

November 27, 2023

VIA On-line Submission

Attn: Gopika Patwa
Rulemaking Lead
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

Re: Powerex informal comments regarding Electricity Markets Rule (Chapters 173-441 and 173-446 WAC)

Powerex appreciates the opportunity to provide these comments on issues and questions raised in the Ecology stakeholder meeting and input session on November 8, 2023. Powerex is a supplier of electricity in bilateral and organized markets in the western region. A substantial portion of Powerex's electricity is sourced in British Columbia—a Canadian Province with strong GHG policies and with predominantly hydropower resources. Powerex delivers electricity, including clean electricity that is surplus to its needs, into states that regulate GHGs, like California and Washington, and elsewhere across the western region. Powerex welcomes the opportunity to provide these comments to Ecology in response to Ecology's stakeholder outreach.

General Comments:

The emergence of multiple day-ahead and real-time organized market platforms in the west provides tremendous opportunities for the electricity industry to continue to deliver reliable, affordable power to consumers, while also supporting the electricity grid's ongoing transition to clean and renewable generating resources, reducing GHGs in the sector. At the same time, the complexity of organized markets, together with the fragmented and evolving nature of state-level environmental programs across the west, creates the risk of organized market design choices that may frustrate, rather than advance, the core objectives of one or more of these important programs. Powerex believes this risk is greatest where there is a lack of clarity provided by the applicable environmental program's regulator and/or the governance framework of the organized market has the potential to elevate other interests or objectives ahead of the goals of the applicable environmental program. In this context, it will be particularly important that environmental regulators guard against organized market design choices that create significant leakage via systemic inaccuracies in the specified source of imported electricity.

Powerex believes that Ecology can best address this risk by providing essential clarity on key topics as early as possible, so that Ecology's positions can be incorporated into the initial design of these emerging organized markets. This does not mean that Ecology needs to be overly prescriptive on the intricate details of each organized market's design choices. Rather, Powerex urges Ecology to provide clarity on several key topics at a higher level, so that Ecology's positions can guide the market design choices in each organized markets' respective stakeholder process. This should include:

1. Ecology providing a clear definition of leakage,
2. Ecology providing acceptable criteria by which a resource's output is considered eligible to be the source of a specified source import, including:

- Defining acceptable criteria for identifying the portion of a participant's external supply that may be considered *surplus* energy and therefore eligible to be considered the source of a specified source import.
 - Deciding whether a resource's output must feasibly be delivered to serve Washington load and is therefore eligible to be considered the source of a specified source import.
3. Ecology prescribing the minimum reporting requirements for each organized market to ensure ongoing transparency (and accuracy) into the fuel mix and emissions associated with generating resources that are identified as serving load in Washington. In addition, Ecology should require organized markets to report on the emissions and mix of resources within the organized market footprint that are identified as *not* serving load in Washington state. This will support ongoing monitoring of the performance of the organized market in supporting the program's objective, the extent of any leakage, and help identify necessary market design changes and/or program changes.

Powerex Responses to Ecology Leakage Questions (posed in November 8, 2023 meeting):

Powerex offers its comments on select questions posed by Ecology and would welcome further discussion on any of its responses.

Should Ecology include an outstanding emissions leakage calculation for centralized electricity markets in this rulemaking?

CARB's outstanding emissions calculation was implemented as an after-the-fact mechanism to mitigate leakage resulting from the EIM's deeming algorithm which systemically mis-identifies the source of specified source imports into California. For the two day-ahead markets, Ecology should not include an outstanding emissions leakage calculation but should instead develop its reporting regulations to largely prevent leakage at the outset by:

- Defining acceptable criteria for identifying the portion of a participant's external supply that may be considered surplus energy and therefore eligible to be considered the source of a specified source import into Washington; and
- Defining the extent to which a resource's output must also be deliverable to Washington in order to be eligible to be the source of a specified source import into Washington.

Ecology should make it clear that if external supply is not surplus energy (as defined by Ecology) and/or not able to be delivered to Washington (as defined by Ecology), then it should not be reported as the source of a specified source import.

Ecology should also build data transparency requirements into program rules. More specifically, Ecology should require each organized market to provide timely information on the fuel mix and emissions of electricity serving Washington State, as well as the fuel mix and emissions of electricity serving the rest of the organized market's footprint. See Powerex comments submitted to Ecology on October 30, 2023 for more detail regarding transparency and specific data recommendations regarding data and reporting.¹

¹ [WA Dept. of Ecology Electricity Markets Rules Comments \(Second Comment Period\):](https://powerex.com/sites/default/files/2023-11/WA%20Dept.%20of%20Ecology%20Electricity%20Markets%20Rules%20Comments%20%28Second%20Comment%20Period%29.pdf)

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Should Ecology follow CARB's hypothesized approach and focus the calculation on electricity below the market counterfactual run?

Powerex does not suggest Ecology follow CARB's approach. Consistent with the recommendations above, Powerex suggests that Ecology develop a definition of leakage; criteria for energy to be eligible to be identified as serving Washington load (i.e., it must be surplus and deliverable to Washington); and, robust transparency requirements to ensure that organized market outcomes continue to be consistent with state policy goals.

How should resources committed to Washington load be treated?

Powerex recommends that external resource output that is under a forward contract to serve load in Washington should be treated as surplus energy, and therefore, treated as a specified source import (provided there is also transmission available to deliver that output to Washington).

How should EIM leakage be addressed during "interim" period?

Powerex recommends Ecology spend its limited time and resources on the development and implementation of the regulation for the larger day ahead markets that are expected to start in 2026, rather than pursuing EIM leakage during the "interim" period. The EIM's use of the unspecified rate for imports during the "interim" period into Washington reduces leakage risk considerably compared to the EIM's "deeming" approach used for California.

Given the unsettled state of the Markets+ design process and tariff, how should design elements of that process be considered?

Powerex believes that Ecology can best address risks by providing essential clarity on key topics as early as possible, so that Ecology's positions can be incorporated into the initial design of these emerging organized markets. This does not mean that Ecology needs to be overly prescriptive on the intricate details of each organized market's design choices. It does not. Rather, Powerex urges Ecology to provide clarity on several key topics at a higher level, so that Ecology's positions can guide the market design choices in each organized markets' respective stakeholder process.

Powerex's experience with CAISO, CARB and the EIM was that CAISO's market rules and CARB's reporting rules required an iterative approach. Powerex expects that the organized markets attribution frameworks and state GHG programs may require a similar approach over time to fully implement the goals of Washington's program given the rapidly changing nature of the electricity sector.

Powerex appreciates the opportunity to provide these comments and looks forward to continuing to work with Ecology as it develops electricity market rules.

Submitted by,

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Powerex