Puget Sound Energy (Jessica Zahnow)

February 20, 2026

Andrew Hayes, Cap-and-Invest Policy Section Manager
Camille Sultana, Cap-and-Invest Environmental Planner Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

RE: PSE comments on Ecology's Request for Feedback on its Program Updates and Linkage Rulemaking – Centralized electricity markets and electricity imports

PSE offers these comments in response to the Department of Ecology's (Ecology's) February 5, 2026 proposal and request for feedback in the Department's Program Updates and Linkage rulemaking. PSE appreciates the opportunity to provide feedback on Ecology's proposal integrating prior stakeholder comments on how electricity imports and centralized electricity markets (CEMs) are treated. PSE also supports Ecology's efforts to consider these refinements alongside changes being considered in active rulemaking at the California Air Resources Board (CARB), demonstrating active collaboration between the two agencies in support of linkage. In these comments, PSE also seeks parallel specified source asset-controlling supplier (ACS) treatment in CEMs and non-CEMs of electricity sourced at the Bonneville Power Administration (BPA) until such time as BPA elects to comply with the program. Misalignment between the two results in higher costs for Washington customers with no additional emissions benefits. Lastly, PSE appreciates Ecology leaving the door open for subsequent future rulemakings to address day-ahead markets as they develop. As indicated in prior comments, PSE broadly supports the framework Ecology has proposed for new reporting for market operators, and for an unspecified pathway.

Electricity Importer definition in non-CEMs
PSE does not object to Ecology's proposed modifications to the definition of electricity importer to clarify the responsible electricity importer for imports not associated with CEMs, but respectfully requests that Ecology extend the same ACS treatment under consideration for CEMs to non-CEM and apply the same ACS rate to all BPA-sourced energy at least until such time as BPA opts into the CCA.
To accomplish this, PSE recommends Ecology consider applying parallel backstop language to BPA-sourced electricity in a non-CEM to the backstop logic Ecology proposes in WAC 173-441-124(2)(f)(iii)(xx)(c):

"Electricity importer" means:
[...]
(v) If the importer identified under (f)(i) or (f)(xi) of this subsection is a federal power marketing administration over which Washington state does not have jurisdiction, and the federal power marketing administration has not voluntarily elected to comply with this chapter, then the electricity importer is the next purchasing-selling entity in the physical path on the e-tag, or if no additional purchasing-selling entity over which Washington state has jurisdiction, then the electricity importer

is the electric utility that operates the Washington state transmission or distribution system, or the generation balancing authority, and
(vi) The imported electricity under this subsection (f)(xx) is considered to be a specified source of electricity provided by the federal power marketing administration.

When electricity is sourced with BPA Power or BPA Slice (otherwise referred to as BPA source), that BPA source should be assigned an obligation at the ACS rate in all cases except path-out power scenarios.

Under the current rule and interim electric power entity (EPE) guidance for short-term transactions, reporters are instructed to follow Table 2 (Buyer Purchase Scenarios) when classifying BPA Power. While transactions directly with BPA are straightforward, PSE and likely other Washington utilities are seeing an unprecedented volume of BPA Source transactions with an intermediate seller at the Mid-Columbia (MIDC) market trading hub. Typically, sellers at MIDC are the importer as they deliver electricity to the trading hub. However, due to the unique treatment of Federal Power Marketing Administration imports, where BPA's next purchase selling entity is the importer, marketers are able to pass on a carbon obligation when fulfilling market physical deals for electricity products at MIDC. When BPA Source is imported by BPA through a marketer in the marketing path, the next purchase selling entity on the physical path incurs the obligation and the buyer is assigned an unspecified carbon obligation (see tag example below in Figure 1). It is PSE's perspective that these transactions are overstating Washington carbon import obligations for the purchaser of that electricity and notably raising compliance costs for Washington retail customers for electricity that is sourced at a low-emissions source. Per Ecology and CARB EPE guidance, according to BPA, under its federal mandate, it cannot sell power from individual specified sources, nor can it self-market unspecified power[1][2]. Any energy sourced from BPA is coming from its system. Due to BPA's voluntary status in the program, BPA is already a unique treatment when reporters claim BPA ACS.

