”) files these Comments in response to the Department of Ecology’s (“Ecology”)’s request for feedback on electricity imports and centralized electricity markets.

SPP is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. On January 16, 2025, the Federal Energy Regulatory Commission (“FERC”) approved SPP’s proposed Markets+ Tariff,¹ through which SPP will operate a regional, day-ahead energy market developed in collaboration between SPP and more than 30 western entities, anticipated to launch in 2027.² Since 2021, SPP has operated the Western Energy Imbalance Service Market (“WEIS Market”) in the Western Interconnection, a five-minute energy imbalance service market.³ Since 2004, as a Regional Transmission Organization (“RTO”) approved by FERC,⁴ SPP has administered: (1) open access transmission service over approximately 72,000 miles of transmission lines covering portions of Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming, across the facilities of SPP’s Transmission Owners;⁵ and (2) the Integrated Marketplace, a centralized day ahead and real-time energy and operating reserve market with locational marginal pricing and market-based congestion management.⁶

I. “DEFINING GHG ZONE AND TREATMENT OF SYSTEM POWER”

¹ Southwest Power Pool, Inc., Markets+ Tariff.

² *Sw. Power Pool, Inc.*, 190 FERC ¶ 61,030 (2025) (the “January 2025 FERC Order”).

³ *Sw. Power Pool, Inc.*, 173 FERC ¶ 61,267 (2020) (order accepting the Tariff for the WEIS Market).

⁴ *See Sw. Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh’g*, 110 FERC ¶ 61,137 (2005).

⁵ *See Sw. Power Pool, Inc.*, 89 FERC ¶ 61,084 (1999); *Sw. Power Pool, Inc.*, 86 FERC ¶ 61,090 (1999); *Sw. Power Pool, Inc.*, 82 FERC ¶ 61,267, *order on reh’g*, 85 FERC ¶ 61,031 (1998).

⁶ *See Sw. Power Pool, Inc.*, 146 FERC ¶ 61,130 (2014) (approving the start-up and operation of the Integrated Marketplace effective March 1, 2014)

Ecology requests feedback as to how “the WA GHG Zone [should] be defined with CEMs,”⁷ and how such definitions “interface with existing reporting frameworks.” With respect to this topic, SPP generally prefers to defer to its Markets+ participants’ views regarding how the WA GHG Zone should be defined. That said, SPP requests that any such definitions consider the Markets+ Tariff or Protocols. More specifically, the Markets+ Tariff, as approved by FERC, includes the following:

G—Definitions

GHG Load

The registered load within a GHG Pricing Zone that is responsible for paying the Marginal GHG Price of a GHG Pricing Zone. A cleared Virtual Energy Bid at a Settlement Location within a GHG Pricing Zone will be included as part of the GHG Load.

GHG Pricing Program

A state regulatory program that has established an emission trading program or carbon tax that covers the electricity industry.

GHG Pricing Zone

An area within the Markets+ Footprint subject to a GHG Pricing Program.

SPP’s Market Protocols expound upon the parameters set forth in its Tariff. For example, the Protocols state

A Market Participant with registered load assets as described under Section 9.2⁸ must identify which load assets would qualify as GHG Load and are subject to a GHG Pricing Program, and the state or regional regulatory body sponsoring such GHG Pricing Program.⁹

SPP asks that, to the extent possible, Ecology craft its rules such that the Markets+ Tariff and Protocols are not in conflict with Ecology’s rules. That said, to the extent Ecology deems it necessary to draft rules which may conflict with the Markets+ Tariff or Protocols, SPP can propose revisions to its Tariff (subject to approval by Markets+ participants and by the Federal Energy Regulatory Commission), and its Protocols (subject to the approval by Markets+ participants).

II. “UNDERSTANDING CEMs AND BPA INTERACTIONS”

⁷ When Ecology refers to “CEMs,” Ecology means “centralized electricity markets.”

⁸ Section 9.2 of the Protocols is entitled “Registration of Load.”

