July 30th, 2025

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

Re: June 26th, Cap-and-Invest: Centralized Energy markets and Electricity Imports Workshop

The Energy Authority (TEA) appreciates the opportunity to comment on the Washington Department of Ecology's (Ecology) June 26, 2025 Centralized Energy markets and Electricity Imports Workshop. TEA's comments are generally aimed at addressing questions raised by Ecology in its June 26 presentation, but TEA also provides additional commentary to address topics that were not directly covered in the workshop.

Deemed Market Importer

While Ecology did not cover this topic in the June 26th workshop, TEA believes that there is an outstanding issue with the definition of "deemed market importer". Currently, the definition of "deemed market importer" identifies the market participant (MP) as the importer in the Southwest Power Pool's Markets+ (M+) and the scheduling coordinator (SC) as the importer in the California Independent System Operator's (CAISO) Extended Day-Ahead Market (EDAM). However, this framework does not properly account for when the MP or SC may be scheduling on behalf of another resource owner or off-taker. For example, organizations such as TEA will act as the MP or SC for customers, but TEA is not the resource owner and should not be identified as the "deemed market importer" in such cases. The resource owner or off-taker in these instances is registered as the "Asset Owner (AO)" in Markets + and "Market Participant (MP)" in EDAM. Therefore, the appropriate entity to be the deemed market importer is the AO in M+, and the MP in EDAM. TEA suggests modifying the "deemed market importer" definition as follows:

> (b) "Deemed market importer" means an asset owner that has its electricity successfully offered ~~a market participant that successfully offers electricity~~ from a resource or system into a centralized electricity market and the electricity is assigned, designated, deemed, or attributed to be serving Washington electric load by the methodologies, processes, or decision algorithms that are put in place by the market operator of that centralized electricity market for purposes of reporting under this rule and approved by the department of ecology. For the energy imbalance market and extended day ahead market, the deemed market importer is the market participant ~~participating resource scheduling coordinator~~ if the methodologies, processes, or decision algorithms by which the electricity is assigned, designated, deemed, or attributed to be serving Washington electric load for purposes of reporting under this rule are approved by the department of ecology.

TEA recognizes that this modification is somewhat confusing given the EDAM term for the resource owner is "market participant" which has a different meaning than the Markets + and Ecology definitions, For this reason,

TEA would be happy to work with Ecology to modify this definition in a way that is clear and puts the incidence on the correct entity.

Federal Power Marketing Agency backstop

TEA recommends Ecology expand the suggested Federal Power Marketing Agency (FPMA) backstop concept to include electricity importers other than retail providers. TEA believes it is not appropriate that the suggested language indicates only retail providers may be identified as the electricity importer because non-retail providers such as retail end users and power marketers may also import FPMA energy. TEA recommends changing "retail provider" to "retail provider, retail end user, or another electric power entity (EPE)". Given the FPMA is an electric power entity, the word "another" refers to the fact that the importer would be an EPE other than the FPMA.

TEA also believes that the draft language must be further clarified to identify the responsible load in the case that the imported electricity from the FPMA has not been contracted for (subsection (b)). TEA understands that the intention behind the draft language is that the importer is the retail provider or non-retail load that has load in excess of dispatched resources, and the volume of imports will be based on the owner's pro rata share of market energy that was sourced from the FPMA's non-contracted energy. The current language suggests pro rata attribution but lacks clarity on how the attribution would work. TEA requests Ecology provide guidance on the pro rata attribution, and to support this guidance, TEA provides the following simplified example of how TEA believes the pro rata attribution of the FPMA non-contracted energy should work:

FPMA Market Dispatched Imports to the GHG Zone (Washington)	MW
Non-Contracted Imports	1200

