



# Chapter 173-441 and -446 WAC Linkage Rulemaking - Electricity Considerations

Climate Pollution Reduction Program

November 19, 2024

# Ecology Staff

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# Meeting Focus

Technical discussion of electricity reporting and coverage to aid development of potential rules regarding balancing energy and wheel-throughs.

Provide written comment and feedback online through December 6 at 11:59 pm:

<https://ecology.commentinput.com?id=KZc7tHYhu>

**Send questions to:**  
CCAelectricity@ecy.wa.gov

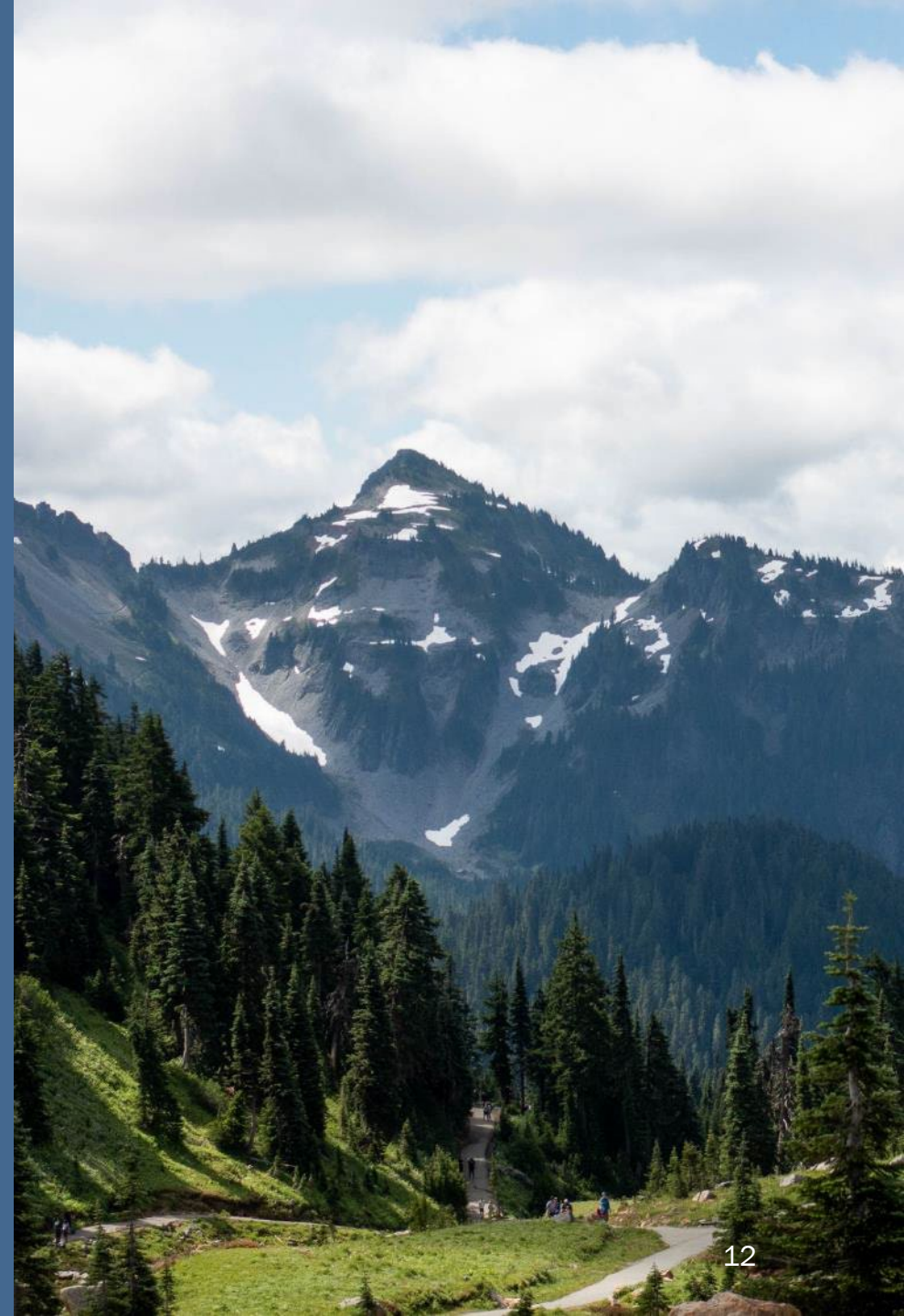
**Further  
opportunity  
for  
engagement**

# Agenda

- 1** Electricity coverage under the Climate Commitment Act
- 2** Electricity wheeled through the state
- 3** Short break
- 4** Balancing energy
- 5** Comment period



# Electricity Coverage under the Climate Commitment Act



# Climate Commitment Act (CCA)

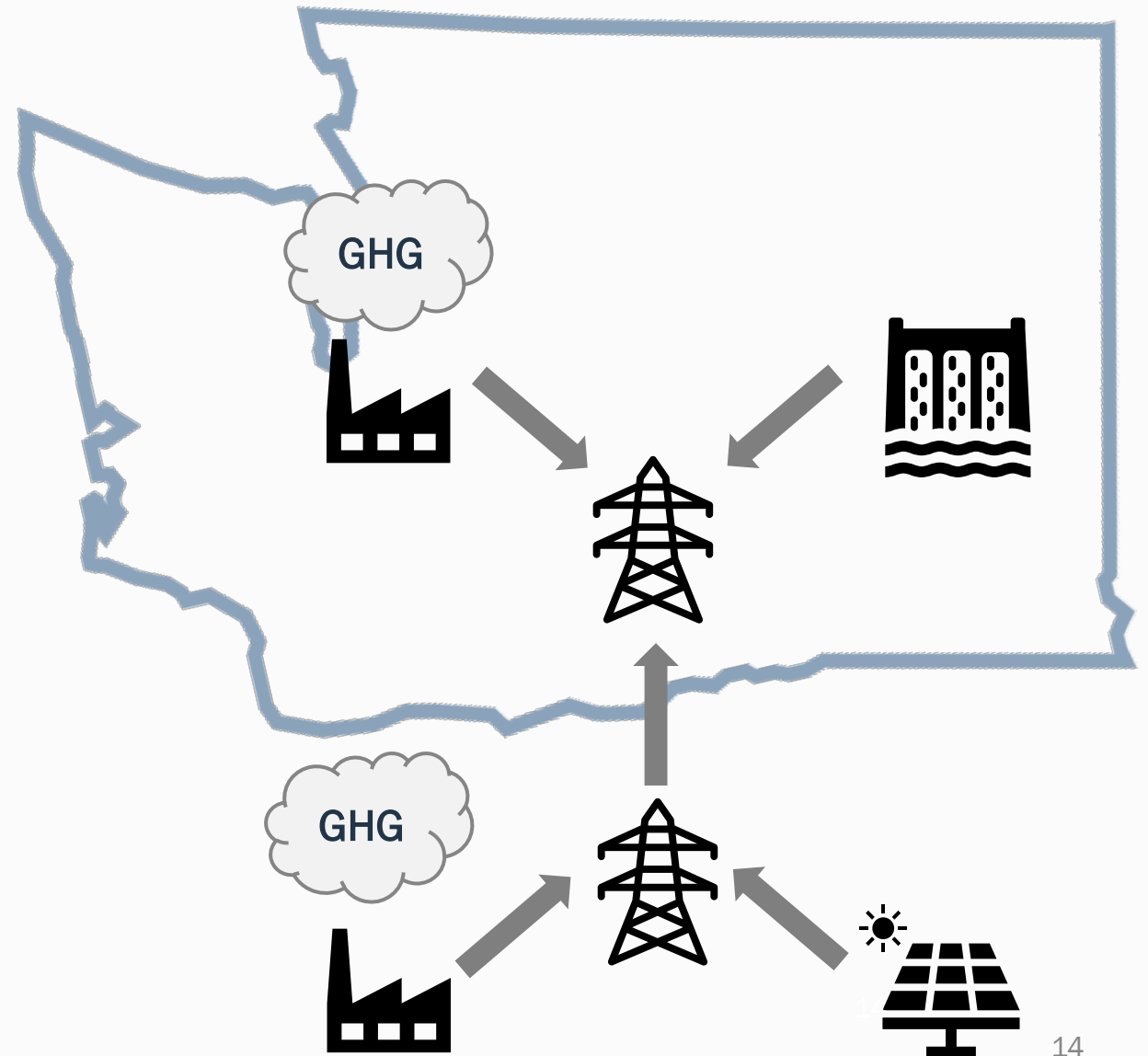
- Cap-and-Invest Program caps emissions, declines over time
  - Aligned with statewide emission limits
  - 75% of the state's emissions covered
  - Emissions cap = Allowance budget
- Covered, opt-in entities must obtain allowances/offsets for covered emissions
  - Some entities receive no-cost allowances
- Revenue re-invested in communities across WA