⁹ See § 9.3.2 of the Market Protocols. This language is slated to be approved by the Markets+ Participant Executive Committee meeting on April 22-23, 2025.

Ecology requests feedback relating to centralized electricity markets and the interactions with Bonneville Power Authority (“BPA”).¹⁰ SPP takes no position on this topic; rather, SPP defers to BPA’s positions.

III. “UNDERSTANDING CEMS AND MJRP¹¹ INTERACTIONS”

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

The Markets+ Tariff requires all load to register in the Markets+ Footprint and that load within a GHG Pricing Zone be identified.¹² SPP does not have a preference as to whether certain load within the Markets+ Footprint is considered within the WA GHG Zone. However, whether the load is within the WA GHG Zone will affect how SPP’s settlements department settles the market.

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?”

SPP takes no position on how “imported MJRP system energy and emissions should be accounted for within the Cap-and-Invest Program.”

IV. “UNSPECIFIED IMPORTS FROM CEMS”

1. What emission factor should be used to determine the compliance obligation associated with unspecified source imports attributed to the WA GHG Zone?

The Markets+ Tariff defines “Unspecified Source Imports” as “Energy attributed to a GHG Pricing Zone when the Energy cannot be assigned to a particular Resource.”¹³ The Markets+ Tariff defines “Unspecified GHG Adder” as “[a] price applied to an Unspecified Source Import calculated using an emission factor set according to a methodology established by the GHG Pricing Program and an indexed allowance price.”¹⁴ The Unspecified GHG Adder and Unspecified Source Import concepts were developed to support state cap-and-invest or cap-and-trade programs, particularly the State of Washington’s obligations under the Climate Commitment Act. While SPP does not have a preference for what emission factor Ecology utilizes to determine the compliance obligation associated with Unspecified Source Imports, SPP asks that Ecology take into consideration the language in the Markets+ Tariff and Protocols, and the projected implementation timeline for

¹⁰ On March 6, 2025, BPA issued a draft policy statement outlining its intention to join Markets+.

¹¹ “MJRP” stands for “multi-jurisdictional retail-provider,” meaning a retail provider that is subject to multiple jurisdictions (*e.g.*, Avista and PacifiCorp).

¹² Att. A to the Markets+ Tariff, § 6.1 (“As part of the application process, Market Participants must register all Resources and load, including Non-Conforming Load and Demand Response Load, with the Market Operator as specified in Attachment A, Section 6.2.”).

¹³ Markets+ Tariff, “U—Definitions.”

¹⁴ *Id.*

Markets+. If necessary, SPP may propose revisions to its Tariff language to align with rules or regulations Ecology adopts with respect to Unspecified Source Imports. However, without a finalized rule from Ecology prior to the implementation of Markets+, SPP will have no mechanism to calculate the Unspecified GHG Adder.

2. What emission factor should be used in the GHG adder for unspecified source imports in the M+ optimization? Should any pathway listed by Ecology be considered?

As stated above, SPP does not have a preference on what emission factor Ecology chooses to use for a GHG adder, so long as Ecology establishes an emission factor in advance of the Markets+ implementation to enable SPP to incorporate any such emission factor into its market design.

3. What emission factor should be used for interchange import transactions (bulk market-to-market transfers)?

Interchange transactions are imports into, or out of, the Markets+ footprint.¹⁵ Typically, SPP, in its role as a market operator, has no sure mechanism to identify the source of such Energy, if not specified.

For import interchange transactions—particularly economically-offered Import Interchange Transactions where the source may not be identifiable—SPP’s current market design does not include a mechanism to incorporate emissions-related information beyond what is submitted in the Energy Offer. However, should Ecology provide guidance on additional data requirements for these transactions, SPP is well-positioned to adapt and enhance the market design accordingly to support such information. In parallel, the SPP Markets+ Greenhouse Gas Task Force is actively exploring the topic of Import Interchange Transactions within the context of the Greenhouse Gas Pricing Program.