GHG Zone (Washington) Market Dispatch	**Utility 1**	**Utility 2**	**Utility 3**	**Total MW**
Load	3000	3000	3500	**9500**
Market Dispatched Resources	3300	2500	2500	**8300**
Load Minus Dispatched Resources	-300	500	1000	**1200**
Share of FPMA Non-Contracted Imports		400	800	**1200**
Non-FPMA Market MW "serving load"		100	200	**300**

- The above is a simplified representation of the FPMA "Non-Contracted" import attribution for 1 hour
- This example assumes there are 4 entities in the market: FPMA and Utilities 1, 2, and 3
- This example also assumes all utilities' loads and resources are in Washington, and the FPMA is not in Washington
- The FPMA had 1200MW of imports into Washington that were not contracted to any load.
- Utility 1 had dispatched resources in excess of load, so they received 0MW of the FMPA "non-contracted" imports.
- Utilities 2 and 3 had load in excess of dispatched resources of 500MW and 1000MW respectively. For this reason, Utility 2 was the electricity importer for one third of the non-contracted FPMA imports, and Utility 3 was importer for two thirds of the non-contracted FPMA imports.

- The remainder of Utility 2 and Utility 3's load that was not served by their dispatched resources or FPMA resources was served by the market.
- Note, the resources that are subtracted from the load to calculate the pro rata attribution of FPMA imports are the "market dispatched" resources. The reason for this distinction is that an owned resource may be offered into the market, but that resource could be displaced by another cheaper resource and therefore not dispatched.
- Additionally, note that "market dispatched resources" can include any generation located in Washington or any contracted electricity imports.

To summarize, TEA proposes the following modifications:

a) Where the imported electricity is contracted to a Washington retail provider, retail end user, or another electric power entity, the electricity importer is that retail provider, retail end user, or electric power entity;
b) Where the imported electricity is not contracted to a Washington retail provider, retail end user, or another electric power entity, the electricity importer is the retail provider, non-retail load, or electric power entity within the market footprint that, in a given hourly interval, is identified by the market operator as responsible for load within Washington that exceeds the dispatched MW quantity of contracted and owned generation resources that are either internal to Washington or attributed to serving Washington load. In the case that there are multiple such entities, each responsible entity receives a pro rata attribution of electricity based on their share of Washington load exceeding the dispatched MW quantity of owned and contracted generation resources that are located in Washington or attributed to serving Washington load.

Balancing Energy and Wheels

TEA strongly supports Ecology's decision to ***not*** pursue amendments to separately account for balancing energy provided to in-state generators. TEA believes that most if not all electricity imports supporting in-state resources are already accounted for under the existing reporting framework. Further, TEA believes that pursuing amendments to separately account for balancing energy supporting in-state generators could discourage in-state renewable variable energy resource development by associating potentially unnecessary costs related to imbalance.

TEA is generally supportive of the concept of defining "electricity wheeled through the state". However, TEA believes that this concept should only be applied to unspecified energy. Further, TEA recommends that the proposed definition of "common point" be clarified to include points of receipt (PORs) and points of delivery (PODs) located fully inside WA within a multistate balancing authority. TEA's understanding is that in-state PORs and PODs are intended to be included in this definition, but the proposed definition is somewhat unclear. TEA recommends revising the definition as follows:

> "Common Point" means, for purposes of identifying electricity wheeled through the state, any PORs and PODs located entirely within Washington within the same BAA ~~located entirely in Washington~~.

Further, TEA recommends that Ecology modify the emissions factor calculations for ACS and MJRPs to provide consistent and equitable treatment for netting unspecified imports and exports.

CEMs Timing

TEA supports Options B or C where CAISO does not implement GHG design for WA for CY 2026, and there is no attribution of power in WEIM/EDAM which results in no compliance obligations incurred for CY 2026. TEA does not view Option D as viable given that the majority of the GHG obligations in the WEIM/EDAM design are based on what happens in the WEIM (what actually got dispatched in real-time), and the EDAM framework is not designed to work in isolation. Further, TEA also does not view Option A as viable given the limited amount of time to implement the WEIM GHG framework. TEA would be open to Ecology opening an emergency rulemaking to address this issue as suggested in Option B, but TEA is unsure if an emergency rulemaking is necessary for Ecology to advise CAISO not to implement the EDAM GHG design for CY 2026.