# Electricity coverage under CCA

CCA directs Cap-and-Invest Program to cover both:

- In-state electricity generation
- Imported electricity into WA
  - Electricity generated outside the state of Washington with a final point of delivery within the state



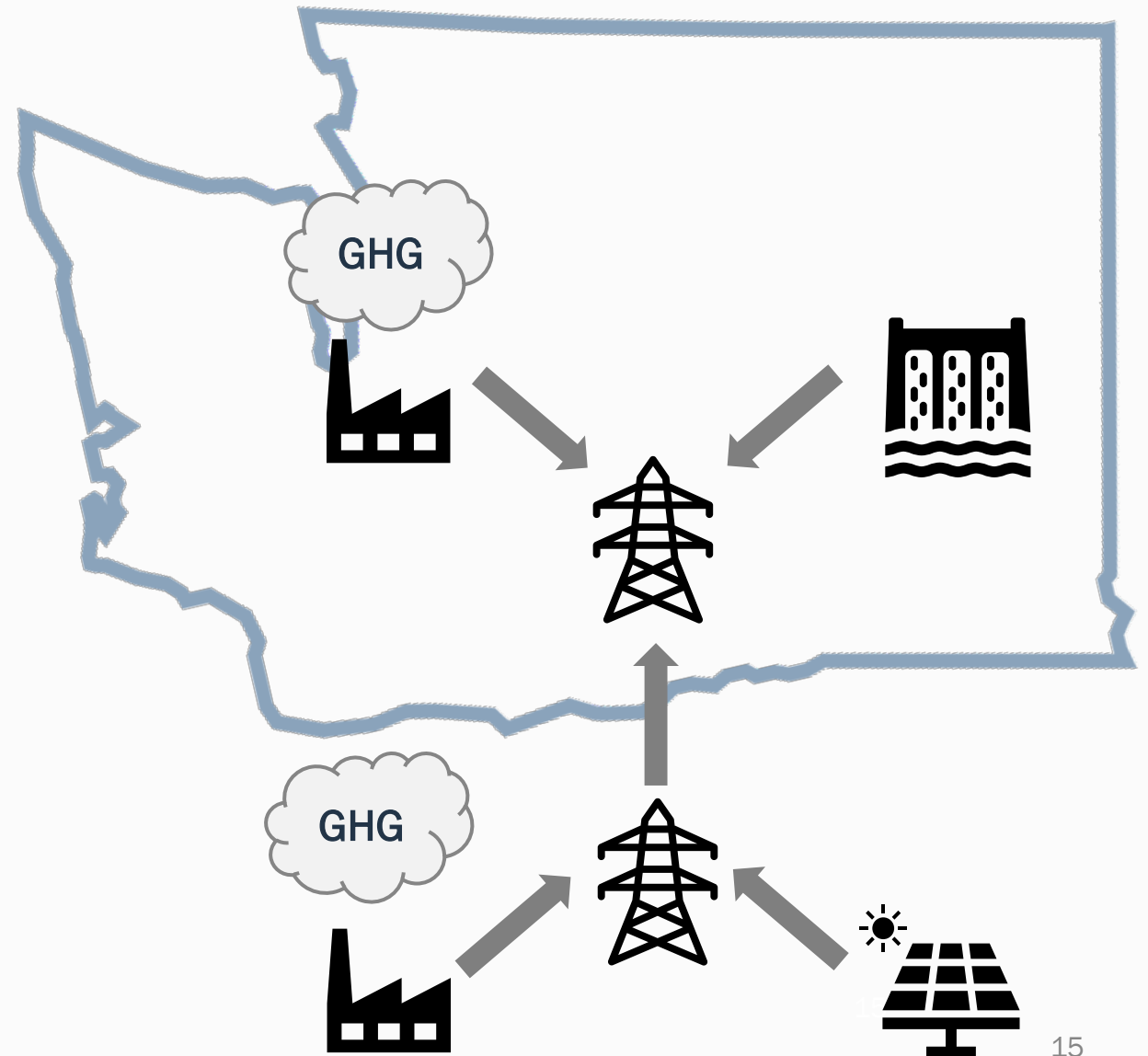


# Electricity coverage under CCA

CCA directs Cap-and-Invest Program to cover both:

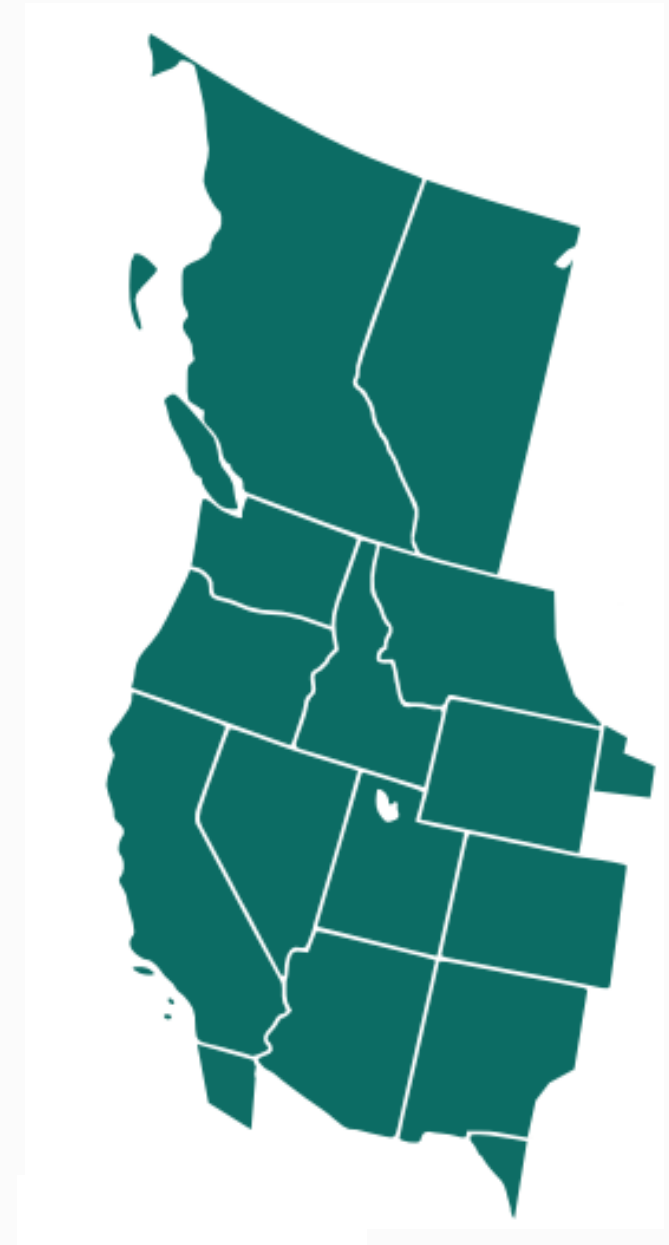
- In-state electricity generation
- Imported electricity into WA