4. If a calculated (annual or dynamic) emission factor is suggested, what data should be used?

SPP has no preference on whether the emission factor is annual or dynamic, or what data Ecology uses to determine the emission factor.

5. What considerations should be made for “null power” in a calculated EF if any?

SPP defers to its Markets+ participants on how and whether they prefer “null power” to be considered in an emission factor assigned by Ecology.

¹⁵ See Markets+ Tariff definitions of “Import Interchange Transaction” and “Export Interchange Transaction.”

6. Must unspecified emission factors used to account for electricity imports from CEMs match the unspecified emission factor used for bilateral unspecified transactions?

SPP defers to its Markets+ participants on whether emission factors for unspecified sources in CEMs should be the same as emission factors for unspecified sources in bilateral transactions.

V. “POTENTIAL CEMS AND E-TAG INTERACTIONS”

1. Given use of e-tags to support reporting of electricity imported via bilateral transactions, is there potential for electricity imported via a CEM to be “double counted” due to creation of e-tags accounting for transfers between BAAs scheduled by a CEM?

As an initial matter, SPP notes that Markets+ does not schedule or generate any e-tags. Transfers between Balancing Authority Areas are scheduled via e-tags outside of Markets+. SPP and the Markets+ Greenhouse Gas Task Force (“MGHGTf”) are developing language regarding import interchange transactions in the context of cap-and-invest programs. Therefore, currently, SPP is unable to advise Ecology as to the potential for double counting.

2. Must market participants create e-tags for both day-ahead and real-time market awards that result in imports/exports between BAAs?

With respect to existing bilateral transactions, Load Serving Entities (“LSEs”) will continue to use e-tags to reflect their existing bilateral transactions that occur outside of Markets+. Either the LSE or the counterparty may update these e-tags in real-time. SPP, in its role as a market operator, does not interact with these e-tags.

With respect to interchange transactions, LSEs in Markets+ may use import interchange transactions to self-schedule or economically offer a Resource from its source location outside the Markets+ footprint to sink within the footprint. In turn, LSEs in Markets+ may use export interchange transactions to self-schedule or economically offer a Resource from a source location within the Markets+ footprint to a sink location external to the Markets+ footprint. In these cases, the LSE authors the e-tag, and the Market Operator updates the e-tag based on the quantity of Energy that clears in either the Day-Ahead Market or the Real-Time Market.

With respect to internal Balancing Authority Area tagging, LSEs may use e-tags to reflect internal transfers within their systems. These e-tags enable Balancing Authorities to capture deviations from internal schedules to understand the Balancing Authority’s balancing obligations under its Open Access Transmission Tariff (“OATT”). These e-tags are authored by the LSE in the Day-Ahead Market and may be updated in the Real-Time Balancing Market. Additionally, the Load Serving Entity may author e-tags in the Real-Time Balancing Market. SPP, in its role as market operator, does not interact with these e-tags, and these e-tags do not represent new sources of electricity transferring into or out of a Balancing Authority Area or into or out of Washington.

With respect to transfers between Balancing Authorities which may reflect bilateral transactions between Markets+ Market Participants, a Markets+-participating Balancing Authority may author e-tags for transactions between the Markets+ Market Participants. These e-tags may be used to reflect contractual obligations for the delivery of Type 1A Energy to a Market Participant within a GHG Pricing Zone. These e-tags allow SPP as market operator to settle contractual quantities of Energy from Specified Source Imports based on SPP's Internal Energy Schedule Settlement Adjustments ("IESSA") system.

3. Are e-tags documenting transfers resulting from CEM awards clearly identifiable as associated with a CEM result or award?

If the question—and the mention of an "e-tag"—pertains to Import/Export Interchange Transactions,¹⁶ then following the clearing of the Day-Ahead Market, SPP will update the transaction to reflect the cleared MW value from the market solution. In such cases, the tag's iteration line will indicate "Market Operator" as the author of the changes.

