

August 25, 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 for Electricity Markets Rules (Chapters 173-441 and 173-446 WAC)

Powerex Corp. appreciates the opportunity to provide these comments to the Washington Department of Ecology on electricity imports via organized electricity markets. 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 across the western region, including into the GHG-regulated states of California and Washington.

In the years ahead, new organized markets are expected to launch and to expand, and electricity imports into Washington will increasingly originate from these organized markets. Powerex therefore believes that achieving the goals of Washington's Climate Commitment Act will require that organized markets incorporate carefully designed rules for the treatment of electricity imports in order to accurately identify the source of the electricity serving Washington State load. In addition, the Department's ongoing ability to evaluate the performance of organized markets' application of GHG pricing to imports will require **a high level of transparency** into organized market outcomes.

Two Markets in the West

Over the past year, it has become clear that there will be at least two organized markets in the western U.S. by as early as 2025: CAISO's EDAM/EIM and SPP's Markets+. Each organized market is likely to have important differences in its approach to applying GHG pricing programs to imports. It will therefore be important that the Washington Department of Ecology be engaged with both market operators and their respective stakeholder processes going forward.

The Western EIM and Data Transparency

To date, the Western EIM is the only organized market in the west that has sought to incorporate the GHG emissions of external resources into its dispatch, pricing, and settlements. Powerex's five years of experience in the Western EIM, together with its extensive analysis of available data, has highlighted that the Western EIM's market design for applying GHG pricing programs to imports is substantially flawed, does not accurately identify which external generating resources are serving load in California, and yields results that

frustrate the State's GHG program objectives.¹ This experience has confirmed the importance of transparency into organized market outcomes. In particular, despite repeated calls by multiple stakeholders over the last number of years seeking specific data on the GHG emissions of the external generating resources that actually increased electricity production in the EIM in hours when EIM imports occurred, such data has still not been provided.² While, the market operator and market monitor have provided stakeholders with various high-level reports analyzing selected data for selected periods, these reports do not provide the level of transparency necessary for parties to evaluate the effectiveness of the application of the GHG program within organized markets and where potential changes are needed.

Powerex acknowledges that the CAISO is proposing certain enhancements to applying GHG pricing programs to imports in both the EDAM and EIM. These efforts should help to reduce the extent of inaccurate designations of imports in the EDAM and EIM. However, despite these changes the CAISO will continue to apply an algorithm in its organized markets that designates zero-emitting hydro resources as the source of imports into the CAISO BAA when those are not the resources increasing their output in the EDAM/EIM. This can be expected to continue to enable external coal, natural gas, and other GHG-emitting external resources to be dispatched to serve demand in the GHG pricing state (*e.g.*, California or Washington), inefficiently displacing internal resources which may be lower cost and/or lower emitting.

Powerex recommends that the Department of Ecology add a very high degree of reporting transparency on organized markets so that sufficient information is available to ensure the Department can properly consider changes as markets evolve.

Markets +

In November 2022, Powerex announced that it intends to join SPP's Markets+ at the inception of that market. Accordingly, the remainder of these comments are focused on the application of GHG pricing programs to imports occurring in SPP's Markets+.

SPP's Markets+ stakeholder process on the application of GHG pricing programs to imports is well underway. Powerex is encouraged by the progress made to date and is cautiously optimistic that a workable and balanced solution will be achieved. In Powerex's view, such a solution will need to:

1. Designate external hydro as the source of imports only for output that is not associated with serving the applicable entity's demand outside of Washington;
2. Designate external renewable resources as the source of imports only for output that is not committed to meet energy or environmental programs in other jurisdictions; and
3. Enable the use of unspecified imports within the organized market for additional external supply to participate in serving load in Washington state, while also establishing an appropriate and acceptable First Jurisdictional Deliverer (FJD) for such imports.

¹ [Examining the Western EIM's Deeming Approach to GHG Imports](#) (July 2022).

² CAISO has identified no impediment to making the hourly data available as Powerex and others have requested, for all hours of 2020-2022



These elements will need to be included in a manner that does not result in significant new costs for Washington consumers *over and above the costs of appropriately applying the Climate Commitment Act*. That is, Markets+ should seek to avoid or minimize new uplift costs, while also seeking to maximize the voluntary participation of external clean and low emitting surplus supply in serving demand in Washington state. However, the Climate Commitment Act deliberately seeks to incorporate the cost of GHG emissions in the price of electricity; these intended costs should not be obscured by market rules that inaccurately designate, and inaccurately report the source of electricity imports. To do so would not only undermine the environmental goals of the program by causing leakage, but it will inevitably discourage the participation of external clean supply in the organized market framework.

From a transparency perspective, Powerex is encouraged by SPP's support for robust data reporting, which will enable the Washington Department of Ecology and all interested stakeholders to better understand market outcomes, helping to identify areas for further improvement.

Finally, Powerex wishes to express its general support for WPTF's submitted comments, as well as its appreciation for the leadership shown on this complex topic by SPP Staff and the Markets+ GHG Task Force's chair, Mary Wienke, and vice-chair, Clare Breidenich.

Sincerely,

Frank Durnford
Executive Director, Market Policy
Powerex