**Workshop focus:** Rules governing what is considered imported electricity and what entities are responsible for imported electricity



# WA and Western power grid

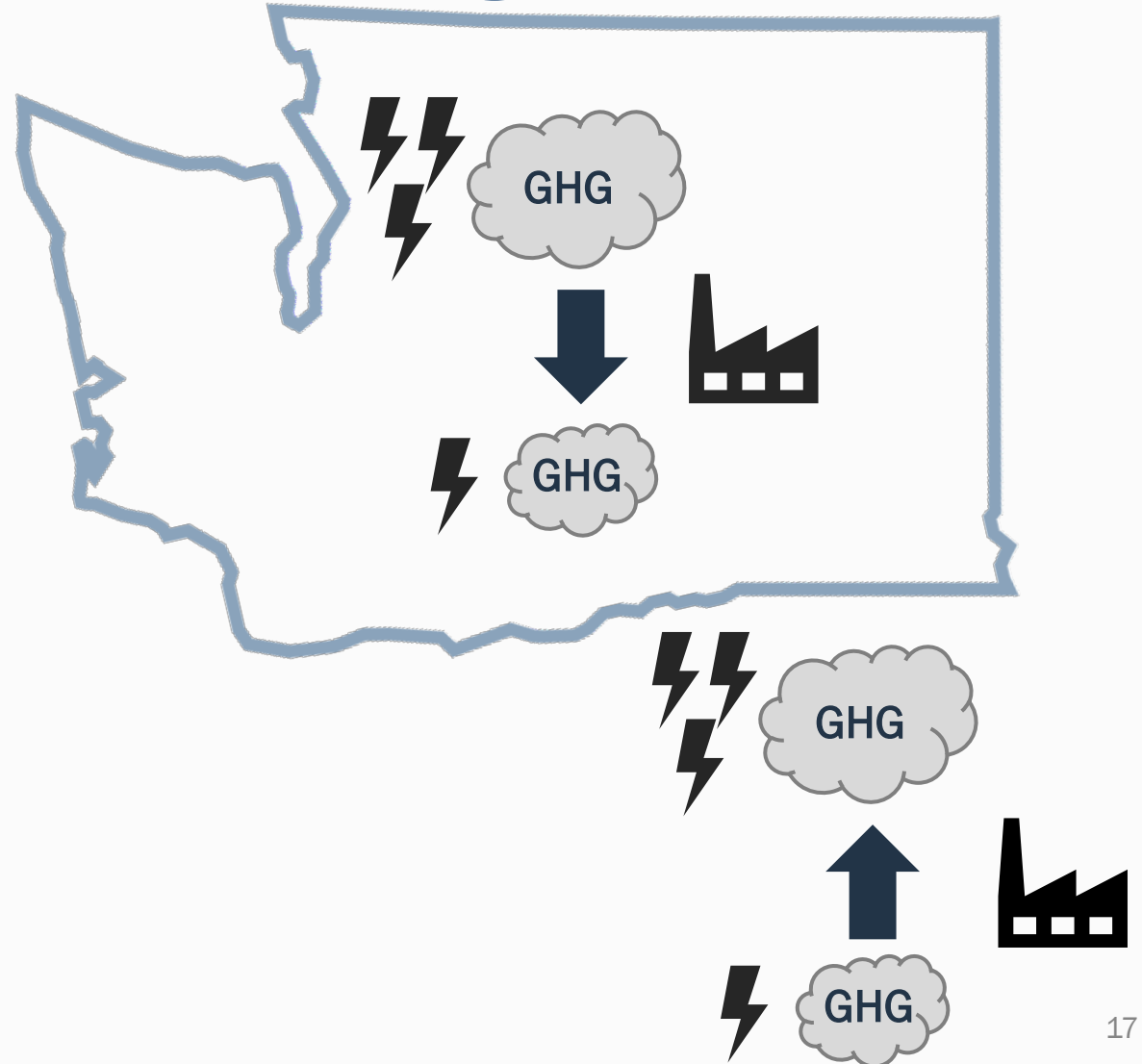
- Washington part of Western Interconnection
- Western Interconnection: Highly complex and interconnected power grid covering Pacific Coast to Rocky Mountain States
- Enables electricity from resources throughout West to help meet WA electricity demand



# Electricity and emissions leakage

Coverage of imported electricity is important protection against emissions leakage resulting from the Cap-and-Invest Program.

Emissions leakage is a reduction of greenhouse gas emissions in-state that is offset by an increase in greenhouse gas emissions outside WA or a linked jurisdiction.



# SB 6058 updates to electricity definitions

- Senate Bill (SB) 6058, passed in March 2024, facilitates linkage of WA carbon market with the California-Québec carbon market
- Coordination of electricity treatment within CA and WA programs important for linkage due to interconnection of western power grid.
- SB 6058 updated statute addressing imported electricity include
  - Modification of “imported electricity” definition to exclude electricity Ecology identifies by rule to either be “wheeled through the state” or separately accounted for.
  - Addition of a definition of “electricity wheeled through the state”
  - Enables Ecology to revise the definition of “electricity importer,” including for a) electricity provided as balancing energy and b) imported electricity not otherwise assigned an electricity importer in statute

# Ecology linkage rulemaking

- Updates to imported electricity provisions in 173-441 (GHG Reporting Program) and 173-446 (Cap-and-Invest Program) part of larger linkage rulemaking announced April 11, 2024
- First draft of rule language released July 1, 2024
- Received informal public comment through Sep. 27, 2024
- Plan to share updated draft and have another informal comment period



# Electricity wheeled through the state



# SB 6058: Electricity wheeled through the state

"Electricity wheeled through the state" means electricity that is generated outside the state of Washington and delivered into Washington with the final point of delivery outside Washington including, but not limited to:

- electricity wheeled through the state on a single NERC e-tag, or
- wheeled into and out of Washington at a common point or trading hub on the power system on separate e-tags within the same hour.

