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BPA comments in response to Ecology's June 26, 2025 Cap-and-Invest Electricity Forum on electricity imports and centralized electricity markets

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Re: Comments in Response to Ecology's June 26, 2025 Cap-and-Invest Electricity Forum on electricity imports and centralized electricity markets

The Bonneville Power Administration (BPA) appreciates the opportunity to comment on the Washington Department of Ecology's (Ecology) June 26, 2025 cap-and-invest electricity forum. BPA's comments below are in response to specific questions raised by Ecology in its June 26 presentation.

1. **Electricity Importer Definition: Point of Regulation for Imported electricity that serves non-retail load within a Balancing Authority Area (BAA) of a multi-state jurisdictional retail provider (MJRP)**

The proposed refinement on slide 16 of the presentation to the definition of electricity importer under WAC 173-446-(124)(2)(f)(i) is not written narrowly enough to only cover the situation that Ecology stated it is attempting to cover, e.g. industrial load in an MJRP's BAA that is not served by the MJRP. BPA is concerned that BPA and its customers may be implicated in unintended ways by the proposed definition. Electricity serving Washington load in BPA's BAA is also "electricity serving Washington load in a balancing authority area not entirely located within Washington." Additionally, several COUs have retail load met mostly or wholly by BPA and located in PacifiCorp or Avista's BAA, thus that load is considered "load… other than the retail load of a multi-jurisdictional electric company." BPA suggests Ecology more narrowly refine the definition and consider breaking it into a separate subsection in the definition of electricity importer to cover just the point of regulation for imported electricity for industrial loads in an MJRP's service territory not served by the MJRP.

2. **Electricity Importer Definition: Backstop for Federal Power Marketing Administration (PMA) deemed market importer**

BPA appreciates Ecology recognizing the need to identify an alternative electricity importer for federal system imports if BPA has not opted to take on the compliance obligation. The "electricity importer" language currently in statute and rules generally assigns the compliance obligation for federal system imports to the purchaser of that power given BPA has not opted to take on the compliance obligation. The language proposed by Ecology on slide 21 applies that intent to centralized markets by identifying that if BPA has not opted to be the electricity importer then the electricity importer for federal system energy attributed to Washington in a centralized market is the purchaser of that energy.

Energy from the federal system may be attributed to the Washington GHG zone under both situations in the proposed language on slide 21: situation (a) where energy is contracted from BPA to a Washington retail provider and attributed to the Washington GHG zone and situation (b) where federal system energy (e.g., surplus energy) is attributed to the Washington GHG zone. In the latter situation, the energy is not associated with any contracts with load in the Washington GHG zone; rather, there is no specific link between the federal system and an individual utility and the energy is generally associated with meeting load in the Washington GHG zone.

BPA suggests two refinements to the rule language. First, Ecology should broaden the electricity importer definition to include both a retail provider and a retail end user. This clarifies that a purchaser of federal system power could be a BPA customer that is a Direct Service Industry or other entities representing load in Washington that participate directly in the market (e.g., large industrial load). Second, for situation (b), Ecology should align the pro rata attribution of the compliance obligation with the retail provider(s) or retail end user(s) whose load exceeded the entity's owned and contracted resources for the hour. This assigns the compliance obligation to entities whose dispatched resources did not meet their load in a particular hour and thus could be considered as net purchasers from the market in that particular timeframe.

BPA believes that data can be made available to support an allocation of federal system energy to retail providers in the Washington GHG zone as described above but, particularly for situation (b), such allocation may require data to be provided by more than one entity to support a calculation of compliance. Markets+ protocols will provide allocation data through its tracking and reporting. Markets+ protocols section 5.8.2.1 states that "Type 1A or Type 1B Energy Attributed to a GHG Pricing Zone

will be Allocated to the Reporting Entity to which the Energy is contracted" and "Type 2 Energy Attributed to a GHG Pricing Zone will be Allocated to Reporting Entities in GHG Pricing Zones with any positive difference between the load and generation in their Resource Portfolio on a pro rata basis to each of those Reporting Entities based on that positive difference." CAISO has not explicitly stated it will provide a similar allocation but BPA believes CAISO would have similar data to support such a calculation. See CAISO Greenhouse Gas: Accounting and Reporting Draft Final Proposal at p. 11. Because BPA will be the load responsible entity on behalf of certain Washington retail providers and retail end users, a suballocation will need to occur for federal system amounts allocated to BPA under either situation (a) or (b). BPA and/or its customers will likely need to provide data to support such an allocation. BPA recommends Ecology work further with the market operator and market participants to determine data needs, responsibilities, and timing.