Therefore, PSE respectfully requests that Ecology extend the same ACS treatment under consideration for CEMs and apply the same ACS rate to all BPA-sourced energy at least until such time as BPA opts into the CCA.

Figure 1. Example tag of scheduled electricity sourcing at a BPA Source and sinking into the PSEI BAA.

While this tag has no other entities on the physical path, it contains a financial intermediary (marketer) on the market path of the tag.

[1][CARB] EPE FAQs; Section 1.4.5
[2] Interim Guidance for Electric Power Entity Reporting; section 1.4.5

Electricity wheeled through the state
In its proposal, Ecology addresses the need to identify electricity that is wheeled through the state by defining a "Common Point" comprised of points-of-receipt and delivery (POR/PODs) within the same balancing authority area (BAA). In this current request for feedback, Ecology poses questions about how the "Common Point" concept should apply to POR/PODs within Washington but in a multi-state BAA. Generally speaking, PSE – who is not a multi-state balancing authority – does not wheel electricity through Washington that sinks/sources from PORs/PODs that are located fully within Washington but within a multi-state BAA. Nonetheless, it's important for PSE and others to have clarity and transparency about how these points are viewed when PSE transacts in the market. PSE and other utilities are currently operating under outdated guidance , which is creating regulatory uncertainty with market participants regarding the actual reporting treatment of in-state and out-of-state POD/PORs.

To address this issue, PSE is requesting that Ecology develop and publish updated guidance on its website regarding POR/POD and Source/Sink point classifications. This guidance should be developed through consultation with multi-jurisdictional retail providers, joint utility groups, and should align with Ecology's final determinations on common points, market hub points, and composite source generation sources, specifically clarifying which points are classified as outside of Washington state or eligible for wheeling.

Ecology also proposes to clarify in rule that the identification of electricity "wheeled through the state on separate e-tags within the same hour" is only applicable to unspecified imports and unspecified exports. PSE supports this clarification.

Lastly, Ecology seeks feedback regarding the treatment of "wheel-throughs" that are exported to a linked jurisdiction. One suggestion that could be discussed by interested parties is to exempt any tags with a final point of delivery in a linked jurisdiction for consideration as electricity wheeled through the state.

Energy Storage Systems
Ecology requests feedback on whether it should prioritize incorporating an energy storage system framework in this current rulemaking. Washington's clean energy laws include both a procurement-based law – the Clean Energy Transformation Act (CETA) – for which compliance is demonstrated through the use of renewable energy certificates (RECs), and an emissions cap, trading, tracking, and reporting law – the Climate Commitment Act (CCA) – for which compliance

is achieved primarily through the retirement of emissions allowances. While these two laws address the clean energy transition through different mechanisms, they have important interactions that have impacts for Washington ratepayers. PSE's recommendation is that energy storage systems should not be prioritized in this current rulemaking because further consideration is needed to how energy storage is treated under both frameworks and to avoid both double-counting of clean energy or the inaccurate assignment of emissions characteristics to these resources, thereby increasing costs for customers with no emissions reduction benefit.

Aggregate zero-emissions generation sources

PSE supports Ecology's proposal to incorporate an "aggregated zero-emissions generation sources" framework in this rulemaking, as proposed by CARB, with a few minor suggested amendments. Specifically, CARB's proposed language in §95111(a)(13)(E), requires generation providing entities to provide meter data and other documentation to the reporter by February following each emission year. Integrating this framework reduces compliance burden, costs, and risk of transactions by providing regulatory certainty for purchasers of clean hydroelectric generation and reducing reliance on bespoke processes, such as emails or other informal documentation, to demonstrate compliance.