# SB 6058: Imported electricity

- Removes language explicitly excluding unspecified electricity netted by exports of electricity from imported electricity
- Adds language specifying imported electricity does not include electricity identified by Ecology to be wheeled through the state

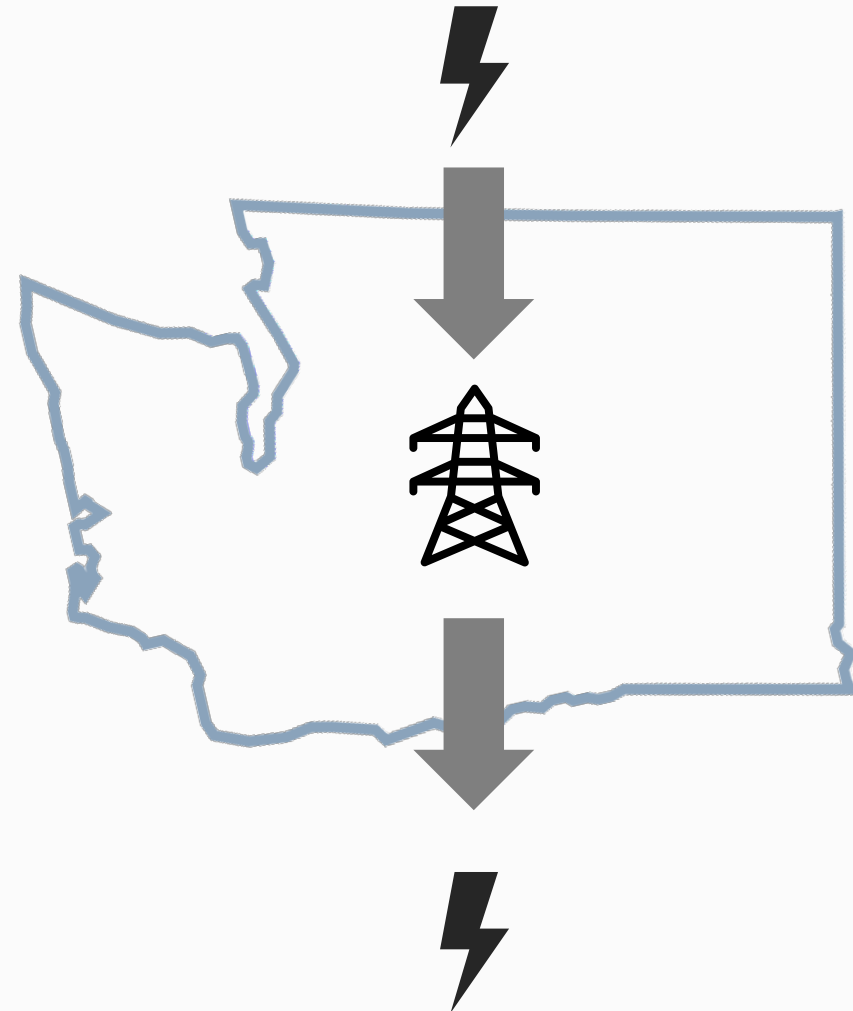
"Imported electricity" does not include any electricity imports of ~~unspecified electricity that are netted by exports of unspecified electricity to any jurisdiction not covered by a linked program by the same entity within the same hour.~~ that the department determines by rule to be:

- Wheeled through the state;
- separately accounted for in this chapter



# Understanding “Electricity wheeled through the state”

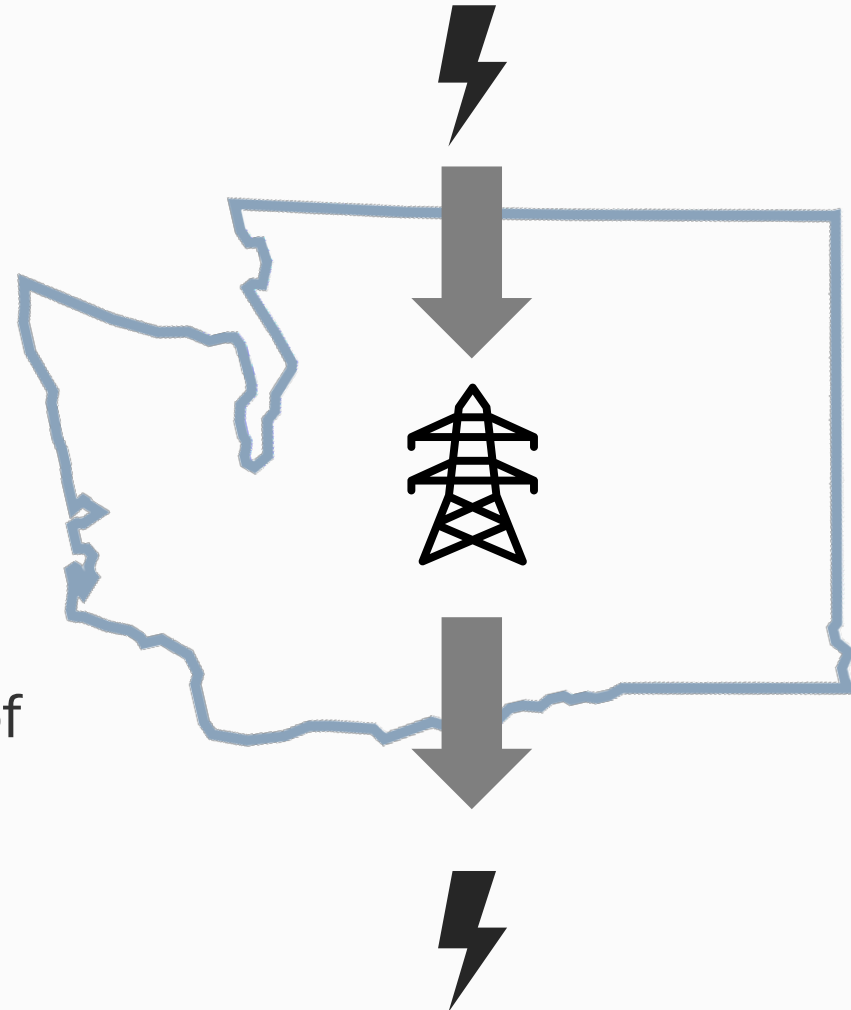
"Electricity wheeled through the state" means electricity that is generated outside the state of Washington and delivered into Washington with the final point of delivery outside Washington including, but not limited to...



# “Electricity wheeled through the state”: single NERC e-tag

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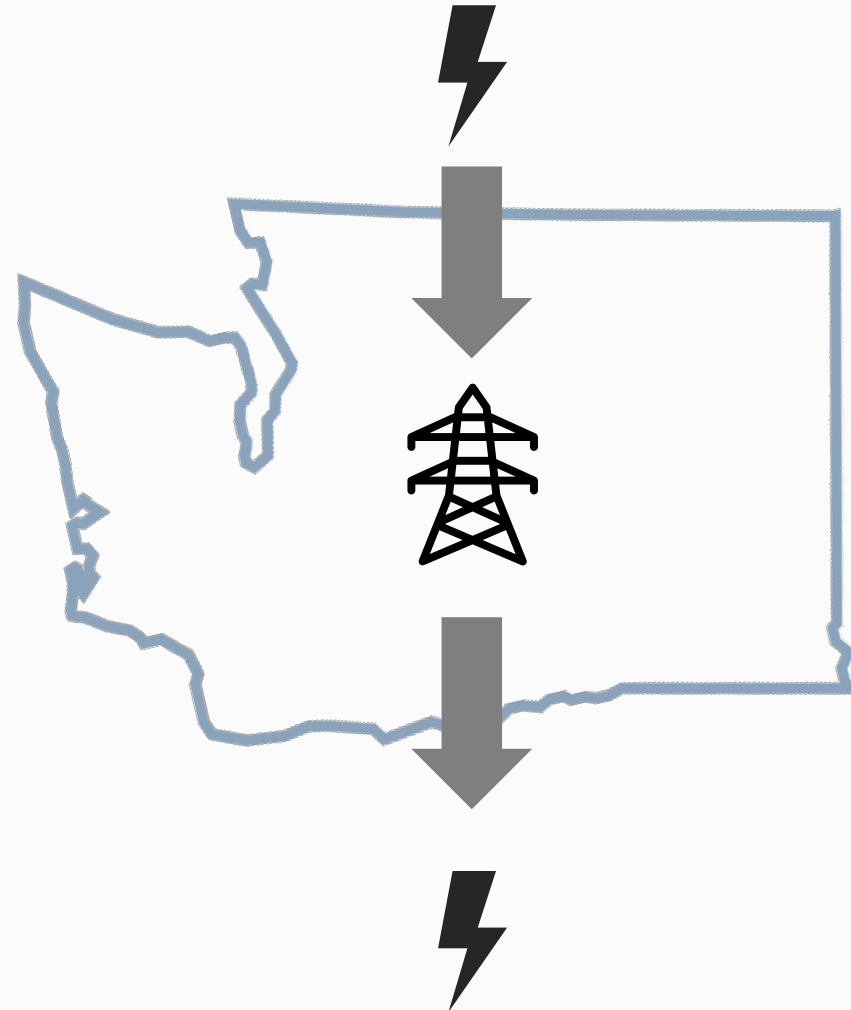
- electricity wheeled through the state on a single NERC e-tag, or
- **Staff initial assessment:** Under existing reporting rules, electricity with transmission points through WA, but with a sink outside of WA, would not be considered an import and would not need to be reported in determinations of “electricity imports” or “wheel throughs”