3. Balancing Energy

BPA supports the direction Ecology shared on slide 24 to not pursue separate accounting for balancing energy for in-state generators in a multi-state BAA at this time. BPA refers Ecology to its December 22, 2023 comments on the Agency Request Legislation and its September 27, 2024 comments on the linkage rulemaking for information supporting the "summary of feedback" Ecology presented on slide 24.

4. Electricity wheeled through the state

BPA reiterates the concerns it shared with Ecology in BPA's November 8, 2024 letter and December 20, 2024 comments. BPA remains concerned that enabling hourly netting of certain transactions in the current definition of "Electricity Wheeled through the State" would distinctly disadvantage BPA Washington customers because the wheel-through rules do not allow BPA to utilize similar wheel-through netting it its reporting GHG emissions. To address this concern, BPA requests Ecology:

1) Not define "common point." It is not clear what value this definition adds and it has the potential to create further confusion or limit applicability in the future as markets evolve. For example, it could limit application in day-ahead markets that use a centroid concept for BAA to BAA transfers and market imports. BAAs may need to sink at these centroids to balance interchange and all Washington BAAs, including multi-state BAAs, should be provided with the same accounting treatment.

2) Clarify that electricity "wheeled through the state on separate e-tags within the same hour" is only applicable to unspecified imports and unspecified exports; and

3) Provide parity for the BPA and MJRP system emission factor calculations by allowing for the exclusion of wheel throughs on separate e-tags in the same hour. BPA requests Ecology include the following language in rules:

"A multi-state balancing authority area that uses a system emission factor for calculation of emissions associated with imports into Washington may, for purposes of calculating emissions, exclude electricity wheeled through its balancing authority area including, but not limited to, [unspecified] electricity wheeled through its balancing authority area on separate e-tags within the same hour."

5. Reporting and CEMs Timelines

BPA supports CAISO not enabling attribution for the WEIM and Ecology not assigning compliance obligations for WEIM attribution until 2027. Thus, BPA does not support option A on slide 30 that removes the WEIM exemption for CY 2026. BPA is discussing implementation mechanics with CAISO but, particularly given this has not been done before, there are challenges in determining how to enable attribution to only part of a multi-state BAA and working through them is taking time. Further, BPA has limited resources to commit to determining how to make this work for the WEIM given BPA's policy direction is to join the Markets+. On option D, BPA questions whether the option as proposed on slide 30 is feasible to accomplish without unintended market consequences (i.e., different price signals for resources participating in WEIM only versus EDAM) and would request further discussion if Ecology further pursues that option.

6. Emissions Leakage

In response to California's cap-and-trade program and Washington's Climate Commitment Act, organized markets have taken steps to limit emissions leakage for GHG pricing programs. Addressing leakage requires balancing market constraints to reduce leakage against the impacts these constraints can have on market efficiency while not unduly impacting market participants and states not subject to GHG pricing. Both markets provided public forums for extensive discussion of these interests and adopted elements in their respective market's GHG design that limit leakage while balancing the other considerations. Until and unless market data is available that indicates that emissions leakage is actually a significant issue, Ecology should provide deference to the outcomes of those processes.

For resources that are contractually committed to a Washington utility (Markets+ Type 1a/b, EDAM committed capacity), it is not necessary or appropriate to consider emissions leakage. Both markets recognize that some resources are contractually arranged to meet load in the GHG pricing zone and thus the markets do not subject those resource amounts to the baseline runs (Markets+ threshold run, EDAM's counterfactual). For example, where a Washington COU contracted with BPA to procure energy from the federal system, no emissions leakage has occurred when the market then attributes that federal system amount to the Washington GHG pricing zone. This is true regardless of whether the resource is labelled as Markets+ Type 1a, Markets+ Type 1b, or EDAM's committed capacity. However, in response to Ecology's comparisons on slide 54, BPA emphasizes that EDAM committed capacity is more comparable to Markets+ Type 1b. Both committed capacity and Type 1b may or may not be attributed to the GHG pricing zone depending upon the market optimization's most economic solution for the entire market footprint. Conversely, Markets+ Type 1a will always be attributed to the GHG pricing zone if dispatched.