PSE suggests the following minor amendments to CARB's §95111(a)(13)(E) for Ecology's consideration if it chooses to adopt an aggregated zero-emissions framework. The first change provides flexibility in timing for generation providing entities with aggregated sources as long as they provide the information to reporters prior to the Electric Power Entity reporting deadline. Additionally, PSE believes (E)(1) could be shortened to only "written contracts" as (E)(2) already clarifies that the GPE must include all information needed to conduct a lesser of analysis – of which hourly data would be included.

(13) Aggregated zero-emissions generation sources. Aggregated hydroelectric or other zero-emissions generation sources can be collectively claimed as a single specified source if all the following requirements are met:

[...]

(E) The GPE of the aggregate generation source maintains meter data and provides to reporters subject to this article, at least thirty (30) days prior to the June 1 EPE reporting deadline no later than February following each emission year, documentation, data, and records, which can include but are not limited to:
1. Written contracts with hourly data;
2. Allocated meter reports for each source, including all information required to conduct the lesser of analysis;
3. Supplemental data to allow EPEs reporting imports into California to separately report the imports from each source in the aggregate. Each source in the aggregate may contribute a different share of the importer's total aggregate imports, including within the same hour.

Composite source generation sources

PSE does not object to Ecology incorporating a composite source framework into its rules, and reiterates that all such points recognized by Ecology should be clarified in guidance.

FPMA backstop in CEMs: Definition of Electricity Importer

In June 2025, Ecology published an initial concept to create a backstop electricity importer in a CEM when the Bonneville Power Administration (BPA) is the deemed market importer but has not elected to be a covered entity under the CCA. Based on feedback, Ecology staff is now considering revising the electricity importer definition to acknowledge that BPA energy could be contracted to entities that are not retail providers, and to develop guidance on a pro rata attribution of energy imported by BPA through a centralized market to a retail provider or retail end user. PSE supports Ecology's proposal to include retail end users in the definition of electricity importer when BPA is the importer but has not elected to comply with WAC 173-441, and also supports the definition of "retail end user" proposed by the Public Generating Pool in its comments on July 30, 2025.

Unspecified Imports in CEMS

For unspecified electricity used to meet the GHG load obligation in a CEM, PSE supports Ecology's proposal to define the electricity importer to be "the retail provider or retail end user that receives a pro rata attribution of electricity" to determine what entity(s) should be responsible for reporting and compliance obligations associated with unspecified source imports attributed to the Washington GHG Zone.

As recommended above in the context of a backstop compliance entity for FPMA-imported electricity, PSE requests Ecology consider whether it may be more appropriate to use the term "end user" instead of "retail end user" as the term "retail" may have a very specific and limiting meaning in the context of a regulated utility.

(xx) For imported electricity that is unspecified electricity and assigned, designated, deemed, or attributed to Washington through a centralized electricity market, the electricity importer is the retail provider or retail end user that receives a pro rata attribution of electricity;

PSE also supports Ecology's proposal to develop formal guidance hand-in-hand with market operators, market participants, and other interested parties for calculating a pro rata attribution. This stakeholder informed approach will help ensure that the methodology informed approach will help ensure that the resulting methodology is transparent, workable, and aligned with evolving market and reporting practices. As a threshold matter, PSE does not support a methodology that determines pro rata attribution of unspecified electricity based on a retail provider or end user's total load as it overestimates emissions associated with that entity's attribution of electricity from the CEM, but believes guidance can be developed utilizing the Markets+ Tracking and Reporting functionality.

Definition: Deemed Market Importer

In its July 30, 2025 comments, the Energy Authority (TEA) recommends Ecology modify the proposed definition of Deemed Market Importer to be the Asset Owner in the Southwest Power Pool's Markets+ or the Market Participant in the California Independent System Operator's Extended Day-Ahead Market. At this time, PSE supports Ecology maintaining the current definition of "deemed market importer".