# “Electricity wheeled through the state”: separate e-tags

"Electricity wheeled through the state" means electricity that is generated outside the state of Washington and delivered into Washington with the final point of delivery outside Washington including, but not limited to...

- wheeled into and out of Washington at a common point or trading hub on the power system on separate e-tags within the same hour.

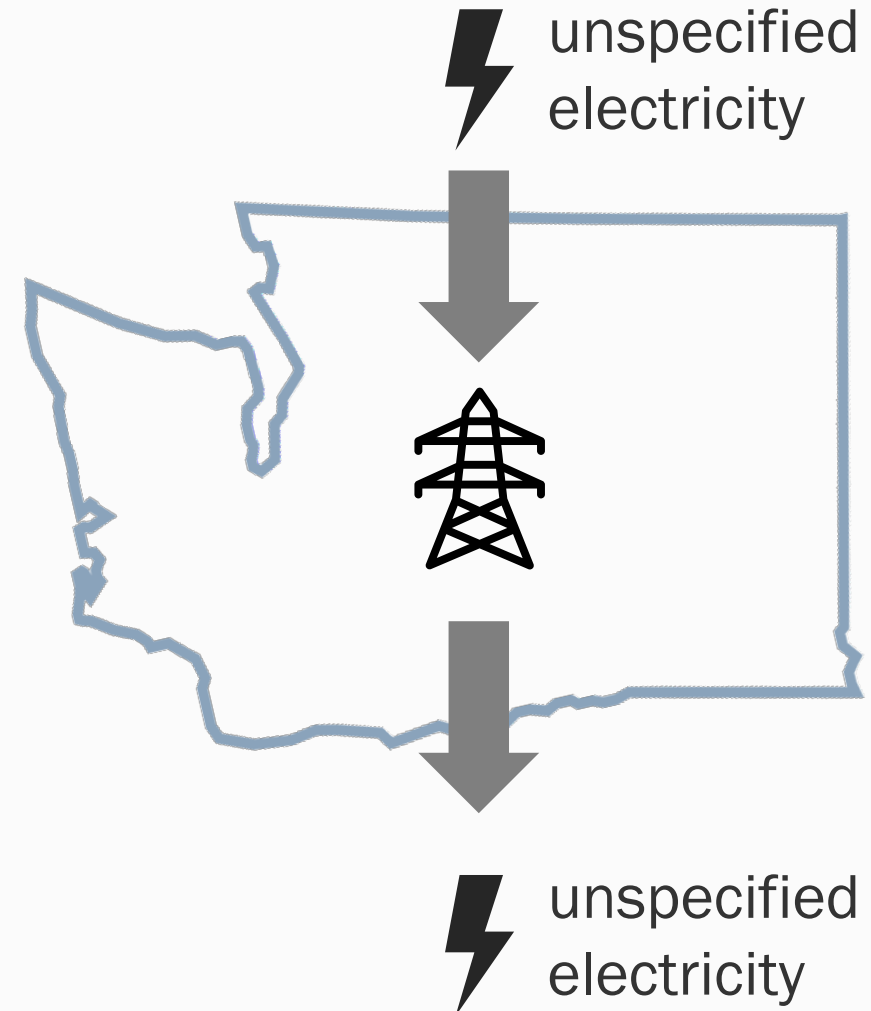


# “Electricity wheeled through the state”: separate e-tags

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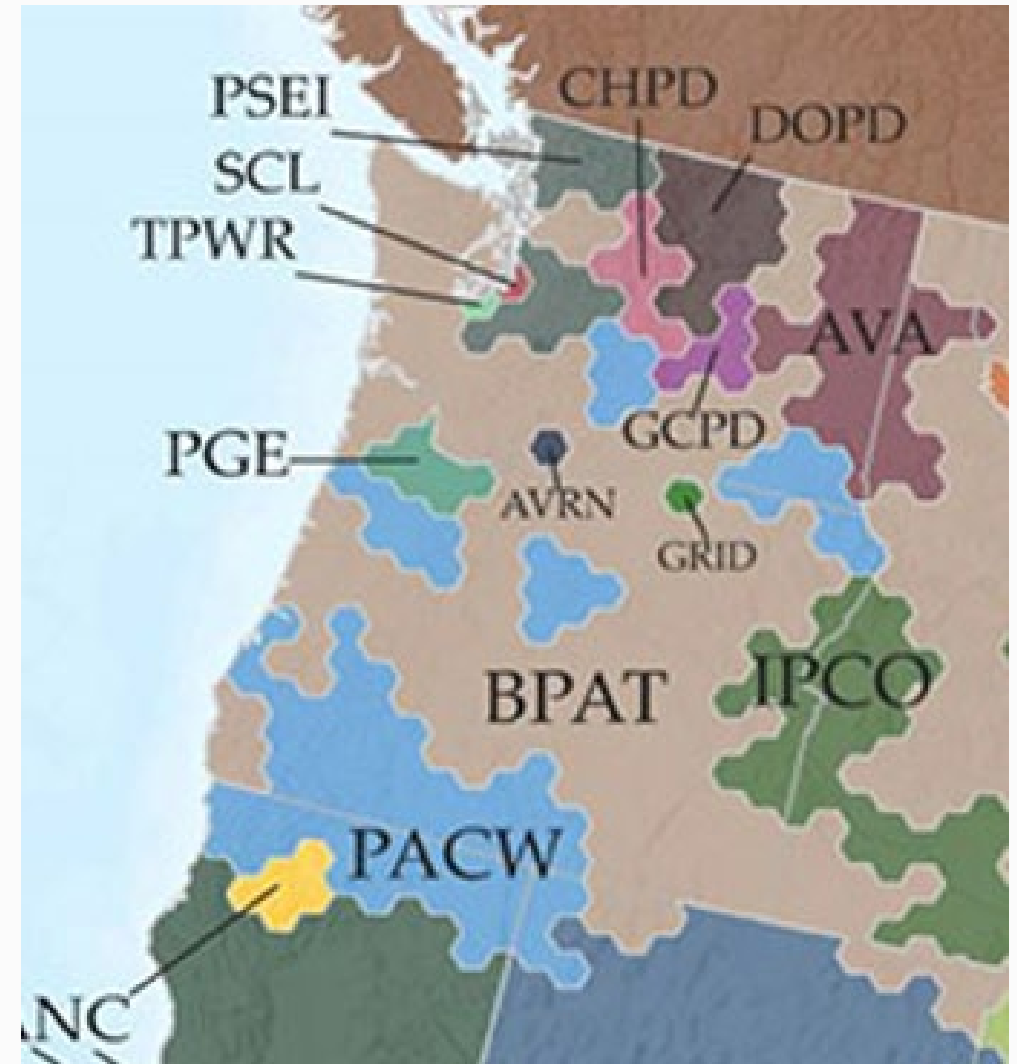
## Additional framing