For non-contractually committed resources, Markets+ and EDAM established baseline runs intended to limit leakage. How effective these methods are in practice cannot be known until market data is available and will depend on the market design as well as the composition of the resources participating in the market. While no design will completely eliminate leakage, BPA believes both markets have taken steps to limit leakage while weighing other competing interests. BPA encourages Ecology to refrain from addressing leakage until more information is available based on actual market dispatch and attribution to the GHG pricing zone. However, the Markets+ threshold approach where the resource owner/operator indicates a load threshold was created with the intent that the state regulator could provide guidance on establishment of a load threshold customized to the leakage considerations for the state program. If Ecology opts to provide such guidance in this rulemaking, the threshold should reflect a market participant's own load obligations as well as contractual commitments. As a result, eligible attribution amounts above that threshold would reflect energy surplus to the market participant's existing commitments. Thus, there should be no leakage concerns with any resource amounts attributed above the threshold.

Finally, BPA strongly discourages Ecology from adopting a blanket assumption about emissions leakage like CARB does with the WEIM outstanding emissions calculation. Such an assumption correlates a high risk of leakage with every megawatt hour of attribution and for practical purposes has the impact of assuming

the default unspecified emission factor should be the default emissions for all WEIM imports into California. This is inaccurate and overinflates actual emissions associated with WEIM imports. Extension of this concept to a day-ahead market would multiply these impacts given the much larger volume of energy that will be transacted in a day ahead market versus the WEIM.

7. Washington GHG zone and imported electricity framework

On slide 74, Ecology asks for feedback on whether the Washington GHG zone should include an MJRP's Washington retail load. BPA does not take a position on this question. However, if Ecology determines that an MJRP's Washington retail load is not part of the market's Washington GHG zone, then BPA requests that Ecology similarly provide BPA with the option to exclude Washington retail load within BPA's BAA from the GHG zone as well or explain why such discrepancy in treatment between an MJRP's Washington retail load and Washington retail load in BPA's BAA is warranted.

For context, BPA has assumed that the electricity importer framework would result in the load in BPA's BAA that is physically located in Washington being part of a Washington GHG zone. There are complexities to setting up a paradigm for a multi-state BAA where only a portion of the load is in a GHG zone while the committed resources are outside the GHG zone. BPA is diligently engaging in market development and implementation to figure out how organized markets can best ensure BPA's Washington customers are attributed contracted amounts of the federal system as well as other cost-effective resources while not unduly impacting BPA's preference customers located across six other states. While this will add complexities to BPA's participation in a real time and day ahead market, BPA understood this to be part of the CCA's framework for identifying imported electricity to Washington under the CCA.

Additionally, BPA requests clarification on treatment of the load in an MJRP's BAA that is not part of the MJRP's retail load. As explained in the response to question 1 above, several Washington COUs have retail load met mostly or wholly by BPA and located in PacifiCorp or Avista's BAA. Does Ecology consider the non-MJRP load to be part of the Washington GHG zone and does the market operator have the technical ability to identify and include that non-MJRP load in the GHG zone if the majority of the load in the BAA is not in the GHG zone? It is unclear to BPA whether the COU loads in PacifiCorp and Avista's BAAs will be considered inside or outside the Washington GHG zone and BPA needs to understand the treatment so it can best plan to serve those COU loads.

8. Additional Comments

BPA has one additional comment that is not related to Ecology's June 26 presentation. The definition of "deemed market importer" in WAC 173-441-124 (2)(b) states that the "market participant that successfully offers electricity from a resource or system into a centralized electricity market" is the electricity importer. Market participant is defined in WAC 173-441-124 (2)(u) as the "entity that has an agreement with a centralized electricity market operator and participates in that centralized electricity market..." BPA anticipates that it will be the market participant for Markets+ on behalf of some its customers' non-federal resources. It would not be appropriate for BPA to be considered the electricity importer in that situation; rather, the electricity importer would be the asset owner/operator of the non-federal resources. For BPA, this issue is currently limited to day-ahead market participation and does not impact any attribution to a Washington GHG zone in WEIM. While BPA is a Participating Resource Scheduling Coordinator in WEIM, it is only for the federal system as there are currently no non-federal resources participating in WEIM under BPA's Participating Resource Scheduling Coordinator umbrella. BPA apologizes for not catching this in the previous rulemaking, but requests Ecology entertain a slight revision to the definition of "deemed market importer" in this rulemaking to accommodate this situation.

BPA appreciates Ecology's continued efforts to encourage dialogue on these topics. Please contact me if you have questions about these comments.

Thank you,

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