PSE understands TEA's concerns and acknowledges there is some level of risk of under recovery of compliance costs for all scheduling coordinators that have load in a GHG regulation area or that transact with a GHG regulation area in a CEM. Similar risks exist when entities transact in the bilateral market. But mechanisms exist, such as tariffs and other contracts, to address the costs and revenues associated with transacting in or with a GHG regulation area. Furthermore, the asset owner infers the rights to bid both the energy and the GHG costs into the market through their contractual relationship with the scheduling coordinator – consistent with the First Jurisdictional Deliverer approach and the voluntary nature of offering electricity into a GHG regulated area.

Definition: Dynamic tags
PSE supports Ecology prioritizing defining "dynamic tag" or "dynamically tagged power" or "dynamic schedule" or "dynamic interchange schedule" to "mean a telemetered reading or value that is updated in real time to reflect the specified transmission of electric power from a generation source in an interval on a NERC e-Tag," consistent with the California Air Resources Board proposal, in its current rulemaking for updates to its Mandatory Greenhouse Gas Reporting Regulation .

Revisions to Specified Source registration requirements
PSE supports Ecology prioritizing simplified requirements for "specified source registration" in this rulemaking as proposed.

Emissions leakage and defining surplus
PSE agrees that the topic of emissions leakage in CEMs is complex and can be influenced by factors such as market prices, resource composition, and GHG design and regulatory policies within and external to the footprint. PSE supports Ecology's proposal to prioritize receiving information from market operators and market participants to better inform assessments of emission leakage and risk.

This approach should center on the development of a structured, data driven method to assess and mitigate emissions leakage associated with both markets, and should consider academic resources on this topic. Because leakage risk is fundamentally influenced by market-wide dynamics—including market footprints, overall market design, and the presence or absence of greenhouse gas–specific mechanisms—continued analytical work is essential.

Ecology should actively engage with CEM operators and market participants to understand this data. Direct collaboration will help ensure Ecology's assessments accurately reflect real-world market conditions rather than theoretical assumptions.

Based on these considerations, PSE recommends Ecology:
1. Prioritize targeted data collection from market operators, balancing authorities, utilities, and other participants to inform robust modeling of emissions displacement and potential leakage pathways.
2. Evaluate various market design features—including bid-based dispatch models, and GHG-specific rules in neighboring jurisdictions—to determine how they interact with Washington's Cap and Invest requirements.

3. Develop mechanisms or rules to account for potential emissions leakage, which may include defining surplus or electricity that is eligible to serve the GHG Zone.
4. Integrate findings into program design updates, ensuring that any mitigation measures are effective, avoid unintentional costs to customers that do not lead to emissions reductions, are administratively feasible, and are adaptable to regional market evolution.

CONCLUSION

PSE appreciates the opportunity to provide feedback on the issues and questions posed by Ecology in this proposal and looks forward to working with Ecology and stakeholders as this program evolves.

Sincerely,

/s/ Wendy Gerlitz

Wendy Gerlitz
Directory, Regulatory Policy
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734
Tel: (503) 449-0009
Email: wendy.gerlitz@pse.com

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

February 20, 2026

Andrew Hayes, Cap-and-Invest Policy Section Manager
Camille Sultana, Cap-and-Invest Environmental Planner Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

RE: PSE comments on Ecology's Request for Feedback on its Program Updates and Linkage Rulemaking – Centralized electricity markets and electricity imports