- Imports and exports into and out of “Washington” as implemented for electric power entity reporting
- “Wheel throughs” is regarding unspecified electricity imports and exports



# Complexity of WA power grid and markets

- Federal system, multistate balancing authority areas (MS-BAA), and Mid-Columbia trading hub complicate determination of “Washington” import and exports
- Generally, electricity initially sunk to or provided from a federal system or MS-BAA system is not considered delivered to or delivered from WA



# “Electricity wheeled through the state”: separate e-tags

"Electricity wheeled through the state" means electricity that is generated outside the state of Washington and delivered into Washington with the final point of delivery outside Washington including, but not limited to...

- wheeled into and out of Washington at a common point or trading hub on the power system on separate e-tags within the same hour.

## Cap-and-Invest Program Considerations

- Recognize complexity and liquidity of electricity flows within WA
- Provide consistent treatment for all electric power entities (EPEs)
- Protect environmental integrity of the program, capture import emissions associated with serving WA demand, protect against emissions leakage
- Enable linkage with other jurisdictions

# Initial discussion of “common point”

## Potential implementation of “common point”

- Single point of receipt (POR) or point of delivery (POD) (e.g. MSCG\_GCPD or Franklin)
  - An EPE who is the responsible purchasing-selling entity would only be able to claim “wheel throughs” occurring into and out of the same POR/POD.
- Any PORs/PODs within the same balancing authority area (BAA) located entirely within Washington (e.g. Tacoma Power or Grant County PUD BAAs)
  - An EPE who is the responsible purchasing-selling entity would only be able to claim “wheel throughs” occurring into and out of the same BAA.

# Initial discussion of “trading hub”

Potential implementation of “trading hub” specific to MID-C area

- Single point of receipt/point of delivery (POR/POD): MIDC adjacency
- A broader set of PORs/PODs associated with MID-C transactions





# Requested feedback: common point and trading hub

In reference to “electricity wheeled through the state” on separate e-tags

- How should Ecology implement the term “common point”?
  - Single POR/POD
  - Any PORs/PODs within the same BAA located entirely within WA
  - Other
- How should Ecology implement the term “trading hub” specific to the MID-C area?
  - MIDC adjacency only
  - A broader set of PORs/PODs associated with MID-C transactions. If so, how should these be defined.
  - Other
- For unspecified imports initially sinking at a trading hub, should “wheel throughs” be limited to occurring into and out of the same BAA at the trading hub. (e.g. An EPE transacting at MID-C and sinking and sourcing from both BAA X and BAA Y, “wheel throughs” would have to be separately calculated for BAA X and BAA Y even if all source PORs/PODs are associated with the MID-C area).

# Accounting for multijurisdictional retail providers (MJRPs)

- Discussion of “wheel throughs” in previous slides limited to electricity delivered to PODs considered within WA for reporting purposes.
- Any electricity initially sunk to or provided from a federal system or MS-BAA system that overlaps WA borders is not considered delivered to or delivered from WA for reporting purposes.
- A separate calculation is used for determining GHG emissions associated with imported electricity for multijurisdictional retail providers (MJRPs).



# Requested feedback: MJRPs

- In the calculation of greenhouse gas emissions associated with imported electricity for MJRPs (i.e., MJRP emission factor calculation), should “wheel throughs” considerations be provided for unspecified electricity purchases sunk to an MJRP’s system?
- If so, should “wheel throughs” in the MJRP emission factor calculation align with implementation of “wheel throughs” on separate e-tags for electricity that is initially delivered to a point considered within WA?

## Cap-and-Invest Program Considerations

- Recognize complexity and liquidity of electricity flows within WA
- Provide consistent treatment for all electric power entities
- Protect environmental integrity of the program, capture import emissions associated with serving WA demand, protect against emissions leakage
- Enable linkage with other jurisdictions



Break





# Balancing Energy



# Balancing energy: Progress to date

SB 6058: Definition of electricity importer

For electricity provided as balancing energy in the state of Washington, including balancing energy that is also inside a balancing authority area that is not located entirely within the state of Washington, the electricity importer **may** be defined by the department by rule;

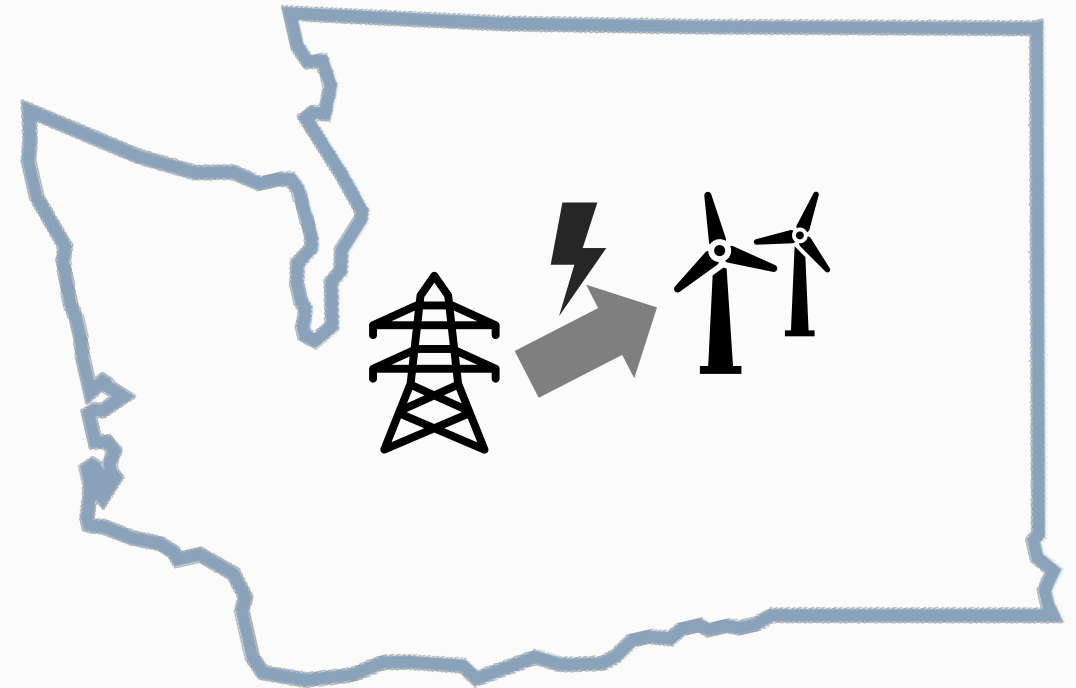
Draft rule language: Definition of electricity importer

(v) For electricity provided as balancing energy in the state of Washington, including balancing energy that is also inside a balancing authority area that is not located entirely within the state of Washington, the electricity importer is *[Ecology is still in the process of drafting this definition]*.

Ecology is evaluating if 173-441 should be amended to separately account for balancing energy provided to in-state generators in EPE reporting.