Surplus and emissions leakage

Ecology generally defines emissions "leakage" as a reduction in GHG emissions within WA offset by a ***directly*** attributable increase in GHG emissions outside the GHG Zone. In a Centralized Energy Market (CEM), the concern that has been stated is that the market may attribute a lower-emitting resource to WA that might be "backfilled" with a dispatch of higher-emitting resources to serve load outside WA. However, because economic dispatch of units in a CEM is designed to serve loads at least cost, inclusive of GHG costs associated with importing power to the GHG zone, it can be difficult to differentiate well-functioning economic dispatch from "leakage". When considering this issue in CEMs, it is important to consider the core functions of CEM. In a CEM, there is ***no explicit link*** between individual resources and individual loads, and thus, it is ***undistinguishable*** in the dispatch what resource is backfilling a clean resource being attributed to WA.

Given this paradigm, neither CAISO nor SPP have determined how to measure or account for leakage from electricity imports. Thus, it is unclear to what extent leakage is occurring and whether it would be reduced given a proposed leakage reduction strategy. Yet, every leakage reduction strategy necessarily results in restriction to economic dispatch and poses other potential unintended consequences that can result in significant increased costs to WA load with ***no known or measurable reduction in leakage***.

TEA strongly recommends Ecology consider the potential unintended consequences when seeking to address leakage in the context of CEMs. For example, the more restrictive the definition and application of "surplus" energy is for importers in a CEM, the greater the decrease in competitive supply available to serve WA load. These restrictions can raise concerns about market power where Washington load is beholden to a small number of suppliers who can corner the market for imports into WA. These restrictions can also raise concerns if the definition of "surplus" unintentionally prohibits ***legitimate*** supply from being offered to serve Washington load, which could be considered by FERC to be an over-reach of Ecology's jurisdiction and invite unnecessary legal challenges.

An overly complicated application of "surplus" could discourage some suppliers of non-emitting resources from allowing clean supply to be attributed to Washington for fear of inadvertently violating the conditions of the "surplus" test. For example, an overly restrictive or confusing "surplus" test could incentivize clean resource suppliers to continue to only allow their resources to be deemed to the California market, which is larger, more established, and has the benefit of being an ISO system, rather than allow their resources to be attributed to WA with unclear economic outcomes.

Lastly, TEA notes that EDAM and Markets + have approached the concepts of surplus and leakage reduction differently. Ecology should not adopt a definition of "surplus" that favors one market design over another. Rule language that is biased towards one market design could cause significant disruption for entities participating in

the other market. TEA expects the majority of market participants in the west, including TEA, will at times be involved in transactions that span multiple markets. For this reason, TEA cautions against language that could create a compliance seam between the markets.

To summarize, TEA highlights some of the unintended consequences that could result from measures in Ecology's program to address potential leakage from CEM participation:

1. Methods for addressing leakage in rule create undue restrictions on supply eligible to serve Washington load, increasing the cost to serve WA load ***without known or measurable*** emissions reductions.

2. Limiting supply available to serve WA could result in market power concerns where only a limited number of suppliers may meet the requirements to be eligible to serve WA load, harming the state's ability to have a competitive energy market.

3. Ecology adopting a surplus definition could prohibit legitimate supply from being offered to serve Washington load, inviting legal challenges, and an overly prescriptive definition of surplus could also incentivize clean supply to avoid attribution to Washington.

The issue of addressing leakage is a delicate one and must weigh the consequences of creating restrictions in the market with the benefit of ***real, measurable*** leakage reduction.

TEA appreciates Ecology's thoughtful approach to addressing these important issues and for the opportunity to provide comments.

Sincerely,

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