PSE offers these comments in response to the Department of Ecology's (Ecology's) February 5, 2026 proposal and request for feedback[1] in the Department's Program Updates and Linkage rulemaking. PSE appreciates the opportunity to provide feedback on Ecology's proposal integrating prior stakeholder comments on how electricity imports and centralized electricity markets (CEMs) are treated. PSE also supports Ecology's efforts to consider these refinements alongside changes being considered in active rulemaking at the California Air Resources Board (CARB), demonstrating active collaboration between the two agencies in support of linkage. In these comments, PSE also seeks parallel specified source asset-controlling supplier (ACS) treatment in CEMs and non-CEMs of electricity sourced at the Bonneville Power Administration (BPA) until such time as BPA elects to comply with the program. Misalignment between the two results in higher costs for Washington customers with no additional emissions benefits. Lastly, PSE appreciates Ecology leaving the door open for subsequent future rulemakings to address day-ahead markets as they develop. As indicated in prior comments, PSE broadly supports the framework Ecology has proposed for new reporting for market operators, and for an unspecified pathway.

Electricity Importer definition in non-CEMs

PSE does not object to Ecology's proposed modifications to the definition of electricity importer to clarify the responsible electricity importer for imports not associated with CEMs, but respectfully requests that Ecology extend the same ACS treatment under consideration for CEMs to non-CEM and apply the same ACS rate to all BPA-sourced energy at least until such time as BPA opts into the CCA.

To accomplish this, PSE recommends Ecology consider applying parallel backstop language to BPA-sourced electricity in a non-CEM to the backstop logic Ecology proposes in WAC 173-441-124(2)(f)(iii)(xx)(c):

> "Electricity importer" means:
> [...]
> (v) If the importer identified under (f)(i) or (f)(xi) of this subsection is a federal power marketing administration over which Washington state does not have jurisdiction, and the federal power marketing

[1] Washington Administrative Code 173-441

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

> administration has not voluntarily elected to comply with this chapter, then the electricity importer is the next purchasing-selling entity in the physical path on the e-tag, or if no additional purchasing-selling entity over which Washington state has jurisdiction, then the electricity importer is the electric utility that operates the Washington state transmission or distribution system, or the generation balancing authority, and
> (vi) The imported electricity under this subsection (f)(xx) is considered to be a specified source of electricity provided by the federal power marketing administration.

When electricity is sourced with BPA Power or BPA Slice (otherwise referred to as BPA source), that BPA source should be assigned an obligation at the ACS rate in all cases except path-out power scenarios.

Under the current rule and interim electric power entity (EPE) guidance for short-term transactions, reporters are instructed to follow Table 2 (Buyer Purchase Scenarios) when classifying BPA Power. While transactions directly with BPA are straightforward, PSE and likely other Washington utilities are seeing an unprecedented volume of BPA Source transactions with an intermediate seller at the Mid-Columbia (MIDC) market trading hub. Typically, sellers at MIDC are the importer as they deliver electricity to the trading hub. However, due to the unique treatment of Federal Power Marketing Administration imports, where BPA's next purchase selling entity is the importer, marketers are able to pass on a carbon obligation when fulfilling market physical deals for electricity products at MIDC. When BPA Source is imported by BPA through a marketer in the marketing path, the next purchase selling entity on the physical path incurs the obligation and the buyer is assigned an unspecified carbon obligation (see tag example below in Figure 1). It is PSE's perspective that these transactions are overstating Washington carbon import obligations for the purchaser of that electricity and notably raising compliance costs for Washington retail customers for electricity that is sourced at a low-emissions source. Per Ecology and CARB EPE guidance, according to BPA, under its federal mandate, it cannot sell power from individual specified sources, nor can it self-market unspecified power[1][2]. Any energy sourced from BPA is coming from its system. Due to BPA's voluntary status in the program, BPA is already a unique treatment when reporters claim BPA ACS.

Therefore, PSE respectfully requests that Ecology extend the same ACS treatment under consideration for CEMs and apply the same ACS rate to all BPA-sourced energy at least until such time as BPA opts into the CCA.

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

Figure 1. Example tag of scheduled electricity sourcing at a BPA Source and sinking into the PSEI BAA.

While this tag has no other entities on the physical path, it contains a financial intermediary (marketer) on the market path of the tag.