# Understanding “Balancing Energy”

- Balancing energy is electricity provided by a balancing authority (BA) to a generating facility or unit in that BAA to maintain the resource’s energy schedule.
- A BA provides balancing energy to support unplanned fluctuations in a generating unit’s energy production.
- According to staff understanding, balancing energy is “untagged” energy and is not generally associated with a separate e-tag

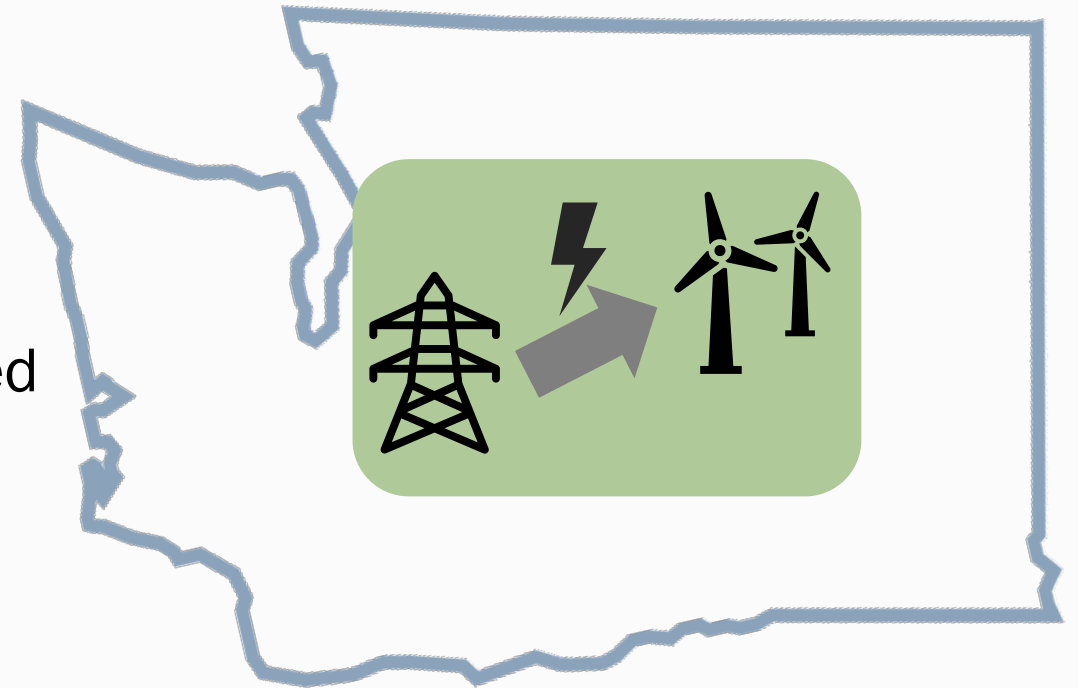




# Understanding “balancing energy”: BAA located entirely within WA

For a BAA located entirely within WA, energy provided as balancing energy is from

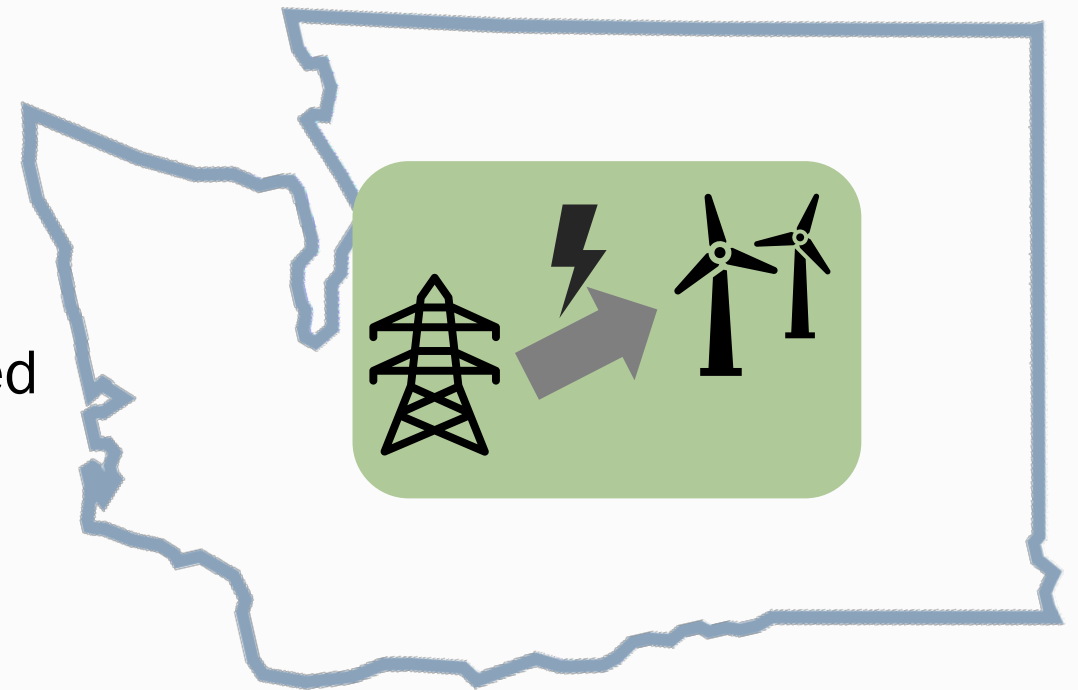
- In-state resources
- Reported imports that sink to the BAA
- Reported imports that sink to another BAA located entirely within WA and are transferred to the BAA
- A centralized electricity market (reporting rules under development)



# Understanding “balancing energy”: BAA located entirely within WA

For a BAA located entirely within WA, energy provided as balancing energy is from

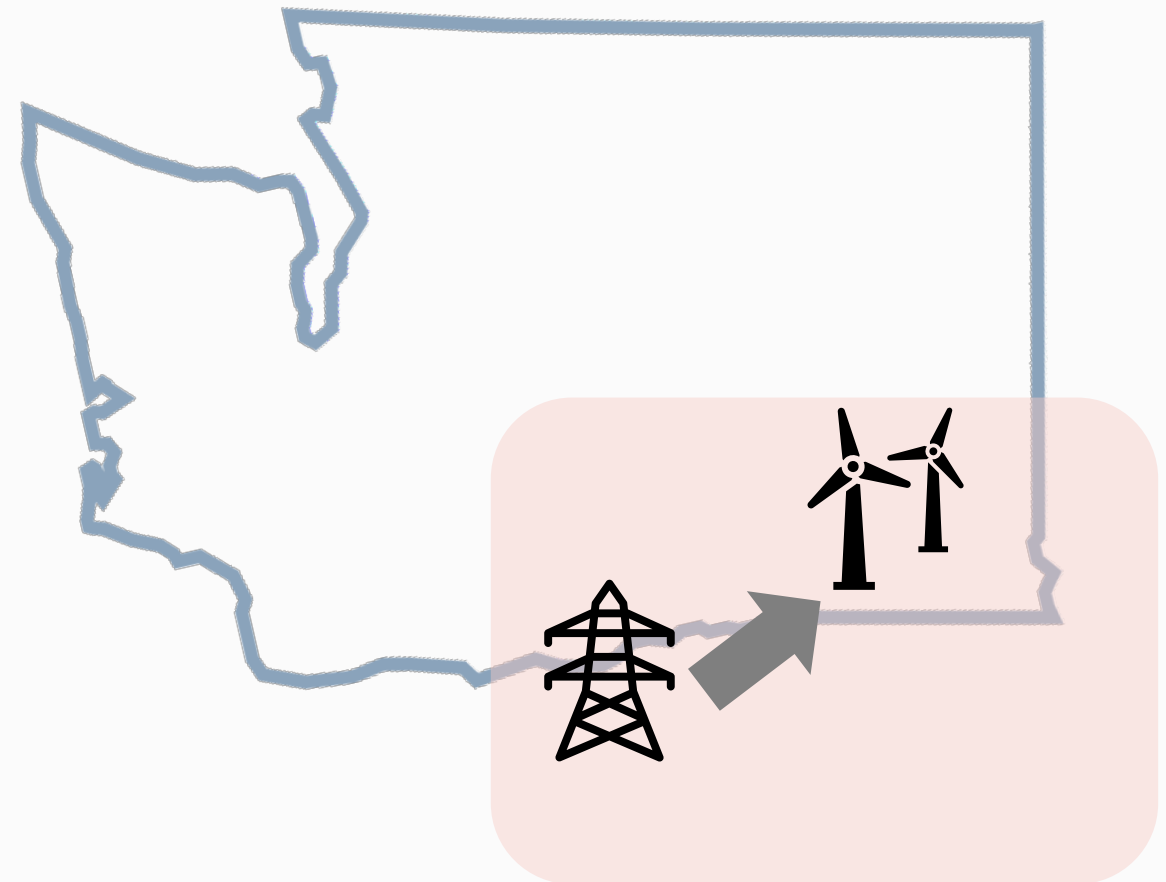
- In-state resources
- Reported imports that sink to the BAA
- Reported imports that sink to another BAA located entirely within WA and are transferred to the BAA
- A centralized electricity market (reporting rules under development)
- **Staff initial assessment:** Balancing energy provided by a BAA located entirely within WA will be already accounted for in EPE reporting