As referenced in SPP's response to Question #2 above, if the use of "e-tag" is instead referring to internal tagging within a Balancing Authority Area, or between Markets+ Balancing Authority Areas, LSEs may utilize e-tags to track internal transfers within their systems. In these scenarios, SPP, as the market operator, does not engage with these tags, and they are not updated as a result of the market solution.

4. Should the lesser-of-analysis (WAC 173-441-124(3)(b)(ii)(B)(VI)) be applied to imported electricity from a specific resource that is attributed to WA by a CEM? Does this depend on whether the BAA participates in a day-ahead CEM or a real-time only CEM?

SPP does not have a preference on whether the Department of Ecology applies the "lesser-of-analysis" to electricity imported into Washington from a Specified Source Resource.

5. Do the stated assumptions and outcomes for day-ahead and real-time CEMs below hold if market participants bid in resources external to the market footprint, also referred to as import interchange transaction offers?

The SPP Markets+ Greenhouse Gas Task Force is actively exploring the topic of Import Interchange Transactions within the context of greenhouse gas pricing programs.

VI. "Day-Ahead CEMs and E-Tags" ("Are the following assumptions accurate?")

1. All generation resources and load within BAA(s) are registered, scheduled, and settled through the CEM.

¹⁶ The Markets+ Tariff defines "Import Interchange Transaction" as "A schedule for importing Energy *into* the Markets+ Footprint" (emphasis added). The Markets+ Tariff defines "Export Interchange Transaction" as "A Market Participant schedule for exporting Energy *out of* the Markets+ Footprint" (emphasis added).

True. Att. A to the Markets+ Tariff, § 6.1 reads, “As part of the application process, Market Participants must register all Resources and load, including Non-Conforming Load and Demand Response Load, with the Market Operator as specified in Attachment A, Section 6.2.”

2. Any energy transferred into a BAA is a result of CEM schedules or dispatch.

True.

3. All imported electricity for BAAs participating in a day-ahead CEM will be determined based on market attribution to the GHG-zone.

True.

4. Market attribution of MWh from non-GHG zone resources to GHG zone determines MWh of specified imports and entity responsible for reporting and associated emissions.

The entity responsible for imports into Washington will depend on Ecology’s rules. If Ecology is questioning whether it can depend on attribution in Markets+ to determine the extent of an entity’s compliance obligation, SPP believes that Ecology *could* look to attribution in Markets+. However, because Ecology is looking to ensure compliance with its rules, it may be preferable for Ecology to obtain this information directly from the entities with compliance obligations, rather than through SPP as a third party.

5. E-tags should not be used to report imports for any electricity sinking to a participating BAA. Doing so would result in double-counting of imported electricity delivered through the CEM.

SPP does not take a position one way or the other on the potential for double counting within the cap-and-invest program.

VII. “Real-Time Only CEMs and E-Tags”

Ecology requests feedback on certain assumptions relating to real-time only markets. Because Markets+ will operate a day-ahead market *and* a real-time market, these questions do not pertain to SPP in the context of Markets+.

VIII. “Emissions Leakage”

Ecology requests feedback on emissions leakage. At this time, SPP does not have any additional comments on emissions leakage beyond those previously provided. Currently, SPP’s market design utilizes the surplus threshold to minimize leakage. Subsequent to Markets+

implementation, if SPP and the MGHGTF determines that economic or environmental emissions leakage affects the GHG design such that the design should be revised, SPP and/or the MGHGTF will propose revisions to be taken through the stakeholder process.

Conclusion

SPP appreciates the opportunity to converse with Ecology regarding its rulemaking. SPP supports Ecology's rulemaking initiative and intends to participate meaningfully and constructively in the process.

Respectfully submitted,

/s/ **Kimberly O'Guinn**

Kimberly O'Guinn
Senior Director, Regulatory Policy
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223-4936
(501) 482-2394
koguinn@spp.org