Tag Information

GCA	CPSE	Tag Code	LCA	Transaction Type	Time Zone	Test Tag	Tag MWh at Gen (Original/Final)	Tag MWh at Load (Original/Final)
BPAT	PSEMKT	0472801	PSEI	Normal	PDT	No	1440 / 360	1440 / 360

PSE Comment:

Multiple Base Profile: No

Market Path

PSE	Product	Contract	Misc Info
BPAP01	G-F		No
MKT CounterParty			No
PSEMKT	L		No

Physical Path

BA	TSP	MO	PSE	POR	POD	Sched Entities	Contract	Misc Info	Loss
BPAT			BPAP01	**Source:**	BPAPOWER			No	
	BPAT		BPAP01	BPAPower	NWH	BPAT		No	
	BPAT		PSEMKT	NWH	BPAT.PSEI	BPAT		No	
	PSEI		PSEMKT	BPAT.PSEI	PSEI.SYSTEM	PSEI		No	
PSEI			PSEMKT	**Sink:**	PSEISYS			No	

[1] [CARB] EPE FAQs; Section 1.4.5

[2] Interim Guidance for Electric Power Entity Reporting; section 1.4.5

Electricity wheeled through the state

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

In its proposal, Ecology addresses the need to identify electricity that is wheeled through the state by defining a "Common Point" comprised of points-of-receipt and delivery (POR/PODs) within the same balancing authority area (BAA). In this current request for feedback, Ecology poses questions about how the "Common Point" concept should apply to POR/PODs within Washington but in a multi-state BAA. Generally speaking, PSE – who is not a multi-state balancing authority – does not wheel electricity through Washington that sinks/sources from PORs/PODs that are located fully within Washington but within a multi-state BAA. Nonetheless, it's important for PSE and others to have clarity and transparency about how these points are viewed when PSE transacts in the market. PSE and other utilities are currently operating under outdated guidance[2], which is creating regulatory uncertainty with market participants regarding the actual reporting treatment of in-state and out-of-state POD/PORs.

To address this issue, PSE is requesting that Ecology develop and publish updated guidance on its website regarding POR/POD and Source/Sink point classifications. This guidance should be developed through consultation with multi-jurisdictional retail providers, joint utility groups, and should align with Ecology's final determinations on common points, market hub points, and composite source generation sources, specifically clarifying which points are classified as outside of Washington state or eligible for wheeling.

Ecology also proposes to clarify in rule that the identification of electricity "wheeled through the state on separate e-tags within the same hour" is only applicable to unspecified imports and unspecified exports. PSE supports this clarification.

Lastly, Ecology seeks feedback regarding the treatment of "wheel-throughs" that are exported to a linked jurisdiction. One suggestion that could be discussed by interested parties is to exempt any tags with a final point of delivery in a linked jurisdiction for consideration as electricity wheeled through the state.

Energy Storage Systems

Ecology requests feedback on whether it should prioritize incorporating an energy storage system framework in this current rulemaking. Washington's clean energy laws include both a procurement-based law – the Clean Energy Transformation Act (CETA) – for which compliance is demonstrated through the use of renewable energy certificates (RECs), and an emissions cap, trading, tracking, and reporting law – the Climate Commitment Act (CCA) – for which compliance is achieved primarily through the retirement of emissions allowances. While these two laws address the clean energy transition through different mechanisms, they have important interactions that have impacts for Washington ratepayers. PSE's recommendation is that energy storage systems should not be prioritized in this current rulemaking because further consideration is needed to how energy storage is treated under both frameworks and to avoid both double-counting of clean energy or the inaccurate assignment of emissions characteristics to these resources, thereby increasing costs for customers with no emissions reduction benefit.

[2] Consideration of Electricity Imports and Determination of the Electricity Importer Under the Climate Commitment Act; Date published June 2023.