# Understanding “balancing energy”: multistate BAA

For a multistate BAA overlapping WA and other states, balancing energy provided to an in-state generator is from

- In-state resources
- Reported imports that sink to another BAA located entirely within WA or a point within WA and are transferred to the multistate BAA.
- A centralized electricity market (reporting rules under development)
- **Imports that sink to the BAA system.**

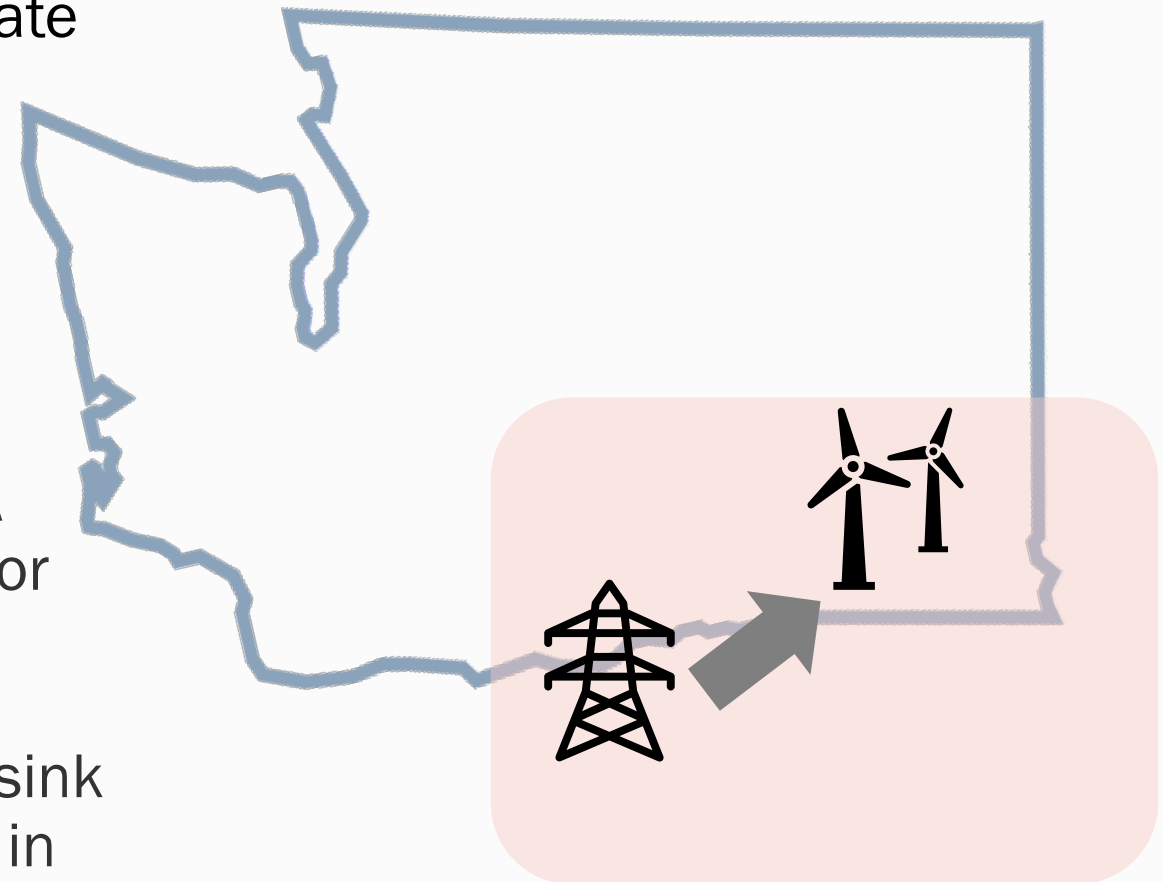


# Understanding “balancing energy”: multistate BAA

For a multistate BAA overlapping WA and other states, balancing energy provided to an in-state generator is from

- ...
- **Imports that sink to the BAA system.**

**Staff initial assessment:** Balancing energy, provided by a multistate BAA overlapping WA and other states, will be already accounted for in EPE reporting except for the fraction of energy from imports that sink to the BAA system. Balancing energy from imports that sink to the BAA system may not be accounted for in current EPE reporting.



# Potential point of regulation

**Staff initial assessment:** *If* Ecology decides to separately account for balancing energy provided to in-state generators by multistate BAAs, Ecology may define the resource owner or operator, and not the multistate BAA, as the entity responsible for emissions associated with the balancing energy.

# Requested feedback: Description of balancing energy provided by multistate BAAs

For balancing energy provided to in-state generators by a MJRP, a multistate BAA without retail load in WA, or a federal system

- Is balancing energy provided by the multistate BAA associated with “system energy”?
- Would it be appropriate to apply a system emission factor or an unspecified emission factor to any balancing energy provided by the multistate BAA?
- Is balancing energy provided by the multistate BAA generally associated with certain resources (e.g. hydro power or centralized electricity market purchases)?
- Is balancing energy provided by the multistate BAA fully accounted for by other aspects of EPE reporting?

# Requested feedback: Details of MJRP reporting

For MJRP reporting within the MJRP tool

- Does the value reported as “WA Retail Sales, MWh” include all electricity provided by the system to WA state, including any balancing power provided to in-state resources, or only retail sales by the MJRP to WA customers?
- Do the resources included in the calculation of the MJRP emission factor (EF) include all resources contributing to system power, including system power used to provide balancing energy to in-state generators?
- Does the cost allocation method or cost allocation factor account for balancing energy provided to in-state generators separate from costs attributed to WA retail customers?



# Comment Period

Please comment in the chat or raise your hand to be called on.

Please keep your comment to 3 minutes or less.







# Thank you

Send questions to:  
[CCAelectricity@ecy.wa.gov](mailto:CCAelectricity@ecy.wa.gov)

Comment online through December 6  
at 11:59 pm:

<https://ecology.commentinput.com?id=KZc7tHYhu>



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