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

Aggregate zero-emissions generation sources

PSE supports Ecology's proposal to incorporate an "aggregated zero-emissions generation sources" framework in this rulemaking, as proposed by CARB, with a few minor suggested amendments. Specifically, CARB's proposed language in §95111(a)(13)(E), requires generation providing entities to provide meter data and other documentation to the reporter by February following each emission year. Integrating this framework reduces compliance burden, costs, and risk of transactions by providing regulatory certainty for purchasers of clean hydroelectric generation and reducing reliance on bespoke processes, such as emails or other informal documentation, to demonstrate compliance.

PSE suggests the following minor amendments to CARB's §95111(a)(13)(E) for Ecology's consideration if it chooses to adopt an aggregated zero-emissions framework. The first change provides flexibility in timing for generation providing entities with aggregated sources as long as they provide the information to reporters prior to the Electric Power Entity reporting deadline. Additionally, PSE believes (E)(1) could be shortened to only "written contracts" as (E)(2) already clarifies that the GPE must include all information needed to conduct a lesser of analysis – of which hourly data would be included.

> *(13) Aggregated zero-emissions generation sources. Aggregated hydroelectric or other zero-emissions generation sources can be collectively claimed as a single specified source if all the following requirements are met:*
>
> *[…]*
>
> *(E) The GPE of the aggregate generation source maintains meter data and provides to reporters subject to this article, at least thirty (30) days prior to the June 1 EPE reporting deadline ~~no later than February~~ following each emission year, documentation, data, and records, which can include but are not limited to:*
>
> *1. Written contracts ~~with hourly data~~;*
> *2. Allocated meter reports for each source, including all information required to conduct the lesser of analysis;*
> *3. Supplemental data to allow EPEs reporting imports into California to separately report the imports from each source in the aggregate. Each source in the aggregate may contribute a different share of the importer's total aggregate imports, including within the same hour.*

Composite source generation sources

PSE does not object to Ecology incorporating a composite source framework into its rules, and reiterates that all such points recognized by Ecology should be clarified in guidance.

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

FPMA backstop in CEMs: Definition of Electricity Importer

In June 2025, Ecology published an initial concept to create a backstop electricity importer in a CEM when the Bonneville Power Administration (BPA) is the deemed market importer but has not elected to be a covered entity under the CCA. Based on feedback, Ecology staff is now considering revising the electricity importer definition to acknowledge that BPA energy could be contracted to entities that are not retail providers, and to develop guidance on a pro rata attribution of energy imported by BPA through a centralized market to a retail provider or retail end user. PSE supports Ecology's proposal to include retail end users in the definition of electricity importer when BPA is the importer but has not elected to comply with WAC 173-441, and also supports the definition of "retail end user" proposed by the Public Generating Pool in its comments on July 30, 2025.

Unspecified Imports in CEMS

For unspecified electricity used to meet the GHG load obligation in a CEM, PSE supports Ecology's proposal to define the electricity importer to be "the retail provider or retail end user that receives a pro rata attribution of electricity" to determine what entity(s) should be responsible for reporting and compliance obligations associated with unspecified source imports attributed to the Washington GHG Zone.

As recommended above in the context of a backstop compliance entity for FPMA-imported electricity, PSE requests Ecology consider whether it may be more appropriate to use the term "end user" instead of "retail end user" as the term "retail" may have a very specific and limiting meaning in the context of a regulated utility.

> *(xx) For imported electricity that is unspecified electricity and assigned, designated, deemed, or attributed to Washington through a centralized electricity market, the electricity importer is the retail provider or retail end user that receives a pro rata attribution of electricity;*

PSE also supports Ecology's proposal to develop formal guidance hand-in-hand with market operators, market participants, and other interested parties for calculating a pro rata attribution. This stakeholder informed approach will help ensure that the methodology -informed approach will help ensure that the resulting methodology is transparent, workable, and aligned with evolving market and reporting practices. As a threshold matter, PSE does not support a methodology that determines pro rata attribution of unspecified electricity based on a retail provider or end user's total load as it overestimates emissions associated with that entity's attribution of electricity from the CEM, but believes guidance can be developed utilizing the Markets+ Tracking and Reporting functionality.

Definition: Deemed Market Importer

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

In its July 30, 2025 comments, the Energy Authority (TEA) recommends Ecology modify the proposed definition of Deemed Market Importer to be the Asset Owner in the Southwest Power Pool's Markets+ or the Market Participant in the California Independent System Operator's Extended Day-Ahead Market. At this time, PSE supports Ecology maintaining the current definition of "deemed market importer".

PSE understands TEA's concerns and acknowledges there is some level of risk of under recovery of compliance costs for all scheduling coordinators that have load in a GHG regulation area or that transact with a GHG regulation area in a CEM. Similar risks exist when entities transact in the bilateral market. But mechanisms exist, such as tariffs and other contracts, to address the costs and revenues associated with transacting in or with a GHG regulation area. Furthermore, the asset owner infers the rights to bid both the energy and the GHG costs into the market through their contractual relationship with the scheduling coordinator – consistent with the First Jurisdictional Deliverer approach and the voluntary nature of offering electricity into a GHG regulated area.

Definition: Dynamic tags

PSE supports Ecology prioritizing defining "dynamic tag" or "dynamically tagged power" or "dynamic schedule" or "dynamic interchange schedule" to "mean a telemetered reading or value that is updated in real time to reflect the specified transmission of electric power from a generation source in an interval on a NERC e-Tag," consistent with the California Air Resources Board proposal, in its current rulemaking for updates to its Mandatory Greenhouse Gas Reporting Regulation[3].

Revisions to Specified Source registration requirements

PSE supports Ecology prioritizing simplified requirements for "specified source registration" in this rulemaking as proposed.

Emissions leakage and defining surplus

PSE agrees that the topic of emissions leakage in CEMs is complex and can be influenced by factors such as market prices, resource composition, and GHG design and regulatory policies within and external to the footprint. PSE supports Ecology's proposal to prioritize receiving information from market operators and market participants to better inform assessments of emission leakage and risk.

This approach should center on the development of a structured, data driven method to assess and mitigate emissions leakage associated with both markets, and should consider academic resources on this topic. Because leakage risk is fundamentally influenced by market-wide dynamics—including market footprints, overall market design, and the presence or absence of greenhouse gas–specific mechanisms—continued analytical work is essential.

[3] Mandatory Reporting of Greenhouse Gas Emissions | California Air Resources Board

Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
pse.com

Ecology should actively engage with CEM operators and market participants to understand this data. Direct collaboration will help ensure Ecology's assessments accurately reflect real-world market conditions rather than theoretical assumptions.

Based on these considerations, PSE recommends Ecology:

1. **Prioritize targeted data collection** from market operators, balancing authorities, utilities, and other participants to inform robust modeling of emissions displacement and potential leakage pathways.
2. **Evaluate various market design features**—including bid-based dispatch models, and GHG-specific rules in neighboring jurisdictions—to determine how they interact with Washington's Cap and Invest requirements.
3. **Develop mechanisms or rules to account for potential emissions leakage**, which may include defining surplus or electricity that is eligible to serve the GHG Zone.
4. **Integrate findings into program design updates**, ensuring that any mitigation measures are effective, avoid unintentional costs to customers that do not lead to emissions reductions, are administratively feasible, and are adaptable to regional market evolution.

CONCLUSION

PSE appreciates the opportunity to provide feedback on the issues and questions posed by Ecology in this proposal and looks forward to working with Ecology and stakeholders as this program evolves.

Sincerely,

/s/ Wendy Gerlitz

Wendy Gerlitz
Directory, Regulatory Policy
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734
Tel: (503) 449-0009
Email: wendy.gerlitz@pse.com